

CUSTOMER SATISFACTION AND LOYALTY IN THE AIRLINE INDUSTRY: A CASE STUDY OF MALAYSIA AIRLINES (MAS) AND AIRASIA

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ABSTRACT

This case study has been conducted for the purpose of examining the differences of customer satisfaction and customer loyalty between Malaysia Airlines (full service airline) and AirAsia (low cost airline) in Malaysia. 152 usable questionnaires were obtained from respondent at two major airline terminals in Kuala Lumpur. The descriptive data analysis and statistical findings revealed that three dimensions were found to be critical in relation to customer satisfaction and customer loyalty between Malaysia Airlines (full service airline) and AirAsia (low cost airline) in Malaysia. The factors are service quality, price and servicescapes. Generally, respondents gave different levels of satisfaction with service quality provided by AirAsia but AirAsia was perceived better than Malaysia Airlines pricewise. On the other hand, Malaysia Airlines was perceived better in service quality. Meanwhile, both airline consumers accept the servicescapes of both airlines. The paper highlights some of its theoretical and managerial implications of the development of airline industry.

Keywords: *Customer Satisfaction, Loyalty, Service Quality, Price, Servicescapes, Airline Industry*

INTRODUCTION

Customer satisfaction is important because many researchers have shown that customer satisfaction has a positive effect on an organization's profitability. Due to this, the consequences of customer satisfaction and dissatisfaction must be considered properly for up gradation or whatever to achieve optimum productivity. There is also a positive correlation between customer satisfaction, loyalty and retention. Therefore, customer satisfaction, loyalty and retention are all very important for an organization to be successful (Harkiranpal Singh, 2006).

Usha Lenka *et al.* (2009) suggested that better human, technical and tangible aspects of service quality increase customer satisfaction. Customer satisfaction enhances customer loyalty. Human aspects are more important than technical and tangible aspects of service quality that influence customer satisfaction eventually promote and enhance customer loyalty.

According to Hansemark and Albinsson (2004), satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfilment of some need, goal or desire. Customer loyalty, on the other hand, according to Anderson and Jacobsen (2000) is actually the result of an organization creating a benefit for a customer so that they will maintain or increase their purchases from the organization.

Meanwhile, customer satisfaction surveys are typically the single largest tool of marketing research spending, and in many services companies, this is the only systematic market intelligence data gathered (Anderson *et al.*, 2008; Morgan, Anderson, and Mittal, 2004). Customer satisfaction is important to achieve the service satisfaction. The customers' participation and suggestion give its impact on firm revenues.

The world airline industry has gone through a roller coaster ride in the last decade. Among factors contributing to the situations are increasing fuel price, escalating security insurance, rapid deregulation of the industry, as well as natural disaster, ranging from the outbreak of diseases to eruptions of volcanoes that hinder the air travel growth (Kee Mung, Wong and Ghazali, Musa. 2011).

Currently, the domestic airline industry in Malaysia is going through an interesting phase with heads on competition between Malaysia Airlines and AirAsia. According to O'Connell and Williams (2005), Malaysia Airline has been classified as a full service airline meanwhile AirAsia has been classified as a low cost airline.

Malaysia Airlines services on its international and domestic routes across 100 destinations worldwide. Skytarx awarded Malaysia Airline as one of the six airlines that have 5-star rating. Meanwhile, AirAsia is the first low cost airline in this region. It operates on its international and domestic routes across 75 destinations in 21 countries. The Skytarx World

Airline Award, voted AirAsia as one among the three best regional airlines in low cost airline category.

Price is one of the factors that is competitive between these two airlines. AirAsia has been aggressively promoting itself with the tagline of 'Now Everyone Can Fly'. This has challenged the branding position of the long known Malaysia Airlines. Both airlines serve different customer base and offer different service experience. However, this may not necessarily be true in the cases of domestic flights and some short distant international flights, where the service differentiation is rather minimal. Nevertheless, it is expected that the customer satisfaction level for both airlines is different as the customers' perception on full service airlines and low cost airlines are different (O'Connell and Williams, 2005).

As stated earlier, the pricing strategy is the main way to differentiate between the two airlines in Malaysia. However, most airlines are aware that cost cutting may not be the only factor that contributes to an effective strategy. It is also important to differentiate themselves from their competitors by providing quality services that improve customers' satisfaction. Based on previous studies, the airline industry has demonstrated that it is possible to achieve a clear differentiation through service brands (McDonald *et al.*, 2001). Lim Seng Poh and M. Ghazali (2011) examined the branding satisfaction in the airline industry. However, till date service satisfaction in airline industries is not achieved to its zenith. It's an ever expanding phenomenon for theory and practical evaluations.

One of the interesting definitions of satisfactions is everyone knows what a satisfaction is, until asked to give a definition. Then, it seems, nobody knows it (Oliver, 1997). The organization needs to decide whether the consumer is satisfied with their performance or to deliver the maximum level of perceived service quality.

