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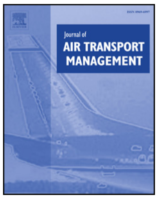

A multi-group analysis of social media engagement and loyalty constructs between full-service and low-cost carriers in Hong Kong

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ABSTRACT

This study investigates the factors that influence customer loyalty to full-service carriers and low-cost carriers in the Hong Kong airline industry. A hypothesis model is proposed to examine the relationship of various drivers of customer loyalty. In this study, engagement in social media was used to assess the effect of advertising, while the impacts of perceived service quality were considered to measure the effect on perceived value, and their impacts on customer satisfaction and loyalty. Three hundred and fifty-six questionnaires were distributed at the Hong Kong International Airport to collect data. The multi-group analysis was conducted to evaluate the hypothesis model with two groups of passengers. The results confirmed that social media engagement, perceived service quality, and perceived value have an incidental relationship to customer satisfaction. Media engagement and service quality are the strong predictors of attitudinal and behavioural loyalty in low-cost carriers. Interestingly, our findings show that the two groups of passengers have notable differences regarding loyalty construction, which adequately explain how passengers have different service expectations and needs.

1. Introduction

Due to the increasingly competitive market in the airline industry, being able to build and keep maintain customer loyalty is essential for maintaining a stable market share and revenue (Akamavi et al., 2015; Cooil et al., 2007; Wirtz et al., 2007), leading to a sustainable competitive advantage (Min and Joo, 2016; Woodruff, 1997). It is vital for airlines to distinguish their uniqueness compared to their competitors' service quality and to establish a strong relationship with their loyal customers. The factors affecting the purchasing decision of airline service consists of the channel of purchase, corporate image, word of mouth, and service quality (Crosby and Stephens, 1987). It is believed that customers evaluate their choices and preferences before making a rational decision (Crosby, 1991). Customer experience in the airline industry represents passenger interactions with an airline during a whole journey, including pre-flight, in-flight and after-flight.

Customer satisfaction and profit earning are strongly correlated through delivering an appropriate degree of service quality (Anderson et al., 1997). With the purpose of generating a substantial profit and maintaining customer relationships, gaining customer loyalty is the ultimate goal, which leads to the long-term success of airline services (Anderson and Mittal, 2000; Baker, 2013). Loyalty refers to the changing of customer purchasing behaviour from a favourable tendency to repurchase commitment as a prior procedure to the action of buying (Oliver, 2014). The loyalty constructs may deviate regarding the formulation of their service level, business structure and pricing strategies (Kos Koklic et al., 2017). In order to maximise the revenue and Return on Investment (ROI), airlines must seize market share and compete with each other using different marketing strategies. Typically, the competition between Full-Service Carriers (FSCs) and Low-Cost Carriers (LCCs) has increased recently. FSCs offer complementary service development and enhancement, while LCCs provide no-frills basic services and allow add-on services on request (Chiou and Chen, 2010; Pels et al., 2009).

Determining passengers' expectations assist service providers to recognise passengers' needs and wants. High customer satisfaction can be achieved by delivering a high quality of service. User groups' preferences are of considerable interest to airlines as user groups perceive service quality differently. It is essential and critical to evaluate notable differences between FSCs and LCCs in regard to users' expectations in order to achieve a greater understanding of passengers' requirements (Leong et al., 2015).

Numerous scholars have studied the different determinants of perceived value, customer satisfaction and loyalty between FSCs and LCCs.

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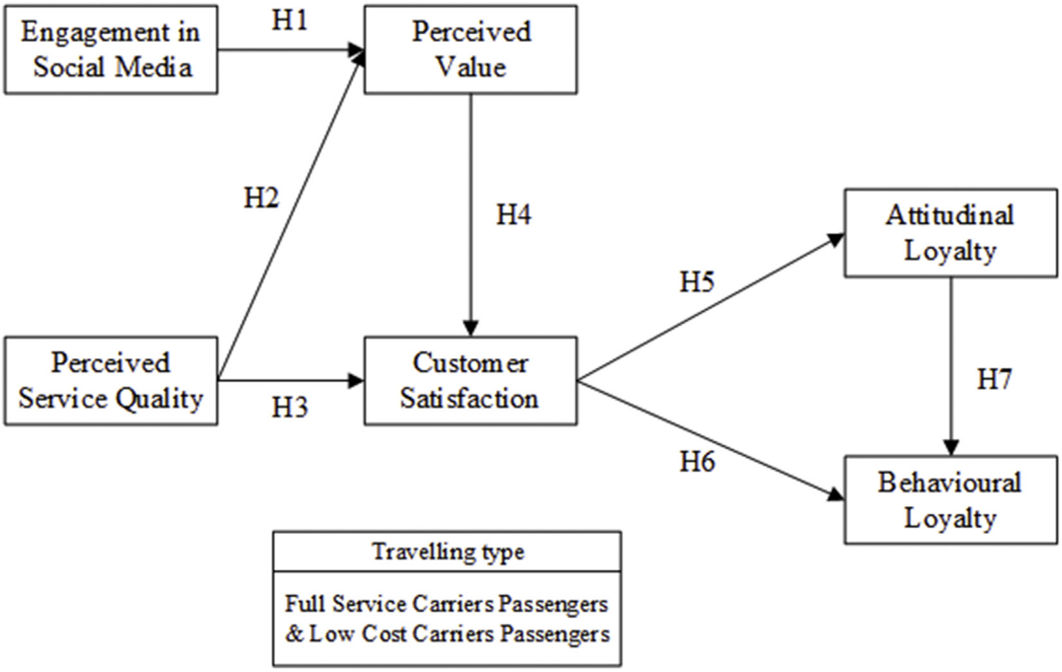
Engagement in Social Media
H1
Perceived Value
H2
H4
Attitudinal Loyalty
H5
Perceived Service Quality
H3
Customer Satisfaction
H7
H6
Behavioural Loyalty
Travelling type
Full Service Carriers Passengers & Low Cost Carriers Passengers

