Malaysian Low Cost Airlines: Key Influencing Factors on Customers' Repeat Purchase Intention

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Abstract: The emergence of Malaysian home grown low cost airlines has converted the previously non customer group into potential customers. Arguably, customers of low cost airlines are presumably different from those on full service airlines. Against this argument, the paper presents empirical evidence on key service attributes of low cost airlines from the customers' perspectives and the key factors influencing their repeat purchase behaviour. A qualitative approach of using semi-structured interview was chosen for data collection. Data collection was conducted in the month of August and September 2009. A total of 20 Malaysian leisure air travelers who have travelled on low cost airlines within destinations in Malaysia were interviewed. The finding revealed that on-time departure and arrival, cleanliness of cabin and washroom and a comfortable seat during the whole journey as the three most crucial and basic service attributes for the domestic customers to continue to travel with Malaysian low cost airlines. Customers’ mood state and the people whom they are travelling with are crucial in influencing how they viewed their total consumption experience of low cost airlines. Price is deemed the most significant influential criteria to repeat purchase intention despite of the strong dissatisfaction towards the low cost airlines' service consumption. It was found that the time effect of customer dissatisfaction with the services of the low cost airlines is non durable. Simply, the characteristics of service is heterogeneity, customers of low cost airlines rationalize that every flight experience is different, even though they may have encountered an unpleasant experience but that does not meant that the subsequent flight experience will be an unpleasant one too.

Key words: Low cost airline • Price • Customer satisfaction • Favourable behavioural intention

INTRODUCTION

Malaysian home grown low cost airlines namely AirAsia, AirAsia X and Firefly commenced their operations at the turn of the new millennium. These low cost airlines, particularly AirAsia and AirAsia X have adopted the “no frills” service concept while Firefly, though being a low cost airline, does includes light refreshments on board. Undeniably, the emergence of Malaysian home grown low cost airlines has converted the previously non customer group into potential customers and expanded the usage rate of existing leisure air travellers, thus increasing the size and growth rate of Malaysia’s air travel market. Malaysians who could not afford air travel and who could afford air travel only once a year, could do so with the lower airfare charged by the home grown low cost airlines. The lower airfare charged is made possible with strict cost cutting measures implemented in line with the “no frills” service concept with online ticket reservation, no in-flight food and beverage, shorter flight turnaround time, the utilisation of secondary airports, multi-tasking among the service personnel among others.

There have been much research carried out in the in North America, Europe, Middle East, Australia and Asia, such as Thailand and Taiwan, on low cost airlines including business travellers and low cost airlines [1]; case study on “no frills” airlines operating in United Kingdom [2], in America [3]; customer satisfaction of airlines services [4]; customer perception of low cost
airlines [5]; purchase of low cost airline services [6] and perceived price fairness [7]. Within the Malaysia context, limited empirical evidence on low cost airlines were found. These are related to an exploratory study on the marketing of low cost airlines in Malaysia [8]; a research on understanding consumer preference between low cost airlines and full service carriers [9]; the perspectives on the development of low cost airlines in Southeast Asia [10]; and a case study on a comparison passengers’ perception of different low cost airlines including Malaysia’s AirAsia [11]. The review of literature indicated that there is limited empirical evidence that explore price, customer satisfaction and repeat purchase intention of services of Malaysian home grown low cost airlines among their existing customers. Specifically, this paper explores the service attributes that lead to customer satisfaction and thus repeat purchase services of the home grown low cost airlines.

The key research questions address:

- What are the key attributes of low cost airlines that lead to customer satisfaction?
- To what extent customer satisfaction and price influence the repeat purchase of low cost air travel?