As we know, customers often react strongly to service failure, so it is critical that organizational recovery efforts be equally strong and effective. When service failure occurs, the organization's response to reinforce loyalty or to exacerbate the situation and drive the customer to a competing firm (Amy K. Smith, Ruth N. Bolton and Wagner, J., 1999).

Firstly, having a good feedback from consumers, the organization needs to have a good quality of their service. Feedback from consumers can help the organizations to do some

improvement in their service and make a correct decision to make the consumer satisfaction. However, some feedback from consumers can give a negative effect to the organization. They may use the “word of the mouth” to their close friends and relatives. Some of them do not take a serious view of it while giving the feedback. They criticize the organizational service because they want to make the bad reputation to the organizations.

Moreover, the service quality has either a direct influence on the behavioural intentions of customers or indirect influence on such intension, mediated through customer satisfaction. In the airline industry, the organizations need to take a serious view about the quality. With good quality, they can make the best first impression in the minds of the consumer. They can promote their service by using the media to attract more consumers. Besides that, some of the organizations make only the claims, but no action. They advertise their services but do not follow what they have promised. They bring the service failure to their organizations.

Indeed, there are different aspects of consumer satisfaction in the domestic airline. Fornell (1992) highlights several key benefits of high customer satisfaction for the firm; increased loyalty to current customer, reduce price elasticity, insulation of current customer from competitive efforts and enhance reputations. The organization also needs to focus on service layout or location to achieve the service satisfaction so that, the organizations need to accomplish and take action for achieving the highest customer satisfaction.

The present study of Malaysia Airlines and AirAsia airline services address this limitation with three constructs namely, behavioural intentions, service quality and satisfaction. The study choose to examine the relationship among these constructs in the Malaysia Airline and AirAsia airline because service quality and customer satisfactions have become increasingly important in the airline industry in this region in recent years. This study also examines the importance of service quality, pricing strategy and the servicescapes in the airline service, whether these factors have an effect on the customer satisfaction and customer loyalty.

AIRLINE INDUSTRY IN MALAYSIA

Airline Industry in Malaysia is operated by Malaysia Airlines (MAS) and several small companies. MAS serves in domestic flights and international flights sectors. Air transportation is an efficient means of transportation- quickly, but at a high cost. Sabah and Sarawak have many domestic airports. This is because many settlements are located in remote areas of mountainous townships. Landform factors also discourage land transport to be developed. Air transport can contribute to the economy. The travel time can be shortened and connecting rural areas in Sabah and Sarawak. Air transportation also can promote international trade and promote the tourism industry indirectly.

Airline Industry in Malaysia is also operated by a number of low cost air services such as AirAsia, Pelangi Air and Water Sabah. AirAsia offers passenger transport services cheaper than MAS with the tagline "Now Everyone Can Fly". This ad-campaign was well received and made AirAsia to increase frequency of flights. For example, from the airport Labuan, from the frequency of two flights per week increased to daily flights. This is a positive development of the country's aviation system.

AirAsia Airline, offer the lowest fare in the market first, later the prices rise as departure dates draw closer and the seats are sold likewise. The general policy would seem to be to sell a number of seats at the lowest fare and then increase the price. The price rises are increased above the normal level or fewer seats are offered at each price bracket or combinations of both; these strategies of sales on a particular flight are deemed for seats being taken up too quickly.

LITERATURE REVIEW

Traditionally, service quality has been conceptualized as the difference between customer expectations regarding the services to be received and perceptions of services received (Grönroos, 2001; Parasuraman, Zeithaml and Berry, 1988). In several studies made beforehand, the quality of service has been referred as the extent to which services meet customer needs or expectations (Lewis and Mitchell, 1990; Dotchin and Oakland, 1994). It is also conceptualized as a reflection of the overall consumption of inferiority or superiority of services (Zeithaml, Berry and Parasuraman, 1990). Service quality has a

significant impact on business performance, lower cost, customer satisfaction and loyalty, and profitability in an organization. (Leonard and Sasser, 1982; Cronin and Taylor, 1992; Gammie, 1992; Hallowell, 1996; Chang and Chen, 1998; Gummesson, 1998; Lasser *et al.*, 2000; Silvestro and Cross, 2000; Newman, 2001; Sureshchander *et al.*, 2002; Guru, 2003 etc.). In the aviation industry, service quality related to customer satisfaction and profits have higher relation. (Heskett *et al.*, 1994).

Service quality is very important to the organization because customers can make some comparison between good or bad service providers because the service quality and delivery are obvious (Park, Roberson, and Wu, (2004). Therefore, it was important for an airline organization to develop the service focusing on customers by making some effort to understand the customer's expectation. Often researchers use SERVQUAL to measure the service quality, especially the airline industry. This had been approved on Fick and Ritchie, (1991); Sultan and Simpson, (2000) in their research that the airlines still need to improve on the other aspects of Tangibles, Assurance, Reliability and Empathy. The SERVQUAL instrument has been used by several researches to measure airline service quality. Meanwhile, in Gour C. Saha, Theingi (2009) studies, they identified other multi-dimensional constructs of airline service quality. Zagat, in his study related to an aviation firm which provided airline services on the basis of five criteria; overall performance, comfort, service, food and web site (Rhodes, 2006). To cite one more example is that the US Department of Transportation (DOT) also utilizes a multidimensional conception of service quality in its regular reports on airline service quality, which provide data on the following operational measures: flight delays, mishandled baggage, oversold flights and consumer complaints.

