



# Are low-cost carrier passengers less likely to complain about service quality?



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## ABSTRACT

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Complaints made by airline passengers to the U.S. Department of Transportation (DOT) are often used in academic research and in the media as a proxy for the quality of commercial air service in the United States. In this paper, we test whether passengers of network carriers are more likely to make a complaint to the DOT about service quality failures than passengers of low-cost carriers. Through a fixed-effects regression, we find that passengers of low-cost carriers like Southwest Airlines are less likely to complain about service quality than passengers of network carriers like United Airlines, given the same levels of service quality and controlling for yearly fixed effects. This behavior could be explained by price-based expectations of service quality, lack of information about how to complain to the DOT, or qualitative differences in front-line customer service between airlines.

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## 1. Introduction

In service industries, customers can choose to register their dissatisfaction with the service they receive by making a complaint to the service provider. Customers can also decide to complain to an overarching regulatory agency in an attempt to bring light to a particularly egregious case of service failure. In the airline industry in the United States, dissatisfied passengers can choose to complain directly to the airline or to the U.S. Department of Transportation (DOT)'s Airline Consumer Protection Division, which solicits complaints on behalf of the federal government. The DOT publishes statistical tabulations of the complaints that they receive in the Air Travel Consumer Report (ATCR), a regularly issued periodical (U.S. Department of Transportation, 2013).

Since airline complaint data is readily available through the ATCR, it is a popular target for analysis in academic literature and the news media. The Airline Quality Report (Bowen and Headley, 2013) is an annual review of airline service quality that has been published using ATCR service quality and complaint data since 1991. Other researchers (Gursoy et al., 2005; Sim et al., 2006; Rhoads and Waguespack, 2008; Sim et al., 2010) have also used ATCR complaint data in analyses of airline service quality. In the popular media, complaint data is often used in news reports on airline customer service (Ahlers, 2012).

Each of these applications of consumer complaint data implicitly assumes that there is a direct correlation between consumer

complaints to the U.S. DOT and actual measures of service quality. In other words, past analyses of consumer complaints assume that complaints will rise as service quality worsens. Dresner and Xu (1995) find such a relationship between complaints and service quality, and Steven et al. (2012) have suggested that the relationship is nonlinear.

In addition, Forbes (2008) finds a significant correlation between consumer complaints and actual service quality in an analysis of ATCR data between 1988 and 2000. Forbes also shows that expectations of service quality are a significant predictor of complaint rates, and that passengers are more likely to complain if actual service quality falls below their expectations. Yet Forbes' analysis examines only network carriers, stating that "expectations of service quality may... be quite different for" passengers of low-cost carriers (LCCs). This paper aims to test whether passengers of low-cost carriers do indeed have different propensities to complain about service quality than network carrier passengers.

In this paper, we examine the relationship between consumer complaints and actual service quality through a fixed-effects regression analysis of ATCR data from 2002 to 2012. We find that consumer complaint rates decrease with improvements in several metrics of airline performance, including on-time performance, mishandled baggage, and involuntary denied boardings, controlling for time and airline-specific fixed effects. More importantly, however, the fixed-effects regressions reveal significant differences in complaint rates between various carriers. Specifically, passengers of several low-cost carriers (LCCs), particularly Southwest Airlines, are less likely to complain about service quality failures than passengers of network legacy carriers, controlling for yearly variations in complaints.

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This difference in propensity to complain across passengers of various airlines may be a result of a number of factors, including price-based expectations, significant qualitative differences in service between the airlines, or a lack of information on the part of LCC passengers about the option to complain to the DOT. An analysis of consumer complaints made directly to the airlines would help evaluate which, if any, of these explanations could be causing the variances in the airline fixed effects. However, such an analysis would be challenging to complete due to the proprietary nature of airline-specific complaints.

The remainder of this paper is structured as follows: Section 2 describes the data from the Air Travel Consumer Report (ATCR) used in this report and discusses some general trends in complaints and service quality in the U.S. airline industry from 2002 to 2012. Section 3 describes the methodology of the fixed-effects regression. Section 4 discusses the results of the regression models. Section 5 explores some possible explanations for the differences in propensities-to-complain among LCC and network carrier passengers, and a brief conclusion closes the paper and suggests some avenues for future research.

## 2. Data and general trends

### 2.1. Air Travel Consumer Report

The Air Travel Consumer Report (ATCR) is a monthly periodical published by the U.S. Department of Transportation's Aviation Consumer Protection Division. The ATCR contains various statistics and data about airline service quality and consumer complaints for airlines that captured at least 1% of the total domestic passenger-service revenues in the given time period. In February of each year, summary statistics are given for consumer complaints and service quality performance of airlines over the previous year.