**MATERIALS AND METHODS**

**Significance of Customer Satisfaction:** Customer satisfaction is of utmost important to marketers of products and services because a satisfied customer engages in favourable behavioural intention such as repeat purchase [12], positive word-of-mouth [12, 13] and brand loyalty in the long run [13-15]. Customer satisfaction leads to customer retention [16] thus produces positive growth in market share, allows further market penetration and creates profitable customer lifetime value to low cost airline companies. There is no consensus in the definition of customer satisfaction [17], which includes (i) satisfaction is defined either as an "evaluation or outcome of a performance of product or service" [18], (ii) satisfaction is viewed as "cognitive or affective or both" and (iii) "the timing and duration of satisfaction" [17]. Giese and Cote [17] define satisfaction as "response (emotional or affective) pertaining to a particular focus (product, consumption experience, etc.) determined at a particular time (immediately upon purchase, after consumption, based on accumulated experience)." Oliver [19] defines customer satisfaction as "the consumer’s fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over fulfillment". Customer satisfaction is "an evaluation of an emotion after consuming a chosen alternative, that it meets expectations" [20]. Auh and Johnson [21] define customer satisfaction as "a cumulative evaluation of a customer’s purchase and consumption experience to-date". From the definitions stated, customer satisfaction can be concluded as either a positive feeling or emotion evoke from consuming a product or service or an overall evaluation of service experience to the performance of product or service after purchase and/or consumption. However, there is also literature that defined customer satisfaction as "an individual’s cognitive-affective derived from his or her experience" [22]. The cognitive-affective view argued that "satisfaction is influenced by the individual’s cognitive judgments and emotions derived from the consumption experience" [22]. Likewise, Hunt [23] contends that although an individual may experience a pleasant service encounter but could still feel dissatisfy due to the service encounter is not what the individual expected it to be, the service performance may not meet up to the individual’s expectations, that is, an individual evaluates his or her service experience (cognitive judgment) to decide if the service experience is satisfying (affective).

Customer satisfaction includes an evaluation of service performance of either a single, brief service encounter [18] or several steps in the service delivery process [19] or a “service experience that involve consumption periods of considerable duration” [18]. Customer satisfaction can be either transaction-specific [25] or episode-based [26] that is based on a specific purchase experience of a product or service [27] or cumulative or overall evaluation based on customers’ previous purchase experiences of various types of products and services [26-28].

Customer satisfaction during service encounter varies as one customer may focus on the responsiveness of the service personnel (either ground or cabin crew), while another customer may focus on the tangible element such as cleanliness of washroom in the cabin. This research explores customer satisfaction from the perspective of customer’s total consumption of service experience of low cost airlines including (a) their service encounters with service personnel, (b) their participation in the service delivery process, (c) tangible and physical environment in their service encounters and (d) the behaviour of other customers [24]. This research also
they were dissatisfied with the services of low cost airlines to attain favourable satisfaction due to the price. Is satisfaction important to existing customers of low cost airlines who have a complete consumption experience are satisfied with the service or are they merely accepting the level of service rendered due to the price. Is satisfaction important to customers of low cost airlines to attain favourable behaviour intention such as repeat purchase? And if they were dissatisfied with the services of low cost airlines, how durable are their feelings of dissatisfaction are before they repeat purchase due to the price factor. This research explores the possibility that satisfaction may or may not exist among customers of low cost airlines if price is the key factor influencing repeat purchase. This finding is important because if there were literally no or low level of satisfaction among existing customers and they merely repeat purchase the low cost air travel primarily due to price, then the low cost airlines have to work harder to create customer satisfaction in order to secure favourable behavioural intention.

**Conceptualizing Customer Satisfaction:** Customer satisfaction can be achieved at different stages of consumption. Customer satisfaction happens immediately upon purchase, during consumption and after service consumption. Customer satisfaction can be examined by studying the complete consumption experience [13, 19]. Bundle of service include attributes such as levels of materials, facilities, personnel performance [29] or the core service, supplementary services and service delivery [24] influence customer satisfaction. Zeithaml and Bitner [15] articulate that customer satisfaction is influenced by service and product features and price. Customer satisfaction can be determined by identifying “the important service attributes and measure customer’s perception of those attributes and overall customer satisfaction” [15]. Zeithaml and Bitner [15] further assert that customer will forgo certain service attributes with price depending on the types of service and the significant of the service attribute. How service is being delivered to customers also affect the service experience of customers. Service delivery is largely influenced by the performance of service personnel. Thus, performance of service delivery is of utmost important to attain customer satisfaction.