Customer satisfaction is a well known and established concept in several areas like marketing, consumer research, ergonomics, welfare-economics, and economics. (Mohammad Muzahid Akbar and Noorjahan Parvez (2009) although satisfaction has been defined as the difference between expectation and performance, but there are differences between quality and satisfaction., Parasuraman *et al.* (1991) said that satisfaction is a decision made after experience while quality is not the same. On the other hand, in satisfaction literature, "expectation for goods" is a likely condition, whereas in service quality, "expectations for goods" is a mandatory condition. Bitner & Zeithaml (2003) stated that satisfaction is the customers' evaluation of a product or service in terms of whether that

product or service has met their needs and expectations. According to Boselie, Hesselink, and Wiele (2002) satisfaction is a positive, affective state resulting from the appraisal of all aspects of a party's working relationship with another. In order to achieve customer satisfaction, La Barbera and Mazursky (1983) said that organizations must be able to satisfy their customers' needs and wants. Customers' needs state the felt deprivations of a customer (Kotler, 2000).

Indeed, customer satisfaction can be measured by using a customer satisfaction rating (CSR) is often obtained through a questionnaire called customer satisfaction survey (CSS). This method, however, suffers from the drawback of customers likely being emotionally influenced while filling out these questionnaires (Murali Chemuturi, 2011). Moreover, Westbrook (1980) suggested that future research, propose a multi - item scale for measuring customer satisfaction, lowering measurement errors and improving the scale reliability at the same time. Ashish Bhave, (2002) stated that it can be assessed by using various methods such as Periodic Contract Reviews, Market research, Telephonic Interviews, Personal Visits, Warranty Records, Informal Discussions and Satisfaction Surveys. It depends on the customer base and available resource to choose the most effective method in measuring the customers' satisfaction.

Scanning over a decade, there has been a heightened emphasis on service quality and customer satisfaction in business and academia alike. Sureshchandar *et al*, (2003) identified that strong relationships exist between service quality and customer satisfaction while emphasizing that these two are conceptually distinct constructs from the customers' point of view. Spreng and Mackoy (1996) also showed that service quality leads to customer satisfaction while working on the model developed by Oliver (1997). In a recent study conducted by Ribbink *et.al* (2004) revealed that this relationship also exists in the e-commerce industry.

As identified by the researchers that customer loyalty as a construct is comprised of both customers' attitudes and behaviours. Customers' attitudinal component represents notions like repurchase intention or purchasing additional products or services from the same company, the willingness of recommending the company to others, demonstration of such commitment to the company by exhibiting a resistance to switching to another competitor (Cronin & Taylor, 1992; Narayandas, 1996; Prus & Brandt, 1995), and willingness to

pay a price premium (Zeithaml, Berry, & Parasuraman, 1996). On the other hand, the behavioural component of customer loyalty represents acts such as repeat purchase of products or services that include purchasing more and different products or services from the same company, recommending the company to others, and reflecting a long-term choice probability for the brand etc., (Feick, Lee, & Lee, 2001). It can be concluded that customer loyalty expresses an intended behaviour related to the product or service or service or to the company. Pearson (1996) has defined customer loyalty as the mindset of the customers who hold favourable attitudes toward a company, commit to repurchase the company's product/service, and recommend the product/service to others. In various studies the relationship between service quality and customer preference, loyalty had been examined (Boulding, Kalra, Stalin, & Zeithaml, 1993 and Cronin & Taylor, 1992). In their study Cronin and Taylor (1992) focused solely on repurchase intentions, whereas Boulding *et al.* (1993) focused on the elements of repurchasing as well as the willingness to recommend. In the study by Cronin and Taylor service quality did not appear to have a significant (positive) effect to repurchase intentions (in contrast to the significant positive impact of satisfaction on repurchase intention), whereas Boulding *et al.* (1993) found positive relationships between service quality and repurchase intentions and willingness to recommend.

Several authors have found a positive correlation between customer satisfaction and loyalty (Anderson & Sullivan, 1993; Bolton & Drew, 1991; Fornell, 1992). Numerous studies in the service sector have also empirically validated the link between satisfaction and behavioural intentions, such as customer retention and word of mouth (Anderson & Sullivan, 1993; Bansal & Taylor, 1999; Cronin & Taylor, 2000). Hart and Johnson (1999) have added that one of the conditions of true customer loyalty is total satisfaction. According to Coyne (1989), there are two critical thresholds that affect the relationship between satisfaction and loyalty. On the high end, when satisfaction reaches a certain level, loyalty increases dramatically at the same time, when satisfaction fell to a certain point, loyalty falls as dramatically (Oliva, Oliver & MacMillan, 1992).

