Transportation Research Part E 71 (2014) 1–17

Contents lists available at ScienceDirect

Transportation Research Part E

journal homepage: www.elsevier.com/locate/tre

Drivers of airline loyalty: Evidence from the business travelers in China

Ilias Vlachos *, Zhibin Lin [1]

Newcastle Business School, Northumbria University, City Campus East 1, Newcastle Upon Tyne NE1 8ST, United Kingdom

ARTICLE INFO

Article history:
Received 23 October 2013
Received in revised form 27 June 2014
Accepted 27 July 2014

Keywords:
Airline loyalty
Airline attributes
Business travelers
Reputation
Frequent flyer program
China

ABSTRACT

This paper examines the key factors that determine business traveler loyalty toward full-service airlines in China. Based on literature review and panel interview, ten airline attributes under three categories were derived: (a) operational factors: safety, punctuality, and aircraft; (b) competitive factors: frequency of flights, schedule, frequent flyer program, ticket price, and reputation; and (c) attractive factors: in flight food & drinks and in flight staff service. We surveyed 2000 Chinese business travelers on domestic flights, obtaining 462 usable questionnaires. Hierarchical regression analysis reveals that reputation, in-flight service, frequent flyer program, and aircraft have the greatest influence in driving airline loyalty.

© 2014 Elsevier Ltd. All rights reserved.

1. Introduction

Passenger loyalty is fundamental to any airline aiming to maintain a stable market share and revenue stream (Chang and Hung, 2013), particularly in a turbulent market. The competitive landscape of the global airline industry has been in a constant change in recent years, with a rapid growth of low cost carriers and high-speed railways, rising fuel costs, fluctuating demand, and tighter security, safety and quality requirements. To survive and grow, airlines managers need to identify factors of their services that satisfy and retain customers (Chen, 2008). The linkage between service quality, customer satisfaction and airline performance has been well researched (Chen, 2008; Ellinger et al., 1999; Steven et al., 2012). However, research into factors driving passenger loyalty is still at its early stage, and findings so far have been inconclusive. A recent exploratory research by Chang and Hung (2013) examined passenger loyalty toward low cost carriers, yet the factors that drive business travelers' loyalty toward full-service airlines still remain underexplored. Furthermore, full-service carriers face tougher challenges than low cost carriers in the current economic climate, because they rely on business travelers for profitability, yet increasing number of business travelers have started to defect to low cost carriers (Huse and Evangelho, 2007). The business travel market is relatively concentrated and limited to a small number of people who travel frequently (Mason, 2001). Business travelers (especially those employed by large companies) are less ticket price sensitive, are less likely to choose low-cost airlines over full-service carriers (Mason, 2001), and are better acquainted with the routine of flying than leisure travelers, saving the efficiency cost of service provision (Ringle et al., 2011). Keeping business travelers

---

* Corresponding author. Tel.: +44 (0) 191 227 4709, mobile: +44 (0) 07947366112.
E-mail addresses: ilias.vlachos@northumbria.ac.uk (I. Vlachos), zhibin.lin@northumbria.ac.uk (Z. Lin).
URLs: http://www.northumbria.ac.uk/sd/academic/nbs/staff/stafflist/?page=detail&staffid=380, http://www.iliasvlachos.com, http://uk.linkedin.com/in/ivlachos (I. Vlachos).
[1] Tel.: +44 (0)191 243 7205.

http://dx.doi.org/10.1016/j.tre.2014.07.011
1366-5545/© 2014 Elsevier Ltd. All rights reserved.

happy and fostering their loyalty involves both in day-to-day interactions and a long-term perspective (Ellinger et al., 1999). Thus responding to the recent call by Chang and Hung (2013) for more research into airline loyalty, this study aims to extend the transport research literature by investigating the factors driving business travelers' loyalty toward full-service airlines in China.

