

Consumers' Choice and Decision towards Low Cost Airline in the Upper South provinces of Thailand

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Abstract

This article aimed to display the idea of examines the factors affecting the consumers' choice and decision towards low-cost airlines in the Upper South provinces of Thailand. These routes are the focus of the article because of high competition and high service demands. The framework is based on synthesis of previous studies on consumer decisions toward airlines. This paper will discuss about factors influencing decision-making and their relationships to airline trends, using the Thai domestic market as an example. The secondary review will be illustrated factors to measure attitudes about pre-flight, in-flight and post-flight service and their effect on service quality perceptions and consumer behaviors in the future study.

Keywords: Consumer, Low-cost Airline

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Background

In today's customer-oriented world, technological innovations are focused on meeting customer needs and providing customer satisfaction. Air transportation is one of the services that has exploded in demand in recent years, because of its convenience and efficiency, even if it is more expensive than other means of transport. From 310.4 million passenger trips a year in 1970, today's air passenger traffic has grown to 3.7 billion trips as of 2016 (International Civil Aviation Organization, 2018a). Since 2005, air traffic demand has grown on average 6% per year. Air transportation is associated with economic and social development and facilitates tourism and exchange of culture and knowledge by facilitating travel between different countries. In Thailand, the effect of air transportation on tourism is particularly important because tourism is a major contributor to Thailand's economy (Chinnawong-amorn, 2016). Particularly in the Upper South provinces of Thailand and the Southern Andaman region (Surat Thani,

Nakhon Si Thammarat, Chumporn, Phatthalung, Phuket, Phang Nga, Krabi, Ranong, and Trang), where tourism has been growing in recent years by as much as 10% annually. In 2014, the Southern provinces has been positioning as one of the major regional centers of tourism in the Greater Mekong Sub-region.

Diversification and growth of the air transportation industry has resulted in four distinct business models for airlines. These include full service carriers, low-cost carriers, and charter airlines, which focus on passenger traffic, and cargo airlines. Some carriers operate as hybrid airlines, for example blending characteristics of full-service and low-cost carriers or full-service and cargo airlines. Full-service carriers typically operate in a limited geographic area, using a hub-and-spoke network of destinations, providing multi-class service, and offering auxiliary pre-flight and in-flight services such as food and drink service and lounge access. On the other hands, the low-cost carriers typically use direct routes between

secondary destinations (such as smaller airports or cities), single-class service, and bare-bones service supplemented by paid premium services (for example, buy-on-board food and drink and baggage charges) (Odoni, 2015a).

The low-cost carrier model has developed much more recently because of deregulation and expansion in the industry (Odoni, 2015b; Zhang et al., 2008). Today, there are low-cost carriers operating on every continent, mainly offering domestic and regional services. The most recent figures available from the ICAO indicate that as of 2015, approximately 28% of the global scheduled passenger traffic, or about 984 million passengers, was on low-cost carriers. This is expected to nearly double by 2030 (International Civil Aviation Organization, 2018b).

However, the low-cost carrier business model does mean that passengers receive a more basic service level than the much more expensive full-service carriers (Saha and Theingi, 2009a). Previous researches suggested that service

quality is not necessarily an issue for low-cost carriers, except in basic functional services such as safety and security (Fourie and Lubbe, 2006a; Kim and Lee, 2011a). Instead, these studies have revealed, customers that choose low-cost carriers are mainly driven by price sensitivity – they seek the lowest-cost transportation route, regardless of service or comfort levels or other concerns such as schedule or precise destination (Fourie and Lubbe, 2006b; Kim and Lee, 2011b). These studies were conducted in an earlier era of passenger air transport, when there was often only a single low-cost carrier operating in many destinations (Odoni, 2015c). With a rapid expansion of low-cost carriers, the opportunities for any given airline to maintain its cost leadership are limited; only one service provider can be the absolute cost leader. As such, low-cost carriers must differentiate themselves from competitors based on other characteristics (Porter, 1985a). This secondary research examines the differentiation of low-cost carriers serving the Upper Southern provinces of Thailand based on perceived service

quality, which has previously been largely disregarded as the basis for selection of low-cost carriers.