Many studies have analysed low-cost businesses, highlighting the keys to lower costs (Alamdari and Fagan, 2005; Doganis, 2006; Franke, 2004), and the role played by entrepreneurship (Cassia *et al.*, 2006). Revenue analysis is an important element that has been less studied. Indeed, the generation of revenues is one distinctive aspect differentiating

low-cost from full-cost airline policies. Piga and Filippi (2002) have analysed the pricing policies of the low-cost business model in comparison with the pricing strategies of the full-cost airlines. Coherent choices seem to be essential in pricing policies as well. For instance, the widespread use of the Internet for the sale of tickets tends to decrease price dispersion. This phenomenon may in part be attributed to the efficiency of electronic markets, as defined by Smith *et al.*, (2000).

Price is one factor that has been in competition with these two airlines. AirAsia has aggressively promoted itself with the slogan "Now Everyone Can Fly". This was a challenging position known term branding of Malaysia Airlines. Both airlines serving different customer base and offer the experience of different services. However, this is not necessarily true in the case of domestic flights and international flights are much shorter, the difference is rather minimal services. However, it is expected that the level of customer satisfaction for both airlines are different regarding the perceptions of customers' with respect to full service airlines and low cost airline (O'Connell and Williams, 2005).

Price is the weapon of choice for many low-cost airlines in competition for market share. The regional pricing strategy of low cost airlines is to issue free tickets to boost the market and compete in the ticket price. It has been assumed to be an effective strategy to influence customer buying decisions (Lim Seng Poh and Mohd Ghazali Mohayidin, 2011).

Keith J Mason, (2011) investigated that the low cost carriers have both growth and penetrated in these market, especially garnering the consumer perception on the low fares offered. By extensive advertising and effective use of public relations, this perception has been developed into a proven strategy. For example, in the recent Keith J Mason (2011) research, it is not surprising if there is great media coverage of these carriers, which in turn generates more interest in the services because Ryan air has offered fares as low as one penny(plus taxes).Both Ryan air and EasyJet have been very effective in using media coverage of their legal wrangles with traditional carriers such as British Airways and Lufthansa to promote their services and lower fares.

Most consumers are checking the price and more likely to purchase straight away because they are confident that no lower price will appear later. The consumer also needs to buy two way ticket if they want a return ticket because the airline only sell tickets for one-way ticket.

The advantage of this for passengers is that they can book short stay trips without having to pay flexible return ticket prices.

Service layout requirements are somewhat different from manufacturing, but the same terminology is used. In both services and manufacturing, we find the fixed- position layout, process layout, and product, or in this case, service-based layout. In service layout there are two elements which are servicecapes and e-servicecapes. Servicecapes include all physical elements in venues of service providers such as lighting, signage, textures, materials, upholstery, colour, music, fragrances, and temperature of the environment contributed to create the servicescape (Namasivayam and Lin, 2008). Meanwhile, e-servicecapes are the website which facilitates the customers' purchase experiences. Both elements have an important effect on customers' mood states and helps consumer's booking and buying.

E-commerce shares ultimately many service characteristics irrespective of offering products or services (Williams and Dargel, 2004). The atmosphere on a website facilitates customers' purchase experiences and is likely to influence customer feelings toward an organization (Mummalaneni, 2005). When sales or service encounters occur through the website, the e-servicescape may become particularly critical because it is the key factor representing the organization to customers (Rafaeli & Pratt, 2005). The internet allows customers a convenient way to explore a broader range of products and product attributes, and provides customers with chances to compare features of a product/service and prices on multiple websites (Williams & Dargel, 2004).

A study of virtual servicescape was conducted to examine the impacts of aesthetics and professionalism on customer feelings of pleasantness, satisfaction, and approach toward service interaction of a service organization (Vilnai-Yavets & Rafaeli, 2006). It was found that aesthetic aspects were influential on customers' feelings of pleasantness, satisfaction, and approach toward service interactions, as well as professionalism which influences customer satisfaction. Williams and Dargel (2004) discussed intangible benefits of interactions with the Website as offerings of the cyberspace, such as saved time, convenience, and a reduced risk of customer dissatisfaction due to adequately provided information. The researchers also discussed how the internet minimizes the risk of customers' post purchase dissatisfaction, since it enables customers to enhance their own search and evaluation capabilities.

Moreover, it allows them to achieve this search and evaluation beyond traditional distribution channels and physical environments, designed and planned to manipulate internal cognitive and emotional responses (Williams and Dargel, 2004).

DESIGN AND RESEARCH METHOD

Population

Kuala Lumpur was selected as the study place for its suitability in relation to the limited resource and time. This capital city is one of the metropolises of Malaysia. It has a number of airlines, as well as the confluence of all levels of social strata in Malaysia. It was expected that customers were interested to use the airline service rather than other transportations that might take longer time to reach the destinations. To access the respondents of this study, the questionnaires were distributed to the respondents by hand personally. Confidentiality was assured by encouraging the respondent to return back the questionnaire directly. The questionnaires were distributed to all categories of customer that were met in the KLIA and LCCT. As soon as the respondents had completed the questionnaires, they were collected personally. The data were collected from customers who were using the airline service. The complete set of data was collected over a period of seven weeks.