China has become the world's economic powerhouse, and its airline market is the growth engine for the global airlines industry's recovery from the 2008 economic downturn (IATA, 2013). Its business travel market is currently the 2nd largest in the world, and is still growing at the world's fastest rate (expected to be 16.8% in 2014, in comparison, the U.S. growth rate is expected to be 5.8% in the same year). China is expected to surpass the U.S. as the largest business travel market in the world by 2016 (GBTA, 2013). Unlike airline markets in the US and Europe, China's domestic air passenger market is dominated by full-service airlines, which have more than a 93% share of the market (CARNOC, 2014a). The majority shares of these big players are state-owned (Zhang et al., 2013) and include the 'Big Three' airlines, Air China, China Southern and China Eastern, and two medium-sized airlines, Hainan and Xiamen. Similar to other airlines in the global market, Chinese full-service airlines also face challenges such as rising fuel costs, falling yield, new entrants of low cost airlines, and the growing high-speed rail transport industry (Fu et al., 2012). The major battle ground for full service airlines in China is to invest in their loyal customers by attracting and retaining highly profitable business travelers, and the importance and intensity of competition of the Chinese domestic airline market makes it an ideal research context for this research.

This study contributes to a better understanding of business traveler loyalty toward full-service airlines in China and has management implications for major players the industry. Specifically,

(1) We focus on travelers' attitudinal loyalty toward specific airlines as opposed to airline choice (Espino et al., 2008; Hess et al., 2007; Suzuki, 2007). To the best of our knowledge relatively few studies have investigated airline loyalty (e.g. Dolnicar et al., 2011; Ostrowski et al., 1993), particularly, business travelers' loyalty (Harris and Uncles, 2007).
(2) We apply a synthesized framework that organizes ten airline attributes into three categories: operational factors, competitive factors and attractive factors. To our knowledge, there is no previous study that has examined these attributes and measured their impact on business traveler loyalty. We use hierarchical regression modeling to measure the effect of each attribute and reveal those attributes that contribute most to business travelers' loyalty. Further, the model embeds three related but distinctive loyalty variables: overall satisfaction, recommendation intention, and repurchase intention.
(3) We provide advice to airlines regarding attracting and retaining loyal business customers. In the wake of a global economic recovery, rapidly growing markets like China, India and Brazil are in prime position to become major global players in the business travel market (GBTA, 2013). Results of this study highlight the importance of airline reputation, frequent flyer program (FFP), in-flight staff service, and aircraft quality for building business traveler loyalty.

The article is organized as follows. In the next section, we review relevant literature and develop hypotheses. The third section describes the research methods as well as variable measures. In the fourth section we present the empirical results of hypothesis testing and discuss the findings. We conclude with a summary of managerial implications, limitations and directions for future research.

2. Literature review

2.1. Satisfaction and loyalty

Customer satisfaction and loyalty are the central constructs of consumer research, as they are an indication of the success of a firm in winning and retaining customers in a competitive market including the transport and logistics sectors (Celik et al., 2013; Chen, 2008; Chou et al., 2011; Ellinger et al., 1999; Ramanathan, 2010; Steven et al., 2012). Satisfaction is well studied as a direct antecedent to loyalty, along with other influencing factors such as situational constraints and customer characteristics (Seiders et al., 2005). Satisfaction can be defined at the level of individual service attributes or at an aggregate level of experience across a series of encounters with brands or services over time (Ellinger et al., 1999). According to Oliver (1997), attribute-level satisfaction is a cognitive process of comparing the perceived performance of each individual attribute with expectations, while overall satisfaction is an affective response, or the pleasurable fulfillment of some need, desire, goal, or so forth.

Customer loyalty has been defined in a variety of ways (Dick and Basu, 1994; Jacoby and Chestnut, 1978; Oliver, 1999; Uncles et al., 2003). Jacoby and Chestnut (1978) identified more than 533 different definitions and measures of customer loyalty in their review of loyalty literature up to 1970s. The diversity of loyalty definition still persists today. The different loyalty definitions can be categorized as behavioral approach, attitudinal approach, and the approach of a composite of both attitude and behavior, all with an implicit temporal dimension (Jacoby and Chestnut, 1978). The behavioral approach of loyalty definition focuses on repeat purchase (Ehrenberg, 1990; Neal, 1999). Studies in air transport that follow the behavioral approach of loyalty include Chang and Hung (2013), Dolnicar et al. (2011) and Harris and Uncles (2007). In this approach, the measure of loyalty is often based on 'share of category requirements' or 'share of wallet' (Neal, 1999). Extant empirical evidence from a variety of industries and country contexts consistently reveals that most customers are "polygamous", or loyal to a portfolio of brands in a product category, and that few customers are "monogamous" (100 percent loyal) or

Download English Version:

https://daneshyari.com/en/article/1023191

Download Persian Version:

https://daneshyari.com/article/1023191

Daneshyari.com