Customer Expectation, Satisfaction and Loyalty Relationship in Turkish Airline Industry

Nuriye Gures¹, Seda Arslan¹ & Sevil Yucel Tun²

¹ School of Civil Aviation, Mustafa Kemal University, Hatay, Turkey
² Anadolu University, Eskişehir, Turkey

Correspondence: Nuriye Gures, School of Civil Aviation, Mustafa Kemal University, Hatay, 31200, Turkey. Tel: 90-326-641-6510. E-mail: ngures@mku.edu.tr

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Abstract
In recent years, the development rate of aviation industry in Turkey has ascended faster than the rate of the world aviation industry. The number of airlines has been increasing with the supports of Turkish government to vitalize the aviation sector. Therefore, for airline companies, understanding passenger expectations, satisfaction and loyalty relationship has become very important because of tough competition in the industry.

The main objective of this study is to find the relationship among the above mentioned variables in Turkish airline industry. As data collecting method in the study, 5-point Likert type self-report questionnaire including demographic variables was used. The survey was conducted in June and July 2012 with voluntary participation of the passengers waiting in both the domestic and international lines’ areas in four main Turkish airports. The data was collected from 421 domestic flight passengers and 400 for international flight passengers. To analyze the data, structural equation modeling was applied.

The results showed that reliability and facilities had a significant positive effect on customer satisfaction. In addition customer satisfaction was found to be a significant determinant of customer loyalty. Based on the findings, some suggestions for airline management were made and also study limitations were discussed.

Keywords: airline industry, customer expectation, customer satisfaction, customer loyalty

1. Introduction
In recent years, air transportation has been one of the fastest growing modes of transport. It is estimated to increase at a growth rate of approximately 5 percent per year over the next two decades throughout the world (Boeing Current Market Outlook 2011–2030). Nowadays, the development rate of aviation industry in Turkey has ascended faster than the rate of the world aviation industry. Airline companies and their flight frequency have risen due to governmental incentives supporting air transportation. This has resulted as low ticket prices and thus travellers have given preference to air transportation more than before (Gures et al., 2011).

According to Turkish General Directorate of State Airports Authority’s statistics; total domestic and international flight rates have increased 15.5% and total number of passengers using air transportation has become 129 million 441 thousands till the end of October in Turkey (http://www.dhmi.gov.tr/istatistik.aspx, 2013). This indicates that air transportation in Turkey has increasing rapidly comparing with other countries.

The number of studies including customer expectations, satisfaction and loyalty relationship in Turkey is relatively less despite of improved airline industry. Because of that reason, this research was implemented to reveal passengers’ expectations, satisfaction and loyalty about airlines’ services. Determining the relationship among these variables is very important for the airline companies faced with fierce competition. By studying these topics, it is aimed to contribute to the literature and the airlines operating in aviation industry.

Therefore, literature review about customer expectation, satisfaction, loyalty and the relationship among them were explained in the first part of the study. In next parts, survey research was applied and analyzed including these topics on airline passengers and managerial discussions were done in the last part of the study.
2. Theoretical Background and Research Model

2.1 Customer Expectation

Customer expectations are defined as the desires or wants of consumers, i.e., what they feel a service provider should offer rather than would offer (Parasuraman et al., 1988).

According to Parasuraman, Berry, and Zeithaml (1991), service providers must recognize customer needs in order to fulfill expectations to achieve high customer satisfaction during the service experience. Managing customer expectation is an important subject to enable customer satisfaction (Hsieh et al., 2011; Kurtz & Clow, 1992–93; Pitt & Jeantrout, 1994; Clow & Beisel, 1995; Coye, 2004). Expectations serve as a major determinant of a consumer’s service quality evaluations and satisfaction (Grönroos, 1994; Parasuraman et al., 1985; Parasuraman et al., 1988; O’Connor et al., 2000; Van Pham & Simpson, 2006). At this point, the “voice of the customer” should be taken into the design process and after delivering the services, service providers should monitor how well the customers’ expectations have been met (Pakdil & Aydın, 2007).