Research Design

In order to conduct this study an exploratory approach was initially designed to obtain information on issues related to customer satisfaction and loyalty. Soon after identifying the variables related to customer satisfaction and customer loyalty factors, the study adopted descriptive study design, since the study was focused on fact-finding methodology. Hence the descriptive study design was finalized.

Sampling

The respondents of the sample were the customers of Malaysia Airline and AirAsia users. Those were the customers that had been experienced in using the both Malaysia Airline and AirAsia or either one of them. A convenience sampling was done for the sampling

purposes, as this method of sampling was considered as an easier, faster, and most efficient way to collect the information that were needed.

Questionnaire Design

For services quality, a questionnaire was used to collect data for analysis and the items of the questionnaire were adapted from M. M. Bozorgi (2006). Another questionnaire elicited information about customer satisfaction, customer loyalty, price and servicescapes and the factors such as: ease of use of the online booking, security and safety, airport service, normative beliefs and attitude. A three page questionnaire was used as the research instrument. Zikmund (2000) described that the questionnaire designed might keep the respondents' identity as secrecy. Especially in this study also the respondents were not asked to write their names on the questionnaire. In this study, a Likert type scale was used where the respondents could check the statements regarding their attitudes and intention on how strongly they agree or disagree. An open-ended questionnaire, a structure questionnaire and focus group sessions were used to explore the different factors to relate ease of use of the online booking, security and safety, airport service, normative beliefs and attitude that influence customers' intention towards airline service.

Data Collection

A total of 200 questionnaires were distributed among randomly selected respondents. 100 each questionnaire were separately distributed for the two airlines at the selected sites KLIA and LCCT vide 100 questionnaires for Malaysia Airlines (MAS) users and 100 questionnaires for AirAsia users respectively. However, only 76 questionnaires for Malaysia Airlines and 83 questionnaires for AirAsia Airline were returned by the respondent of which only 76 of total questionnaires distributed among AirAsia users were satisfactorily completed and tested for correctness of data. Statistical Packages for Social Sciences (SPSS) software was used for statistical analysis of collected data.

CASE STUDY FINDINGS

After the data were collected, the data analysis was done. In this research only the complete data were analysed to ensure the accuracy of the analysis. The data were analysed statistically with SPSS Version 11. The data were analysed with statistical tools such as the

frequency or the distribution of the respondents, reliability analysis and factor analysis, descriptive analysis and regressions to get the best results of this research.

Demographic characteristics of respondents

Out of 152 respondents, there were more female than male respondent. For Malaysia Airlines the results show that 56.6% of the respondents were females and the remaining 43.4% were males. Meanwhile, AirAsia results show that 59.2 % of the respondents were females and the remaining 40.8% were males. Higher response rates from female had been observed on several recent studies in Malaysia such as Ahmad and Juhdi (2008), Sulaiman *et al.* (2008), and Zailani *et al.*, (2008). In this study too the same aspect was recorded and noted.

Table 1: Demographic characteristics of respondents

Variable	Categories	Frequency		Percentages %	
		MAS	AirAsia	MAS	AirAsia
Gender	Male	33	31	43.4	40.8
	Female	43	45	56.6	59.2
Age	17 – 26	46	49	60.5	64.5
	27 – 36	15	18	19.7	23.7
	37 – 46	12	7	15.8	9.2
	Above 47 years old	3	2	3.9	2.6
Ethnicity	Malay	31	29	40.8	38.2
	Chinese	38	41	50.0	53.9
	Indian	3	3	3.9	3.9
	Others	4	3	5.3	3.9
Income level	Below RM 500	11	14	14.5	18.4
	RM 501 – RM1500	26	30	34.2	39.5
	RM1501 – RM2500	29	23	38.2	30.3
	Above RM2501	10	9	13.2	11.8

The majority of respondents who used both airlines were aged 17-26 years old, 60.5% for MAS and 64.5% for AirAsia. Meanwhile, 19.7 (15) and 23.7 (18) were aged between 27–36 years old and 12% (12) and 9.2% (7) were between age 37–46 years old for MAS and AirAsia Airline. The minority of respondents who used both airlines were above 47 years old, 3.9% (3) for MAS and 2.6% (2) for AirAsia. In short, most travelers in both

airlines were young and well educated which supports other research findings such as Atalik (2009), Juwaheer (2004), Saha and Theingi (2009), Tiernan *et al.* (2008), and Wen and Yeh (2010). Based on a recent research by K.M Wong and G. Musa (2011) the majority of respondents were Chinese and this was followed by Malay and Indian. Total races for both airlines were Chinese with 50% for MAS and 53.9 for AirAsia. Meanwhile, 40.8% (31) and 38.2 % (29) were Malay, same percentages 3.9 % (3) were Indian and lastly 5.3% (4) and 3.9% (3) were other. As for the income level, for MAS the greater number of respondents were drawing RM1501–RM2501 (38.2%) while the same that of AirAsia was RM501–RM1500 (39.5%). In MAS, there were 34.2% (26) respondents were drawing from RM501–RM1500 whereas the AirAsia respondents income level were 30.3% (23) and they were from RM1501–RM2500 income group. A lower percentage 14.5% (11) and 18.4% (14) were drawing below RM500 respectively among MAS and AirAsia users. The lowest numbers of the respondents were 13.2% (10) for MAS and 11.8% (9) for AirAsia who were drawing a monthly income above RM 2501.