On-time performance data, which is collected by the Bureau of Transportation Statistics (BTS), is included in the ATCR, as well as information about canceled, delayed, and chronically delayed flights. Airlines are also required to submit reports to the DOT each month regarding the number of bags that were reported as mishandled in that month, as well as the number of passengers that were voluntary or involuntary denied boarding in the month. A passenger with a ticketed and confirmed reservation can be denied boarding if a flight is oversold; some passengers voluntarily accept compensation in exchange for taking a later flight, while in some instances passengers may be involuntarily denied boarding if no volunteers are found on an oversold flight. Statistics on both of these types of denied boardings are presented in the ATCR.

The ATCR also summarizes consumer complaints that are made directly to the DOT regarding both domestic and international airlines. Passengers can submit complaints to the DOT in person, in writing, by phone, on the DOT website, or by using a DOT mobile application. The DOT sorts incoming complaints by assigning the complaint into one of several categories and by marking which airline is the subject of the complaint. Complaints that are made to the U.S. Department of Homeland Security (DHS) regarding the Transportation Security Administration (TSA) are also provided in the report. A list of categories into which incoming consumer complaints are sorted in the ATCR is shown in Table 1.

The Air Travel Consumer Report has the desirable quality of containing data on both actual and perceived levels of service quality. For instance, using the same data source, we can easily compare the rates at which passengers make flight problem complaints (i.e., passengers' *perceptions* of on-time performance and delays/cancellations) to the actual levels of airline on-time performance and delays over the same time period. Similarly, we can also compare oversales complaints to voluntary and involuntary denied

**Table 1**

Complaint categories in the Air Travel Consumer Report. Source: U.S. Department of Transportation (2013).

Flight problems	Customer service
Oversales	Disability
Reservations, Ticketing & Boarding	Advertising
Fares	Discrimination
Refunds	Animals
Baggage	Other

boardings, and baggage complaints to actual mishandled bag reports. In this way, the relationships between actual and perceived levels of service quality can be examined.

### 2.2. Discussion of general trends in complaints and service quality

Fig. 1 shows the annual trend in U.S. airline consumer complaints submitted to the Department of Transportation from 1990 to 2012. The absolute numbers of complaints are plotted in the bars on the left-hand axis, and the complaint rate per 100,000 passengers is shown in the line on the right-hand axis. The total number of complaints in 1996 was not available due to a gap in microfilm publication of ATCR back issues before the reports were published online on the DOT website.

As Fig. 1 shows, the U.S. airline DOT complaint rate varied between roughly 0.8 and 3.0 complaints per 100,000 enplaned passengers. The complaint rate peaked over the period from 1999 to 2001, fell following the terrorist attacks of September 11, 2001 and, following a brief peak in 2007, remained below 1.5 complaints per 100,000 enplaned passengers until 2012. The peaks in complaint rates coincide with years in which the U.S. air transportation network was experiencing congestion and high delays. For instance, the peak in complaints in 2007 can be associated with a heavily congested year in the U.S. air transportation system in which many flights were delayed or canceled. Following 2007, complaint rates fell as U.S. airlines removed capacity from the system as a result of the global economic downturn and higher and more volatile fuel prices (Wittman and Swelbar, 2013).

Airline-specific complaint rates for the year 2012 are shown in Fig. 2. 2012 was not a typical year for the airline industry; the merger of United Airlines and Continental Airlines was completed in this year, and problems with integrating the two airlines' reservations systems created some periods of widespread delays or cancellations for United flights. As such, United's high complaint rate in 2012 should be seen as an outlier.

Note, however, that network legacy carriers United Airlines, US Airways, and American Airlines had the highest complaint rates in 2012. This is a typical pattern that can be seen in most years of complaint data—network carriers, with the exception of Delta Air Lines, tend to have higher levels of complaint rates than low-cost carriers or regional carriers. Delta Air Lines tends to have complaint rates that are lower than the category average.

Differences in complaint rates between network carriers and low-cost carriers exist even if the two types of airlines exhibit similar patterns of actual service quality. For instance, Fig. 3 shows the number of complaints about mishandled baggage that the DOT received regarding United Airlines, a network carrier, and Southwest Airlines, a low-cost carrier, from 2000 to 2012. Note that United received more complaints per enplaned passenger about mishandled baggage in each year, and in some years United's complaint rate was up to ten times higher than Southwest's.

However, when we examine the rates at which these airlines were actually mishandling bags, we can see that Southwest Airlines and United Airlines had relatively similar levels of service quality. In

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