Low-cost Carriers in the Upper South Provinces of Thailand

The major airports of the Upper South provinces are the Nakhon Si Thammarat Airport (serving Nakhon Si Thammarat Province), Surat Thani Airport (serving Surat Thani Province), and Chumphon Airport (serving Chumphon Provinc). Low-cost carriers that operate in these airports are Nok Air, Thai AirAsia, Thai Lion Air, and Thai Smile Airline. These regions are primarily served by low-cost carriers, with few full-service carriers offering service to these airports than a few Thai Airways flights to and from Bangkok. As such, there is the significant growth of domestic traffic from 2015 – 2017. These airports were selected in this study because they represent a compact region with similar passengers, handle primarily domestic traffic, and have shown a range of performances over the past few years.

The Low-Cost Carrier's Service

The low-cost carriers serving in the Upper South provinces have both domestic carriers (Nok Air and Thai Smile) and regional carriers (Thai AirAsia and Thai Lion Air). These carriers, whose prices are broadly consistent and already highly efficient, offer different service levels in an attempt to increase their passenger traffic. For example, Nok Air and Thai Lion Air have a frequent flier program and a complementary food and beverage service in flight. But only Thai Lion Air offers a single checked bag (up to 10 kilograms) for free. Thus, these airlines are competing on more than price, which is consistent with the maturation of the low-cost carrier industry and increasing demand. This type of competition is a relatively new evolution in the low-cost carrier segment, which has historically competed only on a cost leadership basis (Odoni, 2015d). Previous studies have suggested that low-cost passengers are not strongly influenced by service quality factors, but instead have a strong price sensitivity and preference for the least expensive

carrier (Azmi et al., 2010; Baker 2013a; O'Connell and Williams 2005; Saha and Theingi 2009b; Yang et al., 2012). This does not necessarily mean that low-cost carriers do not provide quality. In fact, one comparative study showed that low-cost carriers frequently provided service quality levels higher than that of traditional full-service carriers (Baker, 2013b). This research hence reviews the new landscape of low-cost carriers by examining the customer behavior of residents of a specific region (the Upper South) who have limited access to airline traffic, mainly from multiple low-cost carriers.

Related Studies in Consumer Behavior and Motivation in Relation to Decision-Making on Airline Selection

Consumer behavior refers to the cognitions and actions of individuals before, during, and after the choice of consumer products and/or services to meet their needs (Lantos, 2015a). Common types of consumer behavior include evaluation of alternative products or services,

purchase decisions, use and disposal of the product or service, and post-purchase evaluation of the product or service (Lantos, 2015b). This research is mainly concerned with the purchase decision, specifically with the choice of a low-cost carrier. Purchase decisions are commonly modeled as the outcome of a process of need recognition, information search for alternatives, and evaluation of those alternatives based on their suitability for the consumer's specific needs. The consumer purchase decision may be based on internal factors (including motivations, attitudes, beliefs, and past experience), consumer needs and preferences (for example, specific travel dates or times), and external stimuli (like marketing information) (Kotler and Armstrong, 2010). Some of the motivations and factors that may influence airline choice include when and where they are traveling (which limits the carriers they can choose from); their motivation for travelling; and their personal attitudes such as price sensitivity. Passengers may also be affected by switching costs; for example, members of frequent flier

programs may be more likely to choose their member airline rather than other airlines (Dolnicar et al., 2011; Jiang and Zhang, 2016).

Services and Service Quality in the Airline Industry

A service can be defined as fully or partially intangible product. Services meet a variety of different needs of the consumer, and have different proportions of tangible and intangible value (Mudie and Pirrie, 2006). One common service framework classifies services into four groups, based on their labor intensity and customer interaction and customization. These four groups include the service factory (low intensity/low interaction); the service shop (low intensity/high interaction); the mass service (high intensity/low interaction); and the professional service (high intensity/high interaction) (Schmenner, 2004a). Airlines, which provide a standardized service with limited customization and with a low labor intensity per passenger, are considered service factories (Schmenner, 2004b). Therefore, the

most important aspects of the service include providing a consistent service that is as expected, rather than providing a customizable or highly personalized service (Saha and Theingi, 2009b).