Customer satisfaction is also influenced by customer emotions [22] such as mood state [15]. It is crucial to take into consideration customer emotions as this research focuses on leisure travelers who travel with family members, friends and colleagues whom the customers feel comfortable with and whom they can chat, joke and spend time with. And these leisure travelers are in holiday and in the state of easy going mood state. The positive mood state of leisure travelers influenced their overall satisfaction [22] of the flight experience [30].

Low cost airline operators made it clear that they offer “no frills” service. The question is whether the existing customers of low cost airlines who have a complete consumption experience are satisfied with the service or are they merely accepting the level of service rendered due to the price. Is satisfaction important to customers of low cost airlines to attain favourable behaviour intention such as repeat purchase? And if they were dissatisfied with the services of low cost airlines, how durable are their feelings of dissatisfaction are before they repeat purchase due to the price factor. This research explores the possibility that satisfaction may or may not exist among customers of low cost airlines if price is the key factor influencing repeat purchase. This finding is important because if there were literally no or low level of satisfaction among existing customers and they merely repeat purchase the low cost air travel primarily due to price, then the low cost airlines have to work harder to create customer satisfaction in order to secure favourable behavioural intention.

**The Price Factor That Influence the Purchase of Low Cost Airlines:** Price is the sum of value that a consumer is willing to pay or give in exchange for the benefits gained from the purchase of a product or service [31]. It is crucial to understand the benefits that a customer could obtain versus the cost (price) that the customer has to sacrifice. Churchill and Peter [32] state that service is intangible therefore it is difficult for consumers to evaluate what they will be getting for the price paid, hence it is important for service providers to make it clear to consumers what they are offering at any price level. It is crucial to explore if customers consciously take price into consideration when they evaluate their service consumption of the low cost airline service.

In the service industry, price promotion is often used to induce demand for unsold inventory during low season due to the perishable nature of service. Malaysian home grown low cost airlines often launch price promotion from as low as zero fare, 99 sen and RM9.99 for a one-way ticket to various domestic and international destinations to stimulate purchase among existing and potential air travelers. This price promotion activity carried out by AirAsia and Firefly mirrored Ryanair’s one-way fares averaged 50 Euros in 2002 which has successfully stimulate market demand and termed as the “Ryanair effect” [11]. Schultz and Schultz [3] contend that low cost airline such as the former Morris Air exploited the income effect of lower prices to induce purchase of air travel. Literature search indicated that the target market for low cost, no frills airlines around the world are leisure travelers who are either price sensitive or cannot afford to fly on full service airlines. Price of air fare is established to be the key deciding factor among passengers of low cost airlines however it is also found that factors such as brand development, flight schedule, simplified website and package holidays influence brand loyalty among existing passengers of AirAsia [11]. Bieger, et al. [33] state that customer value no longer rested on transport quality, but increasingly on lower fares.
Repeat Purchase Intention: Hawkins et al. [34] assert that “repeat purchase is the continuous purchase of the same brand by consumers though they may not have an emotional attachment to the brand”. Repeat purchasers also include dissatisfied customers due to the absence of alternatives and price deals. It is difficult to maintain customers who repeat purchase due to the lower price, that is, the mere repeat purchasers [34]. Customer satisfaction needs to be present to convert the mere repeat purchasers to committed purchasers. In short, customers who repeat purchase because of price particularly common among customers of low cost airlines and that are not committed customers. Customer satisfaction is a precondition to convert mere repeat customers to committed repeat customers.