Reliability Analysis

The results shown in Table 2 were the Cronbach Alpha for corresponding items of each dependent variable, namely Service Quality, Price, Servicescapes, Customer Satisfaction and Customer Loyalty. The Cronbach's coefficient alpha values for all factor in MAS that ranged from 0.708 to 0.933. Meanwhile, the Cronbach's coefficient alpha values for all factors in AirAsia Airline that ranged from 0.779 to 0.904.

Table 2: Results of Reliability Test

Variable	Number of Items	Cronbach Alpha
INDEPENDENT VARIABLE		
<u>Service Quality</u>	26	
Malaysia Airlines		0.933
AirAsia Airline		0.890
<u>Price</u>	8	
Malaysia Airlines		0.881
AirAsia Airline		0.779
<u>Services capes</u>	19	
Malaysia Airlines		0.708
AirAsia Airline		0.904
DEPENDENT VARIABLE		
<u>Customers Satisfaction and Customer Loyalty</u>	6	
Malaysia Airlines		0.842
AirAsia Airline		0.833

Both ranges indicated good inter-item consistency for each factor. Essentially, this means that respondents who tended to select high scores for one item also tended to select high scores for the others; similarly, respondents who selected low scores for one item tended to select low scores for the other variable. Thus, knowing the score for one variable item would enable one to predict with some accuracy of the possible scores for the other two variable items. If alpha value had been low, this ability to predict scores from one item would not be possible.

Sekaran (1992) explained that the reliability of quantification is established by testing the consistency and stability of data collected. Consistency of data shows the degree of an item independently measured of a concept. Reliability analysis was used to measure the goodness of data. This is to ensure that all items used in each variable are free from error and thus, providing consistent results. Cronbach's alpha values were the assurance for that. According to statistical manuals alpha values above 0.8 is considered to be good, whereas range of 0.70 is considered to be acceptable.

As shown in Table 2, the researcher obtained an alpha value 0.933 and 0.890 for the independent variable service quality for MAS and AirAsia Airline respectively. It means that all twenty six (26) items asked to the respondents about the service quality, could be considered having a high reliability value. For the independent variable price satisfaction, alpha value of 0.811 (MAS) and 0.799 (AirAsia), implies that all eight (8) items asked about the price satisfaction considered to have a high reliability value. For the independent variable servicescapes, the alpha values were 0.708 (MAS) and 0.904 (AirAsia) respectively. That means all nineteen (19) items responded by the respondents about the servicescapes relationship considered to have a high reliability value. Lastly, for the dependent variable, Customers Satisfaction and Customer Loyalty, there were six (6) items that were asked to the respondents. The alpha value for that were 0.842 (MAS) and 0.833 (AirAsia) respectively. The overall alpha values were considered as acceptable ones. Hence the data and tool were held high reliable.

Descriptive Analysis of All Variables

The fundamental descriptive statistics, which include the mean and standard deviation for the independent and dependent variables were tabulated in Table 3.

Table 3: Descriptive Analysis

Factors	Mean		Standard Deviation	
	MAS	AIR ASIA	MAS	AIR ASIA
<u>AIRLINE</u>				
Services Quality	3.8551	3.5749	0.52039	0.44866
Price	3.1574	3.4457	0.69652	0.64431
Servicescapes	3.9889	3.5935	0.54087	0.53850
Customers Satisfaction And Customer Loyalty	3.9846	3.6864	0.55255	0.60612

Table 3 shows that the means of all variables fall 3.1574 to 3.9889 for MAS meanwhile 3.4457 to 3.6864 for AirAsia. The mean and standard deviation for independent variable measures which are Service Quality, Price Satisfaction and Servicescapes for MAS were 3.8551, 3.1574, and 3.9889. While for AirAsia the mean and standard deviation for independent variables were 3.5749, 3.4457 and 3.5935. For dependent variables, Customers Satisfaction and Customer Loyalty had means of 3.9846 (MAS), 3.6864 (AirAsia) and standard deviation of MAS (0.55255) and AirAsia (0.60612). This implies that MAS is

superior in term of service quality compared to AirAsia. The study also shows that AirAsia is better in term of price as a low cost carrier compared to its MAS counterpart. However, MAS is perceived as better airline in term of other services such as servicescapes unlike AirAsia which emphasis more on in reducing cost. The overall result of customers satisfaction and customer loyalty indicate that MAS's customer is more satisfied and loyal compared to AirAsia.

