



Role of value for money and service quality on behavioural intention: A study of full service and low cost airlines



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ABSTRACT

The study explore low cost and full service airline consumers' perception of value for money and service quality, and its influence on behavioural intention in the perspectives of means-end chain theory and price sensitivity theory. The study also examines the consumer behaviour of compensating service expectations for better price. Structural equation model was used to test the effect of perceived value for money and service quality on customer satisfaction and their behavioural intention. By confirming the low cost airline passengers' sensitiveness towards value for money, the study supports price sensitivity theory. The results support means end chain theory by identifying perceived value for money and service quality as a significant predictor of consumer satisfaction and behavioural intention.

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1. Introduction

The emergence of low cost airlines and their low price assurance schemes is a major threat to traditional full service airlines that are driven by superior services. Low cost airlines impact civil aviation market (Forgas et al., 2010) by changing the pricing pattern followed in the industry. Whilst traditional full service airlines believe professionalism and superior service quality as a predictor of customer satisfaction and customer loyalty (Forgas et al., 2010), low cost airlines thrive based on the belief that consumers purchasing behaviour is driven by value for money rather than services. Positioning themselves as a price competent service provider, low cost airlines attract consumers successfully. However, price competence and value for money alone may not be a significant predictor of consumers' attitude towards airline choice. If price is the only factor the consumers are concern, there should be overwhelming demand for low cost airlines and failure of full service airlines. Interestingly, the low cost and traditional full service airline consumers perceive service quality and value for money in different perspectives (Periera et al., 2011). There is an ambiguity and little evidences in literature that explore how the airline type interact with value for money and service quality and influences consumer satisfaction

and behavioural intention.

Low-cost airlines initially targeted leisure travellers and then captured a significant proportion of business travellers (Mason, 2001). The global financial crisis revamped the importance of cost cutting in doing businesses and encouraged the business travellers to choose low cost airlines. In particular, business travellers from small and medium sized enterprises (SMEs) attracted by low-cost airlines compared to the travellers working for large sized enterprises and corporates. As SMEs are price sensitive, the value for money schemes introduced by low cost airlines delivered expected value and benefits.

Though low cost airlines succeeded in attracting consumers on the grounds of value for money, they found difficulties in retaining and building loyal customer base. Whilst traditional full service airlines offered value through superior services, low cost airlines solely dependent on lower price assurance schemes. It is not clear, what motivate the consumers to choose low cost airlines. It is also interesting to investigate the role of service quality and value for money in consumers' decision of choosing the low cost and traditional full service airlines. Thus, the study investigates the influence of service quality and value for money on customer satisfaction and behavioural intention. The study also investigates the interaction effect of airline type (low cost and traditional full service airline), service quality and value for money on consumer satisfaction and behavioural intention using means-end theory and price sensitivity theory.

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2. Theoretical framework

The means-end model proposed by Zeithaml (1988) suggests that the perceived value is a direct antecedent to consumer satisfaction and purchase intention. According to Zeithaml (1988), perceived value is a higher level construct which is derived from price based value and quality. The core idea of means-end theory is, individuals are goal directed and they use product/service attributes as means to achieve desired consequences (Gardial et al., 1994; Gutman, 1982).

The consumers' decision to choose low cost and traditional full service airlines can also be explained by price sensitivity theory. Price sensitivity is defined as the extent to which price is an important criterion in the consumers' decision-making process (Erdem et al., 2002; Terui and Dahana, 2006). Price sensitive consumers often switch to a cheaper brand and ready to compensate service expectations for better price. While price sensitiveness is preeminent in low cost airlines, service quality is valued in traditional full service airlines (Periera et al., 2011). Hence, the study investigates the low cost and full service airline consumers' perception on value for money, service quality and its influence on consumer satisfaction and behavioural intention, using means-end chain theory and price sensitivity theory (Fig 1).