Methodology: The objectives of the paper are twofold: a) to identify key service attributes that lead to customer satisfaction; b) to explore if customer satisfaction and/or price influencing the repeat purchase of low cost air travel. Due to the nature of the subject investigation which is subjectivity and individuality, a qualitative approach using semi-structured interview was chosen for data collection. Semi-structured interview is a relevant data collection method. Semi-structured interview allows the informants the freedom to express their views and opinions thus will be able to obtain more authentic and reliable responses than survey questionnaires. The semi-structured interview of this study has requested informants to describe what do they mean when they said that they are satisfied with the service rendered by the low cost airline and requested them to recall their experience of ticket reservation, the queue to check-in, during check-in, at the departure hall, boarding the aircraft, flight take-off, the flight cabin, landing, baggage claim at arrival hall and the outcome of the service experience based on the performance of the service attributes of low cost airlines and if they were satisfied with their service encounters and their intention to repeat purchase. These information are crucial for low cost airlines operators in term of knowing the minimum level of service required by customers of low cost airlines for them to feel satisfied that leads to favourable behavioural intention such as repeat purchase.

Data collection was conducted in the month of August and September 2009. The researcher approached informants at random at the Low Cost Carrier Terminal, the hub for AirAsia and AirAsia X and the Skypark Terminal, the hub for Firefly. The sampling method employed for this study was purposive sampling. On the account of the study is aimed to discover Malaysians satisfaction and repeat purchase towards their home grown low cost airlines, the informants were also chosen based on their race and marital status. Informants made up of the three major races in Malaysia including Malays, Chinese and Indians. They include those who are single, married with no children, married with school-going children and married with college-going children. Informed consent was obtained before the researcher made an interview appointment with the respective informants. Each interview session was between one to one and a half hour. After the interview, the informant was asked to recommend people whom they have travelled with before on the low cost airlines for the next interview session. Semi-structured interviews with the informants were carried out until there was no new theme derived from data analysis. The total number of informants interviewed was 20.

Interviews conducted were transcribed verbatim. Data was analysed based on the research objectives and research questions. Phenomenological approach and thematic analysis is used to analyse the data for this study. Data is categorized according to themes and sub-themes that emerged during data analysis. The themes or categories of responses were link to theoretical constructs – price, satisfaction and repeat purchase.

RESULTS AND DISCUSSION

Service Experiences Encountered on Malaysian Low Cost Airlines: The findings of this study revealed that informants are more forgiving towards any unpleasant service experience encountered during their service consumption. They would rationalize and justify their service experience with the amount of airfare that they paid [32]. Price is found to be the most influential criteria in repeat purchase even though there may be instances where informants had expressed strongly their dissatisfaction towards the low cost airlines service consumption. And it is found that customer dissatisfaction is non durable. Informants have expressed that even though they may be unhappy and unsatisfied with their service experience but after a short duration of few months, they will repeat purchase from the same airline because of price and because they felt that although they may be dissatisfied with their previous experience, they will not know if the next flight experience will be unpleasant until they fly again as service is intangible. Some of the informants’ responses include:
“When I book I do not think of my previous experience with the low cost airlines, I book because of price because of time. I will not know until I reached that point. The low cost airline service is unpredictable. Every traveling experience is different.” (Informant no.1).

“With the price that I paid, I will still continue to fly...even though I may not be satisfied with their services.” (Informant no.2).

“I will still take low cost airline because of the cost factor...not because of their service.” (Informant no.3)

“I am buying because of the price...so far my experience with low cost is that I don’t think that there is anything that...err...that is so bad that warrant me not wanting to save that money. All these minor inconveniences I do not think it is a huge major issue.” (Informant no.4).

“It does not matter what...slight discomfort. It does not matter to me because you can save so much of money.” (Informant no.6).

“Delay is overcome by the cheap price.” (Informant no.7).

