



Examining the impact of risk perceptions on intentions to travel by air: A comparison of full -service carriers and low-cost carriers



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ABSTRACT

This study is aimed to examine the impact of perceived risk on passenger's intentions to travel by air. Furthermore, this study also examines these relationships across full -service and low-cost air carriers. This study employed a convenience sampling method for collecting data from 755 respondents using a self-administered questionnaire. Moreover, variance based structural equation modeling (PLS-SEM) was used to test the proposed structural model. The results revealed that socio-psychological risk, financial risk and performance risk are significantly negative predictors of passengers' intentions to travel by air. Whereas, surprisingly, physical risk is found to be a non-significant predictor of passengers' intentions to travel by air. Results from multi-group analysis showed for passengers in full service carriers, all the dimensions of perceived risk have a significant impact on their intentions to travel by air. Whereas, for passengers in low cost carriers, physical risk and performance risk are significant predictors while socio-psychological and financial risk are non-significant predictors of their intentions to travel by air. It is expected that findings of this study will help airlines to understand the role of various dimensions of perceived risks that shape passenger's intentions to travel by air.

1. Introduction

Considering their product offering, airlines are classified into two distinct categories i.e., Low-Cost Carriers (LCC) and Full-Service Carriers (FSC). FSCs fly to major airports and offer flights between their network and interline cooperation with other carriers. Their product has higher standards including comfortable seating, free refreshment and catering on board, providing newspapers, magazines or in-flight entertainment. LCCs, on the other hand, fly from point to point. Typically, LCCs have aircrafts with high seat density, no free catering, without any possibility to use connection flights from carrier's network or network of other airline (Rozenberg et al., 2014).

Regardless of the categorization of airlines, air travel involves travellers' perceived risks of being involved in an air travel accident (Fleischer et al., 2015). In this regard, Slovic (2000) commented that consumers overestimate unknown risks as compared to obvious ones. Boksberger et al. (2007) stated that around 50% of the travellers suffer anything from a slight discomfort or apprehension to a very intense fear of flying, and about 10% suffer from such a high degree of fear or anxiety that they avoid flying. Major incidents in the recent past including the Gulf War, the terrorist attack of September 11th and the SARS

epidemic have made travellers choose their airlines and routes based on their perceived risks (Reisinger and Mavondo, 2005). Perceived risk is important because it can drastically influence consumer behaviour (Glynn and Chen, 2009). However, as per Koo et al. (2015), these perceived risks have largely been ignored in the air passengers' behaviour models. Most of the studies have investigated the impact of perceived risks on booking the flights online (Agag and El-Masry, 2016; Amaro and Duarte, 2015; Cunningham et al., 2005), however, there is almost no literature on how various facets of perceived risk impact passengers' intentions to travel by air.

Considering the importance of perceived risks on consumer behaviour and lack of theoretical studies on their relationships, this study examines the impact of perceived risks (socio-psychological, physical, financial and performance) on air travellers' decision to travel by air. Moreover, recent trends show a tremendous change in the Asian airline industry. In addition to increasing number of mergers, take-overs, and different types of alliances, development of LCCs, their networks and competition became literally the trend in Asia. Asia's LCC fleet has passed the 600-aircraft mark as the region's 23 LCCs added about 70 aircraft in 2015, resulting in 13% growth. The region's LCC fleet has expanded by 50% in only three years, from 400 to just over 600 aircraft

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(Tran, 2016). Research shows that LCCs made up approximately 60% of the total market and rising quicker than their FSC counterparts (Tan, 2017). Considering the growth of LCCs and the differences in their operations and product offerings, this study also intends to compare the impact of perceived risks on air travellers' decision to travel by air across FSCs and LCCs.

2. Literature review

2.1. Perceived risks

In last two decades, the air accidents have significantly reduced in addition to many operators within the airline industry bragging about safety being their top priority. However, the happening of an air accident cannot be disregarded completely (Ringle et al., 2011). Therefore, customers consider travelling by air to be riskier means of travel. At times, this risk perception is over assessed because of being linked to a low-probability event (Viscusi, 1985). Moreover, air accidents attract huge media coverage resulting in enhanced customer awareness of these events (Ringle et al., 2011). Consequently, travelling by air implies some risk taking on customers' part (Cunningham et al., 2002). While previous literature has discussed types of perceived risk in air travel, there is very limited research on how various type of perceived risks influence consumer behaviour.