In a highly competitive airline industry, managers must find ways to make their services stand out amongst the others. To achieve this, managers must understand their customers’ needs and then set out to meet (or exceed) these needs (Nadiri et al., 2008). If service quality is to be improved, it must be reliably assessed and measured. According to the SERVQUAL model (Parasuraman et al., 1988), service quality can be measured by identifying the gaps between customers’ expectations of the service to be rendered and their perceptions of the actual performance of the service. SERVQUAL is based on five dimensions of service quality (Parasuraman et al., 1988). In this study, our dimensions are reliability, assurance, facilities, employees, flight patterns, customization and responsiveness. A definition of these attributes follows:

<table>
<thead>
<tr>
<th>Table 1. Definition of customer expectation dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expectation Dimensions</strong></td>
</tr>
<tr>
<td>Reliability</td>
</tr>
<tr>
<td>Responsiveness</td>
</tr>
<tr>
<td>Assurance and Customization</td>
</tr>
<tr>
<td>Facilities and Flight patterns</td>
</tr>
<tr>
<td>Employees</td>
</tr>
</tbody>
</table>


The customer expectations construct is expected to have a direct and positive relationship with customer satisfaction (Anderson et al., 1994; Bayraktar et al., 2012). Therefore, our first hypothesis is as follows:

H₁a: Reliability has positive effect on customer satisfaction with airline services.

H₁b: Assurance has positive effect on customer satisfaction with airline services.

H₁c: Facilities have positive effect on customer satisfaction with airline services.

H₁d: Employees have positive effect on customer satisfaction with airline services.

H₁e: Flight patterns have positive effect on customer satisfaction with airline services.

H₁f: Customization has positive effect on customer satisfaction with airline services.

H₁g: Responsiveness has positive effect on customer satisfaction with airline services.

2.2 Customer Satisfaction

According to Oliver (1999), customer satisfaction is defined as ‘pleasurable fulfilment’. A consumer senses that consumption fulfils some need, desire, goal, or so forth, and that this fulfilment is pleasurable.

Yi (1990) defined customer satisfaction as “...an emotional response to the experiences provided by, associated with particular products and services purchased, retail outlets, or even molar patterns of behavior such as shopping and buyer behavior, as well as the overall market place”.

Tse & Wilton (1988) defines customer satisfaction as consumer response to the evaluation of the perceived difference between expectations and final result after consumption.
Customer satisfaction is defined as a judgement made on the basis of a specific service encounter (Bolton & Drew, 1991; Cronin & Taylor, 1992).

Determining customer satisfaction has an important role in distributing the services effectively. In addition, satisfied customers provide numerous benefits to the companies. They include: increased repeat patronage, including fulfilling more needs from the firm’s portfolio; positive word-of-mouth communications; increased brand loyalty; greater new offer acceptance; ability to engage in premium pricing; reduced price elasticities; an enhanced reputation for the firm and increased customer-life time value, (Cronin & Taylor, 1992; Boulding et al., 1993; Anderson, 1998; Yüksel & Rimmington, 1998; Bolton et al., 2000; Reinartz & Kumar, 2003; Russ, 2006; Fornel, 1992). Therefore, for airline companies also, understanding passengers’ needs and expectations and then developing high quality service which meet them will provide airline companies a competitive advantage in comparison with their rivals. There exists quite a broad consensus that customer satisfaction is an antecedent of loyalty (Morgan & Hunt, 1994; Forgas et al., 2010).

The impact of customer satisfaction for repeat business and customer loyalty is not the same for all industries. Loyal customers are not necessarily satisfied customers, but satisfied customers tend to be loyal customers. (Fornell, 1992). Therefore, our second hypothesis is as follows:

H2: Customer satisfaction has positive effect on customer loyalty with airline services.

2.3 Customer Loyalty

Oliver defines brand loyalty as “a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1999). Chaudhuri & Holbrook (2001) suggest that behavioral, or purchase, loyalty consists of repeated purchases of the brand, whereas attitudinal brand loyalty includes a degree of dispositional commitment in terms of some unique value associated with the brand.

Oliver (1999) has proposed four ascending brand-loyalty stages according to the cognition–affect–conation pattern. The first stage is cognitive loyalty. Customers are loyal to a brand based on their information on that brand. The next phase is affective loyalty, which refers to customer liking or positive attitudes toward a brand. The third step is conative loyalty or behavioral intention. This is a deeply held commitment to buy—a “good intention.” This desire may result in unrealized action. The last stage is action loyalty, where customers convert intentions into actions. Customers at this stage experience action inertia, coupled with a desire to overcome obstacles to make a purchase. Although action loyalty is ideal, it is difficult to observe and is often equally difficult to measure. As a compromise, most researchers tend to employ the conative or behavioral-intention measure.