Assumption of multi co-linearity

Note the VIF number under the box titled co-linearity statistics. VIF stands for variance inflation factor. The rule-of-thumb is that the number should be less than 10. If it is greater than 10, that means the independent variables are highly correlated with one another. As a result, remove that variable with the large VIF from the analysis and perform a new regression.

Table 4: Multi co-linearity assumption

	Co-linearity Statistics			
Airline	MAS		AirAsia	
Model	Tolerance	VIF	Tolerance	VIF
Service Quality	0.748	1.337	0.307	3.261
Price	0.948	1.055	0.753	1.327
Servicescapes	0.767	1.304	0.322	3.103

For both airlines, there was no multi collinearity with all independent variables (all the values were less than 10).

Regression Analysis

Table 5: Results of Regression Analysis

Variables	Beta		T-Ratio		Sig. t	
	MAS	AIR ASIA	MAS	AIR ASIA	MAS	AIR ASIA
Services Quality	0.282	0.533	2.885	3.817	0.326	0.000***
Price	0.138	0.135	1.586	1.519	0.005***	0.133
Services Capes	0.500	0.170	5.177	1.245	0.117	0.217
	MAS			AIR ASIA		
R square	0.484			0.570		
Durbin- Watson	1.681			2.517		
F	22.530			31.836		
Sig. F	0.000			0.000		
Condition index	22.794			35.937		

Table 6: The significant of the coefficient estimate in the model (MAS and AirAsia)

Variable	Relationship between independent variable and dependent variable		
Service Quality	(+)	Service quality	Customer satisfaction and loyalty
Price Strategy	(+)	Price strategy	Customer satisfaction and loyalty
Servicescapes	(+)	Servicescapes	Customer satisfaction and loyalty

In the case of Malaysia Airline service quality, price and servicescapes could only be explained 48.4% (R square = 0.484) variation of customer satisfaction and customer loyalty.

Meanwhile, services quality, price and servicescapes could only be explained 57% (R square = 0.570) variation of customer satisfaction and customer loyalty. Durbin Watson values fell within the acceptable range with the values 1.681 (MAS) and 2.517

(AirAsia), therefore there were no auto correlation problem with the data. This study were normally distributed and F-value was found to be significant at 1% significance level (sig. $F = 0.000$). This concludes that the regression model used in this study was adequate or in other words, the model was fit. Based on the regression analysis done to determine the customer satisfaction and customer loyalty in the airline industry, the result indicates that the coefficient of service quality was positively correlated but no significant effect on Malaysia Airlines (sig. $t = 0.326$) and has a significant effect on AirAsia Airline (sig. $t = 0.000$) on customer satisfaction and loyalty. This could be explained by the service provided by both airlines. Implied, the consumers would not use Malaysia Airline service, if they had bad service, because the price was expensive. Meanwhile, consumer would stay to use the AirAsia airline even though the MAS service better than AirAsia airline because AirAsia airline have most effective service quality than MAS. In other words, Malaysian Airlines was perceived better in tangibles, core service, reputation, and staffing of employees, but not effective (Wong and Musa, 2011).

The Hypothesis H_1^1 and H_1^2 which stated there was a significant relationship between service quality, customers' satisfaction and customer loyalty in MAS was substantiate while AirAsia was not substantiate.

For MAS, the regression analysis result also indicates that the relationship between price as independent variable and customer satisfaction and customer loyalty as the dependent variable was positively correlated and had a significant effect (sig. $t = 0.005$). Pricing strategy was the major way to differentiate between the two airlines in Malaysia.

Therefore hypothesis H_2^1 that price has an impact on customer satisfaction and customer loyalty was supported. Meanwhile, AirAsia regression analysis indicated that price did not have significant effect to (sig. $t = 0.133$) customer satisfaction and customer loyalty. Therefore hypothesis H_2^2 that price had an impact on customer satisfaction and customer loyalty was not supported. McDonald *et al.*, (2001) stated that most airlines are aware that cost cutting may not be the only factor that contributes to an effective strategy. It is also important to differentiate themselves from their competitors by providing quality services that improve customers' satisfaction. Based on previous studies, the airline industry has demonstrated that it is possible to achieve a clear differentiation through service brands. This shows that the customers still used airlines not because of the price offered. A

higher perception means were obtained for AirAsia compared to MAS on price. This result is consistent with the study done by Wong and Musa (2011).

The result stated that the coefficient estimate of servicescapes positively correlated and no significant effect on both airlines (sig. $t = 0.117$ and 0.217) with customer satisfaction and customer loyalty. Servicescapes do not play a role in influencing customer to leave or continued to use both airlines. Therefore hypothesis H_3^1 and H_3^2 had no impact on customer satisfaction and customer loyalty.