The term 'perceived risk' was first used by Bauer (1960, p. 390) stating, "consumer behaviour involves risk in the sense that any action of a consumer will produce consequences which he cannot anticipate with anything approaching certainty, and some of which at least are likely to be unpleasant". Even the concept of perceived risk was discussed in the literature, scholars had difficulty in defining it (Boksberger et al., 2007). Later in 1980, Vlek and Stallen listed six common definitions of perceived risk including (i) the variance of the distribution of consequences, (ii) a linear function of the expected value, (iii) the variance of the probability distribution over the probability of all possible consequences, (iv) the expected loss, (v) the size of credible loss, and (vi) the probability of loss. Moreover, Peter and Ryan (1976) stated that perceived risk is a product of users' evaluation of possibility of negative consequences and the extent of the negativity. Along the same lines, Cunningham (1967, p. 37) defined perceived risk as, "the amount that would be lost (i.e. that which is at stake) if the consequences of an act were not favourable, and the individual's subjective feeling of certainty that the consequences will be unfavourable". Pham Bich (2016) and Guasti and Mansfedova (2013) explained the risk perception with the help of three components i.e subjective analysis made by individual, (un)certainly that is fundamental to that analysis, and the possible negative result. To conclude, perceived risk is assessment of risk based on combined determination of losses, significance, and uncertainty (Boksberger et al., 2007; Yates and Stone, 1992).

Mitchell (1998) maintains that perceived risk is a multidimensional phenomenon that includes various risk dimensions. A number of scholars (Arslan et al., 2013; Beneke et al., 2012; Demir, 2011; Dowling and Staelin, 1994; Jacoby and Kaplan, 1972; Laforet, 2007; Peter and Tarpey, 1975; Schiffman and Kanuk, 1994; Shimp and Bearden, 1982) have discussed five types of perceived risks, including.

- Socio-Psychological;
- Physical;
- Financial; and
- Performance.

2.2. Socio-psychological risk

Socio-psychological risk is a combination of two dimensions of risks including social risk and psychological risk. Roehl and Fesenmaier (1992) stated that social risk rises if a consumer believes that service consumption/action will not conform to the standard of others in his/

her social circle. Whereas, psychological risk is related to the possibility of a service/action/product not being in congruence with the consumer's self-image or personality (Roehl and Fesenmaier, 1992). Deng and Ritchie (2018) stated that psychological risk relates to the possibility of losing self-esteem or getting embarrassment over service/product consumption. In general, socio-psychological risk refers to consumers' fear of services not matching their self-image (Fuchs and Reichel, 2011; Rezaei et al., 2016). In context of air travel, Boksberger et al. (2007) describes social risk to be a likelihood of the reputation and image of a chosen airline negatively influencing passengers' image in his/her social circle. Whereas, psychological risk is the possibility of getting embarrassment from flying with the chosen airline. As per Qi et al. (2009), air travel involves selection of many preferences by travellers which is related to their socio-psychological needs. Moreover, travellers in a shared service consumption environment are perceived as disturbers to one another (Ali et al., 2018a), which also lead to socio-psychological risks. In addition, Roehl and Fesenmaier (1992) measured travellers' psychological stress of different scenarios during travelling and it included factors such as unavailability, cancellations and disappointing meals etc. Nonetheless, air travel involves great interactions between service providers and consumer, making socio-psychological risks significant predictors of consumers' behaviour (Rezaei et al., 2016). Hence, we propose;

H1. *Socio-psychological risks have a significantly negative influence on passengers' intentions to travel by air.*

2.3. Physical risk

Physical risk is the possibility that a trip will lead to physical danger or injury (Roehl and Fesenmaier, 1992). Various scholars have discussed the idea of physical risk in the context of travel and tourism. In the context of air travel, Boksberger et al. (2007), physical risk is the probability that, due to a service failure, the physical and environmental circumstances of flying (reduced oxygen pressure and air humidity) the passenger is injured or harmed. As per Fuchs and Reichel (2011), physical risk is the likelihood of getting a safety related problem due to a travel and tourism product/service. Chew and Jahari (2014) stated that physical risks refers to the possibility of coming across physical hazards, damages or sickness during travelling. The potential risks of terrorist threats and political unrest has been recognized as influential factors for changing tourists' intentions, even the experienced travellers may get influenced (Artuğer, 2015). Similarly, Björk and Kauppinen-Räsänen (2012) postulated that the possibility of being hurt or injured as a victim of violence during travelling can be included in physical risks. In terms of terrorism, political instability, unrest and health risk where the researchers like Sönmez and Graefe (1998) and Seabra et al. (2014) categorize them separately; Çetinsöz and Ege (2013) define them under the concept of Physical Risk. Also, the research conducted by Artuğer (2015) and Yağmur and Doğan (2017) referred to terrorism and political unrest as one of the variables for physical risk. These represent risk factors which could lead to a physical injury of tourists and will have a strong influence on tourist decision-making (Karl and Schmude, 2017). Considering the recent exchange of violence among passengers themselves, passengers and airline crewmembers and increase in air travel related accidents and terrorism events, it is understandable that physical risk impacts consumer behaviour. Therefore, we propose;

H2. *Physical risks have a significantly negative influence on passengers' intentions to travel by air.*

2.4. Financial risk

Financial risk refers to the likelihood that a product/service will fail to provide value for the money (Arslan et al., 2013). As per Roehl and

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