3. Literature

3.1. Perceived value for money

According to Zeithaml (1988), perceived value is the overall utility received from products and services. Perceived value is a relative term which evolved from two key perspectives of consumer behaviour: the utilitarian (value is linked to prices; known as transaction value) and the psychological perception (emotional aspects of consumers in decision making) (Gallarza and Gil Saura, 2006). In utilitarian terms perceived value is measured as value for money (Kashyap and Bojanic, 2000). Value for money is expressed as a tradeoff between the consumer sacrifices (price) and receivables (Kashyap and Bojanic, 2000). Ryu et al. (2008) measure value for money as the consumers' assessment of what has been received and what has given.

Empirical studies on travel and tourism has investigated value for money in utilitarian perspective, where value is considered as perceived utility relative to the price paid (Jayanti and Ghosh, 1996;

Murphy et al., 2000). According to Kashyap and Bojanic (2000), utilitarian perspective of value for money is the best indicator to measure the consumers overall tradeoffs between price and utility.

3.2. Value for money and customer satisfaction

Value for money is an indicator that helps marketers to predict customer satisfaction (Dodds et al., 1991) and to develop pricing and promotion strategies. Value for money has been employed as an indicator in services (Bolton and Drew, 1991; Ostrom and Iacobucci, 1995; Flint et al., 1997; Cronin et al., 2000), tourism (Baker and Crompton, 2000; Brady et al., 2006, 2001; Williams and Soutar, 2009) and travel (Chen, 2008; Forgas et al., 2010; Kim and Lee, 2011; Park, 2004) literature to predict overall customer satisfaction, loyalty, post purchase behaviour and profitability.

Customer satisfaction is a psychological outcome derived from experiences and perceived value (Lee et al., 2007). According to Oliver's (1976) expectancy-disconfirmation model, consumers' attitude and post purchase behaviour towards a product, service and or experience stem from the initial expectations the consumers have had in their black box. Consumers often evaluate purchase experience in terms of value for money. The evaluation leads to customer satisfaction and post purchase behaviour. In line with means-end theory (Oh, 1999; Zeithaml, 1988) and expectancy-disconfirmation model, the study considers value for money a significant predictor of customer satisfaction.

According to Chiou and Chen (2010), full service and low cost airline consumers differ on their perception on value for money, service quality and satisfaction. In addition, Chiou and Chen (2010) found a significant effect of low cost airline consumers perceived value on overall satisfaction. Thus the study hypothesizes that;

H1. Perceived value for money positively influences customer satisfaction.

H1 (a). Value for money perceived from low-cost airlines positively influences customer satisfaction.

H1 (b). Value for money perceived from full service airlines positively influences customer satisfaction.

H1 (c). The effect of value for money on customer satisfaction differs across low cost and traditional full service airlines.

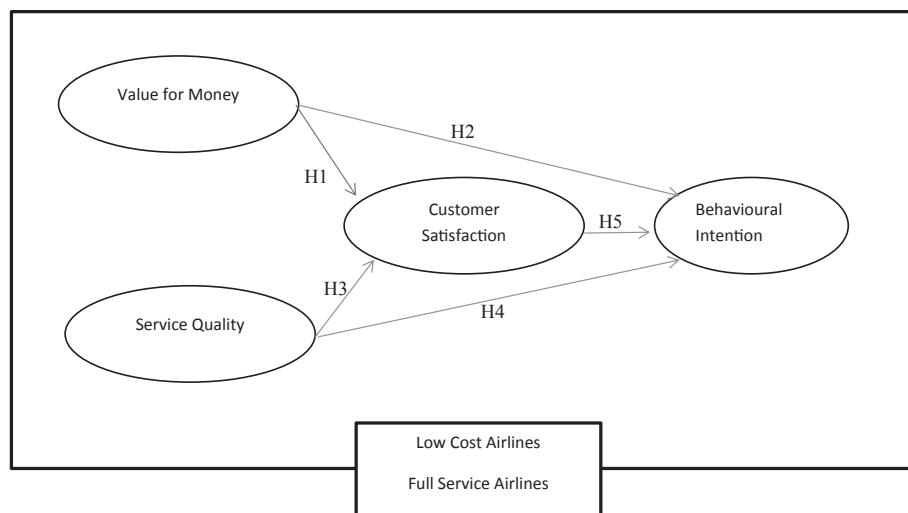


Fig. 1. Conceptual model.

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