Decision making on airline service selection is concerned with service quality. Service quality can be briefly defined as the extent to which the customer expectations of the service are met (Parasuraman, et al., 1985a). While product quality is fully objectively measured, service quality depends on the perception of the consumers (Seth et al., 2005a). That means, it is possible to identify shared perceptions of service quality in a specific service situation, which has resulted in the development of multiple service models that address the specific needs of customers in a given situation (Seth et al., 2005b) and what they received at all points during the service journey (Zeithaml, et al., 1996a). Therefore, a smaller gap between the service expectation and the service experience results in an increased service quality perception of consumers who have experienced the

service. At the same time, firms may still have different brand images or company reputations based on their perceived service quality, even for customers who have never used their services previously (Parasuraman et al., 1985b). Thus, the importance of service quality not only influences on customers that have previously experienced the service, but also it influences those that are making consumer decisions about the choice of the service.

A model of service quality that is particularly helpful for the airline industry is Grönroos' (1984) model. The model proposes the technical quality of the service offering (what is delivered by the service) and its functional quality (how it is delivered) that could affect to the service image of the firm. The service image then influences the perceived service quality, along with the expected service (as established by marketing and other external factors like existing attitudes and word of mouth) and the perceived service (what the customer actually received for the service). This model, which

acknowledges multiple sources of perceived service quality, is useful for understanding how service quality may be perceived. As Grönroos's (1984) suggested even a new customer will have been exposed to marketing information and news that established service expectations for a given firm. This multi-dimensional views on service quality is critical because it does not only measure the perception of repeat customers. This is not really true for the SERVQUAL model, which is a common model of service quality that measures the expectation and performance of the service experience (Parasuraman et al., 1985). Thus, even though this model is most frequently used in the literature (Seth et al., 2005), and some of its insights are useful, it is not fully adequate for the current research. Thus, this review found that the Grönroos's (1984) model and its components of technical and functional quality, image, and expected and perceived service, can be enable to evaluate both new and experienced customers.

Consequences of Service Quality in the Airline Industry

There are three critical consequences of service quality that could apply to the airline industry. These include customer satisfaction, purchase decisions (or airline choice), and competitive advantage (Zeithaml, et al., 1996b).

Customer satisfaction: Customer satisfaction refers to the customer's evaluation that he or she has received what was expected or more than what was expected (Kotler and Armstrong, 2010; Lantos, 2015). Like perceived quality, customer satisfaction is a subjective perception rather than an objective measure (Kotler and Armstrong, 2010; Lantos, 2015). Several previous studies have identified a strong positive relationship between perceived service quality of an airline and customer satisfaction (An and No, 2009; Atalık and Arslan, 2009; Azmi et al., 2010; Baker, 2013c; Dolnicar et al., 2011; Fourie and Lubbe, 2006; Kim and Lee, 2011c; Mikulic and Prebezak, 2011; Namukasa, 2013; O'Connell and Williams, 2005; Ramasod, 2005; Saha and Theingi,

2009; Thumwiharn, 2016; Vlachos and Lin, 2014). These studies have taken place across different research contexts, including full-service and low-cost carriers, different passenger classes, and in different regions. All have demonstrated that service quality is one of the main determinants of customer satisfaction.

Purchase decisions (airline choice): Another critical outcome is the purchase decision, or choice of which service to purchase (including supplier and specific characteristics). There are always external constraints on purchase decisions, which do affect the choice of a specific supplier (Kotler and Armstrong, 2010; Lantos, 2015). In terms of airline choice, external constraints could include frequent flier programs (which introduce switching costs) (Dolnicar et al., 2011; Jiang and Zhang, 2016) or schedule and route choice (Azmi et al., 2010; Dolnicar et al., 2011; Olipra, 2012; Vlachos and Lin, 2014). However, several studies have also shown that service quality is associated with the choice of a particular airline, either directly or indirectly through customer

satisfaction (An and No, 2009; Fourie and Lubbe, 2006; Jiang and Zhang, 2016; Kim and Lee, 2011d; Mikulic and Prebezak, 2011; Namukasa, 2013; Pi and Huang, 2011; Ramasod, 2005; Saha and Theingi, 2009; Thumwiharn, 2016; Yang et al., 2012).