Fig. 1. A theoretical model for airline loyalty.

Chiou and Chen (2010) investigated the factors influencing the service value between FSCs and LCCs and concluded that service perception has a significant association with customer satisfaction. Curras-Perez and Sanchez-Garcia (2016) found that the formulation of company commitment is strongly related to the trust and identification in FSC companies in regard to post-purchase behaviour. Kos Koklic et al. (2017) indicated that the degree of satisfaction for LCC airlines is determined by personal quality rather than airline tangibility. They asserted that the loyalty constructs vary between FSCs and LCCs. Loureiro and Fialho (2017) further investigated the predictors of affective commitment and trust according to the service components of personnel quality and flight ambience. Rajaguru (2016) identified that the competition between FSCs and LCCs is not limited to the value for money, but extends to service quality. The emergence of LCC business does not give rise to the failure of FSC business, but seizes market share. Apparently, neither FSCs nor LCCs should go beyond price competitions to retain and develop sustainable competitive advantages (Akamavi et al., 2015). Therefore, addressing different factors affecting perceived value, and their impacts on customer satisfaction and loyalty were the major initiative in this research. Given different business models in FSCs and LCCs, the expected influencing factors have a different weight of impact on the loyalty construct. Thus, this research attempted to investigate and address the different factors affecting customer loyalty through Multiple Group Analysis (MGA) between FSC and LCC customers.

This study aims to examine the impacts of social media engagement, perceived service quality, perceived value and customer satisfaction on passenger loyalty on FSCs and LCCs by using Structural Equation Modelling (SEM). Current research focuses on either attitudinal (Forgas et al., 2010) or behavioural loyalty (Chang and Hung, 2013). Attitudinal commitment and repurchase intentions of customers rank importantly in long-term revenue management. Also, the effect of media on brand loyalty should not be neglected (Laroche et al., 2012; McQuail, 1977). In this research, social media, attitudinal and behavioural loyalty were, therefore, considered in the hypothesis model. The survey was conducted with passengers who had taken a flight (FSC or LCC) and departed from Hong Kong International Airport. The data collection was conducted at a different time point from June 2016 to January 2017. Questionnaires were distributed at the exit of the departure hall of Hong Kong International Airport.

The rest of this paper is organised as follow: In section 2, we describe the theoretical background of the SERVQUAL model and presents the hypothesis model. The research methodology is presented in Section 3. Section 4 outlines the analysis of the survey results. The research findings and discussion are presented in Section 5. Finally, the conclusions and future work are covered in the last section.

2. Theoretical background

Airline image is an intangible asset, and it plays a major role in attracting customers. It is a unique characteristic of each airline to distinguish itself from its rivals. It is known as the impression of the corporate reflecting in customers' perceptions (Wallin Andreassen and Lindestad, 1998). A passenger's choice of the airline by considering its service is influenced by its corporate image (Zins, 2001). Corporate image is a crucial factor affecting brand loyalty, customer relations and repeats patronage (Hussain et al., 2015; Wallin Andreassen and Lindestad, 1998). Usually, social media engagement links the corporate reputation and perceived value of a service. LCCs attract lower customer loyalty when their corporate image is the main consideration for a customer to choose an airline (Chang and Hung, 2013). Park et al. (2004) stated that airline image is positively associated with behavioural intention. Nowadays, airlines try to employ social media as one of their advertising platforms (Dijkmans et al., 2015). Social media engagement may be one of the strong determinants of the expectation of service quality and loyalty. We normally have a higher service quality expectation of FSCs as FSC airlines put a great deal of effort into their media marketing. This has led to a major need to evaluate the effectiveness of social media engagement. As for LCC airlines, price promotions have become more common in order to compete with FSCs. Therefore, the research included the SERVQUAL model and the effect of engagement in social media as shown in Fig. 1.

2.1. Antecedents of perceived value

Word of Mouth (WOM) is determined as information flow regarding the ownership, usage or characteristics of particular companies, services or products from one customer to another (Saha and Theingi,

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