In the categorization of brand loyalty today, it would seem that two major approaches predominate. Attitudinal loyalty is often understood as a systematically favorable expression of preference for the brand, or in other words a reflection of the emotional attachment that consumers feel for brands. Behavioral loyalty on the other hand typically infers the loyalty status of a given consumer from an observation of repeated purchasing behavior (Morgan, 1999).

Jones and Sasser (1995) propose that behavioral loyalty can come up in different kinds of behavior. According to them the recency, frequency and amount of purchases can be identified as a consumer’s primary behavior. A consumer’s secondary loyalty behavior consists of customer referrals, endorsements and word of mouth. A third kind of loyalty behavior is a consumer’s intent to repurchase—whether or not the consumer is ready to repurchase the brand in the future.
3. Methodology

3.1. Measures of the Constructs

The survey questionnaire consisted of four sections. The first section was designed to obtain each respondent’s expectations toward airline’s services. Customer expectations were measured using the scale developed by Parasuraman, Zeithalm & Berry (1988) and tested by Gilbert & Wong (2003). The new scale consisted of 25 items. The customer expectations scale was structured by six dimensions: reliability, assurance, facilities, employees, flight patterns, customization and responsiveness. In second section customer satisfaction was measured using the scale developed as American Customer Satisfaction Index (2001) and tested by Kuang-Wen Wu (2006) with a 3-item. The third section was designed to understand customer loyalty with a five-item scale developed by Parasuraman et al. (2005) and tested by Kuang-Wen Wu (2006). Respondents were asked to indicate their agreement level of each item of the first three sections on the 5-point Likert scale anchored by “strongly disagree (=1)” to “strongly agree (=5)”.

The last section reported respondents’ demographic and flight information as; gender, age, education level, nationality, average monthly income, airline decision, flight type, flight purpose, flight frequency and the reason for selecting this airline via a categorical scale. Survey questionnaire was first translated into Turkish and then implemented both in Turkish and English languages.

3.2 Data Collection and Sample Design

A self-administered questionnaire survey was conducted at four main airports (İstanbul, Ankara, İzmir and Antalya) in Turkey during June and July 2012. This study adopts the convenience sampling approach due to an unknown population of air passengers. Respondents were first asked whether they had used the internet to buy a flight ticket; if they replied in the affirmative, they were invited to participate in the survey. Because e-service quality was also one of the variables in the questionnaire to be searched. Passengers waiting in both the domestic and international lines’ areas of airports were assured of confidentiality in reporting before a questionnaire was delivered. For each question, respondents were asked to circle the response which best described their degree of agreement. The data was collected from 421 domestic flight passengers and 400 international flight passengers.

As the demographic characteristics of the respondents 57.1 percent were male 33.1 percent were female. The great majority of the respondents were aged between 20 and 39 years old (64.9 percent) and had a university degree or higher educational level (53.5 percent). The respondent data consist of almost an even share of domestic (51.3 percent) and international (48.7 percent) passengers as flight type. In this survey, there were people from 40 countries in 5 continents. Turkish people were more than the other country’s people. While the rate of Turkish people were 65.4%, the rate of foreign people were 34.6%. Respondents’ average monthly income mostly ranged between 1000–3000 $. Most of the respondents had a flight for vacation purposes (30.6 percent) and visiting friends/relatives purposes (23.0 percent), made the airline decision themselves (60.2 percent) and their flight frequency once a year were 21.3%. Price was found as the most important reason for selecting airlines (44.6%) compared to other factors as experience (19.0%), advertising (13.6%), recommendation (9.1%) and others (13.6%).

Figure 1. Research model
3.3 Data Analysis

In line with the two-step approach proposed by Anderson & Gerbing (1988), a measurement model was tested before testing the structural model. Confirmatory factor analysis (CFA) and structural equation modeling (SEM) analysis were used to check construct validity and the goodness-of-fit indices for the measurement and structural models and also to examine the relationship among constructs which was searched.