DISCUSSION

Hypothesis H_1^2 examined the relationship between customers' perceived service quality and customer satisfaction and customer loyalty in AirAsia Airline and this hypothesis was accepted. Meanwhile, hypothesis H_1^1 examined the relationship between customers' perceived service quality and customer satisfaction and customer loyalty in Malaysia Airlines and these hypotheses was not accepted. According to O'Connell and Williams (2005) and Pitt and Brown (2001) research, higher expectation was expected on Malaysia Airlines on the core service, reputation, and staffing of employees as what had been expected in the classification as a full service airline. The lower level of expectation was the expectation on AirAsia on the core service, reputation, and staffing of employees as what had been expected in the classification as a low cost carrier service airline but for AirAsia had good efficiency service quality than Malaysia Airlines.

The price strategy relationship with customer satisfaction and customers' loyalty in Malaysia Airlines was significant so the consumers looked forward to use this tool if the price was satisfactory whereas the price relationship with customer satisfaction and customers' loyalty in AirAsia was not significant. Hypothesis H_2^1 examined prices has relationship with customer satisfaction and customer loyalty and it was accepted, but the hypothesis H_2^2 was not accepted. This shows consumer used AirAsia because of its lower prices while consumers avoided using Malaysia Airlines because of their expensive price. Malaysia Airlines had the intention of driving AirAsia out from the industry and to obtain market dominance (McGee, 1958 and Gundlach, 1995). Priced its product below variable cost and tried to recoup the losses once AirAsia exits the market. However, respondents had their ways of higher expectations for the price compared between AirAsia and Malaysia Airlines.

Previous studies on low cost airline shows that the price is seen as a key marketing strategy in capturing the attention of the market (O'Connell and Williams, 2005; Saha and Theingi, 2009; Tiernan et al, 2008; Wen and Yeh, 2010). Also the study by Pitt and Brown (2001) suggests that low cost airlines are expected to have lower fares than full service airlines due to the design of cheaper products. The study on the perception of high prices is similar to the findings of Wen and Yeh (2010). Jetstar Asia Airways is a low cost airline has positioned itself as a leader in price and achieves greater satisfaction in this dimension. Widespread perception about Malaysia Airlines and AirAsia when acknowledged is that it represents a low cost (O'Connell and Williams, 2005).

Hypotheses H_3^1 and H_3^2 examined the relationship between servicescapes and customer satisfaction and customer loyalty were not accepted. This is because most of Malaysian consumers managed to go to the seller place if they want to use the service. They don't have any option to choose servicescapes they want. For example, to take the case of AirAsia, they do not provide comfortable seats in flights, but still the consumers using this airline. A servicescape is crucial in service organizations because customer usually encounters servicescapes prior to his/her interactions with a service provider (Namasivayam and Mattila, 2007). In their study, Namasivayam and Mattila investigated whether servicescapes have an important effect on customers' mood states. Same as Malaysia Airlines, they don't have a high possibility of booking and buying a ticket through the internet, but the customers are still able to do booking and buying tickets manually. Sales or service encounters occur through the website, the e-servicescapes may become particularly critical because it is the key factor representing the organization to customers (Rafaeli & Pratt, 2005). The internet allows customers a convenient way to explore a broader range of products and product attributes, and provides customers with chances to compare features of a product/service and prices on multiple websites (Williams & Dargel, 2004).

The result of the present study showed that it was important for the both airlines to be aware of the service quality and price that have influence on customer satisfaction and customer loyalty. Both airlines need to make advertising to promote their product and attract consumer with their strength. Kumar *et al.*, (2009) indicated that sales can be improved through proper marketing strategies or proper marketing resources allocation (Wen and Yeh, 2010). But Parasuraman *et al.*, (1985) warned that an organization should not over-promise its customers as it may result in higher expectation, thus making satisfaction more

difficult to achieve. Both airlines should maintain their service quality and price concepts that received the highest perception. Management innovations such as customers' self selection of pricing levels, dynamic demand scheduling, and wireless services on air may further enhance airline's competitiveness as highlighted in recent airlines studies by Atalik (2009) and Kumar *et al.*, (2009).

The present study has its limitations too, because the results depend on sampling method which only drew sample only from Malaysia and respondents were Malaysian. There are international services which consist the respondents non Malaysian and foreigners. Indeed, the present study only focused on two main terminals in Kuala Lumpur whereas there are other airline terminals such as Penang International airport. Moreover, time constraint was another limitation of the present study.

CONCLUSION

In conclusion, this study had succeeded in exploring the service satisfaction using two of the best airlines in the world (Malaysian Airlines and AirAsia). Future study could usefully further refine the measurement items of these dimensions using other airlines as case studies. Despite overall dissatisfaction recorded by the passengers of both airlines, the information of the detailed service satisfaction dimension scores could be used by both airlines in their efforts to develop new services, improve management, servicecapes and operations as well as the price offered.

Concerning the recommendations for future research, the researcher likes to suggest that all the limitation of the present study, as stated above should be overcome. Future study may want to develop a better model and expand their population. Indeed, future research will have to include the consumers who use other peripheral airports in Malaysia including those in Sabah and Sarawak.

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