Competitive advantage: Finally, service quality can represent a competitive advantage of the airline, which allows them to gain market share over the firms offering the same or similar services (Zeithaml, et al., 1996c). A competitive advantage is a resource or capability that the firm can use to perform more effectively in the marketplace (Porter, 1985b). Porter (1985c) presents three so-called generic strategies, which use different bundles of competitive advantages. Traditionally, low-cost carriers have relied on cost leadership, or using efficient processes and basic quality to provide the least expensive product available in the market. More recently, increasing competition in the industry has forced low-cost carriers to move toward a differentiation strategy, where they attempt to set themselves apart from their competitors (Odoni, 2015;

Porter, 1985). Some low-cost carriers have always provided satisfactory service quality, and in some comparative studies have been rated more highly on this characteristic than full-service carriers (Baker, 2013d). However, service quality has never been a major focus of the research on low-cost carrier competitive advantage. This research explores the possibility that service quality may now be a significant competitive advantage for airlines.

Aspects of Service Quality that Influence Customer Satisfaction and Airline Choice

To identify the aspects of service quality that influence customer satisfaction and airline choice for low-cost carrier passengers, the researcher has reviewed studies that have addressed similar topics. This review identified several shared characteristics of the airline service offering that can vary in quality level and which influence outcomes including customer satisfaction and customer decisions. Based on previous studies, the classification of service

characteristics is divided into three key clusters: pre-flight services, which are services provided from the time of search and booking up to boarding the air-craft; in-flight services, which are services provided while the aircraft is in flight; and post-flight services, which are those provided after landing (Kim and Lee, 2011e). The analysis identified multiple service quality factors or dimensions that influence the consumer perceptions of the airline and their choices of airline. These factors could be used as the basis for the questionnaire. Based on the evaluation of the previous research, the most common pre-flight services that are evaluated include convenient and easy to use sales channels and payment channels; suitable tickets and fair costs and fees; convenient seat-selection; on-time and speed pre-boarding services like ticket checks, baggage weight checks and baggage drop-off; availability of a lounge; punctual and convenient boarding announcements and pre-flight announcements; and required assistance services. In-flight service factors include provision and quality of

on-board food and beverages; on-board courtesy and service; and on-board facilities such as entertainment. Post-flight service factors include frequent flier program availability; flight operation time; responsibility for flight delays and luggage damage and delays; post-flight assistance with problems; and post-flight destination services such as accommodation, restaurants, and travel route reservation.

Conclusions

The customers' decisions to use the low-cost airline can be measured from many factors. Presently, however, there are more competitors among this type of airlines resulting from the fact that there is more expansion of tourism industry and there are varieties of forms of airline services, be it the full network airlines, the low-cost airlines, the charter airlines, or the cargo airlines. The initiation of low-cost airlines results in the change in the form of journey. Specifically, it is easier and cheaper to make an airline travel, which has effect on the current airline

management. The customers' decision to buy the services, consequently, is crucial; and, thus, the customers' measurement must be proper and conforming to the type of the present airline business.

The decision, though, remains still with the indicators employed by author, that is, the attitudes and behaviors as regards the service quality, starting from the pre-flight service factor, the in-flight service factor, and the post-flight service factor. For this reason, a study to make about the behaviors of customers, that is, the people in the locality, is beneficial to marketing persons in the low-cost airline which provide many domestic flights so that and the aims of which is to create customer relation management (CRM) to 'right to the point' for the customers are possible. Nevertheless, there will be a statistical measurement examination the aim of which is to specifically survey the low-cost airlines to learn of any differences as regards strategies reflecting the services impacting the decisions to use the low-cost airline services by the

locals. This will later help support the paradigm.

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