4. Results

4.1 Measurement Model

A confirmatory factor analysis using LISREL 8.5 was conducted to test the measurement model. The goodness-of-fit indices were used to assess the overall model fit. According to the results of the study, the fit indices for the measurement model were acceptable level as; the ratio of the Chi-square value to degrees of freedom (x²/d.f. = 2.02) is less than 3 and other indices such as normalized fit index (NFI=0.91), goodness of fit index (GFI=0.92) and relative fit index (RFI=0.91) are greater than the recommended value of 0.9. The root mean- square error of approximation (RMSEA) is 0.07, which is less than 0.10 (Hair et al., 2006). The goodness-of-fit indices from confirmatory factor analysis demonstrated that the measurement model had a good fit with the data collected.

Table 2. Confirmatory factor analysis results

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Standardized factor loading</th>
<th>Error variance</th>
<th>Construct reliability (CR)</th>
<th>Average variance extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXP – 1</td>
<td>0.68</td>
<td>0.54</td>
<td>0.930</td>
<td>0.68</td>
</tr>
<tr>
<td>EXP – 2</td>
<td>0.63</td>
<td>0.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 3</td>
<td>0.69</td>
<td>0.44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 4</td>
<td>0.73</td>
<td>0.47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 5</td>
<td>0.65</td>
<td>0.58</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 6</td>
<td>0.42</td>
<td>0.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 7</td>
<td>0.67</td>
<td>0.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 8</td>
<td>0.54</td>
<td>0.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 9</td>
<td>0.57</td>
<td>0.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 10</td>
<td>0.58</td>
<td>0.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 11</td>
<td>0.64</td>
<td>0.59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 12</td>
<td>0.69</td>
<td>0.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 13</td>
<td>0.60</td>
<td>0.64</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 14</td>
<td>0.59</td>
<td>0.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 15</td>
<td>0.69</td>
<td>0.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 16</td>
<td>0.60</td>
<td>0.64</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 17</td>
<td>0.56</td>
<td>0.69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 18</td>
<td>0.64</td>
<td>0.59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 19</td>
<td>0.64</td>
<td>0.59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 20</td>
<td>0.74</td>
<td>0.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 21</td>
<td>0.69</td>
<td>0.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 22</td>
<td>0.66</td>
<td>0.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 23</td>
<td>0.72</td>
<td>0.48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 24</td>
<td>0.76</td>
<td>0.42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP – 25</td>
<td>0.73</td>
<td>0.47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAT – 1</td>
<td>0.79</td>
<td>0.37</td>
<td>0.890</td>
<td>0.57</td>
</tr>
<tr>
<td>SAT – 2</td>
<td>0.63</td>
<td>0.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAT – 3</td>
<td>0.73</td>
<td>0.47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOY – 1</td>
<td>0.70</td>
<td>0.50</td>
<td>0.905</td>
<td>0.72</td>
</tr>
<tr>
<td>LOY – 2</td>
<td>0.68</td>
<td>0.54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOY – 3</td>
<td>0.76</td>
<td>0.42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOY – 4</td>
<td>0.56</td>
<td>0.69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOY – 5</td>
<td>0.73</td>
<td>0.46</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As seen in Table 2, reliabilities of all constructs ranged from 0.890 to 0.930 and were above a 0.7 threshold as suggested value (Hair et al., 2006). The average variance extracted (AVE) was used to assess convergent validity. AVE of each measure ranges from 0.57 to 0.72, which was more than 50 percent of the variance as suggested by Bagozzi & Yi (1988) and indicated that the convergent validity was appropriate. Discriminant validity was assessed by comparing the AVE with the squared correlation between constructs (Fornell & Larcker, 1981). The squared correlations between pairs of constructs were less than the AVE, confirming discriminant validity. Moreover, a descriptive analysis was run on each construct to measure their means: customer expectation (3.65), customer satisfaction (3.56), and customer loyalty (3.63).

4.2 Structural Model and Test of Hypotheses

A similar set of fit indices was used to examine the structural model. The results with their corresponding recommended values, provided evidence of a good model fit ($x^2$/d.f. = 2.54, NFI = 0.92, GFI = 0.91, CFI = 0.95, RFI = 0.93, RMSEA = 0.06).

Regarding the hypothesis tests, as expected, reliability had a positive effect on customer satisfaction ($\gamma_{1a} = 0.29$, t-value = 1.99). Thus, H1a was supported. Furthermore, facilities were found to have a significant positive effect on customer satisfaction ($\gamma_{1c} = 0.42$, t-value = 2.08), supporting hypothesis H1c. On the other hand, assurance, employees, flight patterns, customization and responsiveness didn’t have any effect on customer satisfaction. Hence, H1b, H1d, H1e, H1f and H1g were rejected. Finally, customer satisfaction appeared to be a significant determinant of customer loyalty ($\gamma_{1a} = 1.02$, t-value = 20.75), supporting H2 as shown in Table 3.