Key Service Attributes of Malaysian Low Cost Airlines That Lead to Favourable Behavioural Intention:
The finding shows that low cost airlines customers imply that a minimum level of service attributes and service delivery must exist for them to continue to travel with the low cost airlines. There are only three basic service attributes and service delivery that the informants mentioned for them to repeat their travel with Malaysian home grown low cost airlines. These include the airlines must deliver what they have promised with emphasis to the delivery of on-time departure and arrival, cleanliness of cabin and washroom and a comfortable seat during the whole journey. From the informants’ responses on basic service required for them to repeat purchase, it can be concluded that satisfaction to customers of low cost is a cognitive evaluation as the informants made rational evaluation on their satisfaction and have the inclination to justify their service experience with the price paid. Customers are satisfied if the low cost airlines deliver on-time flight departure and arrival and ensure that the performance of service attributes such as cleanliness of cabin and washroom and a comfortable seat throughout their journey.

The focus of customer satisfaction of services of low cost airlines is on the total consumption experience. The total consumption experience comprises of service attributes, service delivery, participation in the service delivery and the psychological benefits of the flight experience. Informants were asked to relate their service experience upon purchase of the airline tickets, upon arrival at the low cost airport terminal, on queue to check-in, at the check-in counter, interaction with the ground crew, on their wait at the departure hall, on the walk to board the aircraft, in the flight cabin and of how they felt about the take-off and landing of the flight. The findings revealed that informant emotion or their affective state which is their mood state and the people whom they are traveling with play crucial roles in influencing how they view their consumption experience of low cost airlines. Informants mentioned that they enjoy the challenge of searching for the lowest airfare for a destination that they wanted to go to, they are delighted when they are able to find the lowest priced air tickets and will inform their friends to book on the date and time with the lowest airfare. They are willing to participate in the service delivery such as to purchase food and beverage on board especially those with children because their children get excited about the idea of choosing and buying food by themselves. They are not concerned of the slower service delivery, for instance, longer queuing time during check-in as one of the informants related that “The wait is extremely long...I do not mind...when I went in a group”; another told that, “because my family ad friends are with me so it is okay, just relax” as they can chat with their friends and family members. They did not mind slight delay in departure time when they are on holiday as one informant said, “When you are in a very laid back mood so...time doesn’t matter much”, another mentioned, “Delays still okay because my experience doesn’t cost me anything because it’s a holiday, a leisure trip”; and when traveling with the friends and family members as they are in a relaxed mood. Few of the informants mentioned that if they were traveling alone, they would find the longer queuing time and delayed in departure time as “not a pleasant experience”. It was noticed that there were changes in tone of voice and facial expression of the informants when they said that they do not mind the wait if they were with friends in comparison to when they are travelling alone. They looked indifferent when they mentioned that they did not mind the wait at the airport due to flight delay. It should be noted that when they told that the wait would be an unpleasant experience if they were not on a holiday and were traveling alone, the tone of their voice was louder and they had the look of disapproval on their faces.
Customer expectation is found to be an antecedent of customer satisfaction. This finding concurs with del Bosque and San Martin [22]. Several informants mentioned that they were satisfied with the service provided by the low cost airlines as they have low level of expectations because of the lower airfare paid. Informants have consciously mentioned the word “expectation” in their responses. The informants mentioned that they did not expect much or have low expectations but they did not specifically state what their expectation were and the meaning of expectation differs between them. It is just that the informants felt that for the price that they paid they should not have any or low expectations of service performance. In this sense, there is no comparison made between what are expected and received because informants did not have any expectations and if the low cost airlines offer the little extras to their customers, their customers would term the little extras as beyond their expectations. The following informants’ responses strongly indicated that their expectation is an antecedent to customer satisfaction:

“I do not expect much…satisfaction is the airline delivered what they have promised.” (Informant no.1)

“With the price paid, I do not expect much.” (Informant no.2).

“In my mind, you are flying low cost and therefore you should expect some minor inconveniences, you know…like queuing up and all that.” (Informant no.4)

“The services offered by AirAsia and Firefly are similar but except Firefly serves snacks…I think a piece of cake or something like that. But AirAsia does not serve anything free. It does not really make any different but it is just a feeling of…oh, not bad, this low cost airline serves something free…beyond my expectation” (Informant no.5).

“So far just because of my expectations are low…ahh…I am not very dissatisfied. (You said your expectations are low, why do you have such expectations, I mean low expectations) Yes, because we know when you pay less, you get less…it is very natural.” (Informant no.7).

Crowd is found to have an effect on customer satisfaction. Service is inseparable from the service provider and other customers during consumption of service experience. Customers of low cost airlines comprised of the existing customers of air travel and previously the non customer group. The crowd boarding the low cost airline at the Low Cost Carrier Terminal and Skypark Terminal at Subang is different from those in Kuala Lumpur International Airport. Customers of low cost airlines are different because they do things more spontaneously, they walk faster, they queue though it is unnecessary to do so because their seats are confirmed, they walk faster when boarding and disembarking, they stand up even before the seat belt signs are off and prefer to come out quickly from plane. There is a consensus among all informants that the crowd taking low cost airlines is different. The informants felt that it is like boarding a bus at a bus station when they fly low cost airlines. One informant described that “LCCT is like Puduraya (the main bus station in Kuala Lumpur)...very noisy, very haphazard, very chaotic”. When asked if the crowd affect the informants, one of the informants responded that “You go for holiday, you know, just relax, doesn’t matter actually to me, doesn’t matter. I suppose if I think again, if I am doing a business trip, it is not a nice experience”, similarly another informant mentioned that one of the main reasons he preferred not to fly AirAsia is the crowd. Behaviour of crowd does affect customer satisfaction.

Based on the empirical evidence, the conceptual framework of price, customer satisfaction and repeat purchase of customers of low cost airlines is presented in Figure 1. It seems to suggest that customer satisfaction within the low cost airline context is influenced cognitively and affectively.

Conclusion, Contribution and Future Research:

The paper describes customers repeat purchase services of low cost airlines mainly because of price; satisfaction does not necessarily exist for customers to repurchase. With the existence of basic service attributes including cleanliness of cabin and washroom and a comfortable cabin seat and service delivery such as on-time departure, the low price charged by low cost airlines leads to favourable behavioural intention in the consumption of services of low cost airlines. Customer dissatisfaction is found to be non durable, having only short-term effect as they will repurchase due to price. Customers of low cost airlines are able to accept the inconsistency of service thus though they may have experienced dissatisfaction of service performance, they will repeat purchase after a short duration because of the heterogeneous nature of service. Customers of low cost airlines are more forgiving when they encountered unpleasant service experience as they would justify in their mind that with the lower price paid, minor hiccups in service delivery is deemed acceptable. Justification and evaluation of services made by customers of low cost airlines is cognitive.
However, this study also discovers that customer’s mood state and crowd affect customer satisfaction and dissatisfaction. Customers who are traveling for leisure, in a laid back and relax mood, with family members and friends therefore their positive mood state influenced their satisfaction. But if they were traveling alone on a business trips, they may not purchase air travel service with the low cost airlines because of the mood state and crowd. Therefore, the affective components namely mood state and crowd seemed to have a significant influence on customer’s evaluation of service attributes, service delivery and their participation in service delivery and thus repeat purchase.

The paper provides an insight to Malaysian low cost airline customer behaviour with regards to the price and satisfaction to customers as well as a proposed low cost consumer behaviour framework. It offers explanation of what constitute the minimum level of service attributes that customers required with the amount of price paid. The finding serves as important baseline data for the home grown low cost airlines to gain a better understanding of the expected service attributes and the effectiveness of their price promotions and thus increases the quality of travelling experiences for the domestic customers. Two new discoveries of knowledge - low cost airlines consumer behaviour framework with focus on customer satisfaction and an insight into as to why price induce repeat purchase intention for services of Malaysian low cost airlines among the repeat domestic customers. In addition, four new research venues were identified: 1) an extension to international low cost airlines and international travellers (business and leisure); 2) quantitative research on the relationship between key low cost airlines service attributes and customer satisfaction; 3) research to investigate and confirm the price discount of low cost airlines that significantly influence the repeat purchase and satisfaction; 4) validation of low cost airline consumer behaviour framework by use of quantitative approach for both domestic and international travellers.

REFERENCES