Table 3. Hypothesis tests

<table>
<thead>
<tr>
<th>Path</th>
<th>Estimate</th>
<th>t-value</th>
<th>Hypothesis Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1a Reliability → Satisfaction</td>
<td>0.29</td>
<td>1.99*</td>
<td>Supported</td>
</tr>
<tr>
<td>H1b Assurance → Satisfaction</td>
<td>0.33</td>
<td>1.36</td>
<td>Rejected</td>
</tr>
<tr>
<td>H1c Facilities → Satisfaction</td>
<td>0.42</td>
<td>2.08*</td>
<td>Supported</td>
</tr>
<tr>
<td>H1d Employees → Satisfaction</td>
<td>0.26</td>
<td>1.17</td>
<td>Rejected</td>
</tr>
<tr>
<td>H1e Flight patterns → Satisfaction</td>
<td>0.35</td>
<td>0.96</td>
<td>Rejected</td>
</tr>
<tr>
<td>H1f Customization → Satisfaction</td>
<td>0.059</td>
<td>-0.17</td>
<td>Rejected</td>
</tr>
<tr>
<td>H1g Responsiveness → Satisfaction</td>
<td>0.015</td>
<td>0.06</td>
<td>Rejected</td>
</tr>
<tr>
<td>H2 Satisfaction → Loyalty</td>
<td>1.02</td>
<td>20.75*</td>
<td>Supported</td>
</tr>
</tbody>
</table>

*p<0.05.

5. Discussion and Conclusions

Since airline transportation is a major and the most important way of reaching long distance destinations, the results of this study provide important insights to airline managers about how marketing strategies can be designed to manage their services in a better way.

Findings of this study revealed that reliability was very important for the customers. It is consistent with the
previous study results. According to the studies of Parasuraman et al. (1985), reliability has been repeatedly
down to be above all other dimensions. Therefore airline managers should give special emphasis to reliability of
t heir services. Some recommendations about their services including reliability dimension may be offered as;
they should assure on-time departure and arrival. Also they should provide consistent ground/in-flight services
and perform service right the first time.

Furthermore, facilities were also found as an important factor for passengers. If the airline companies modernize
their facilities, they may get a bigger share in the market. In order to better satisfy their customers, airline
companies should have high quality physical equipments such as aircraft’s exterior and interior appearance,
in-flight entertainment facilities and programmes, in-flight internet/email/fax/phone facilities and catering
service facilities. Assurance was not found to have a significant effect on customer satisfaction whereas Gilbert
and Wong (2003) were reached the result of ‘assurance’ was the most important service dimension.Moreover, as
in Aksoy and others’ (2003) study, in our study also price was attained as an important factor for selecting the
airline. Therefore, the airline management should take into account the income level of passengers and define
their prices attentively considering passengers’ buying power.

In addition, customer satisfaction is an important antecedent of customer loyalty (Nadiri et al., 2008; Karatepe &
Ekiz, 2004; Zeithaml et al., 1996; Cronin & Taylor, 1992). Airline managers who are seeking to provide
customer loyalty, firstly should keep the service quality at high level and provide customer satisfaction. Thus
they may maintain customer loyalty. If passengers become loyal to the airline, they may repurchase the services
of the same airline and by saying positive things about the airline, they provide positive word-of-mouth
communication (Nadiri et al., 2008).

Although this study contributes to airline marketing literature, it has several limitations. In this study, a large
representative sample of passengers was used. However, based on the sample used, study results may not be
fully generalized for all passengers. Because the total number of passengers in 2013 till the end of October is

In addition, this study only focused on domestic and international passengers in Turkey to examine the
relationship among customer expectation, satisfaction and loyalty. The results may differ from other passengers
in other countries.

In this study, the relationship among customer expectation, satisfaction and customer loyalty were searched.
However, some other variables should also be included in the model to see their effects, as only the variables in
this study cannot be merely effective on customer loyalty. Potential variables to be taken into consideration in
further studies may be: corporate image, perceived service value, perceived trust, and some other variables.

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