A STUDY OF HOW PRICE VARIATIONS CHANGES SERVICE QUALITY PERCEPTION ACROSS DOMESTIC AIRLINE CUSTOMERS IN INDIA

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ABSTRACT

This report provides an insight and analysis as to how the perception of Consumer changes with respect to the Service Quality offered by the Domestic Airlines of India. In today's time where the competition is strict, knowing how to acquire and retain customers is very important. The objective of this research is to test and analyze whether the changein prices would make the customers change their perception about the quality of service that airline offers. Companies, especially in the service industry, realize that in order to win the market, they need to explore new ways of approaching customers. Therefore, it is important for the company to foster customer loyalty. For this study, the survey method was used as an instrument for collecting data.

A critical review of the literature revealed that the airline industry has been struggling with many challenges: cutting costs, managing fluctuating demand, keeping up with tight quality requirements while trying to maintain superior services and satisfy the needs of various customer groups. The study also examines which dimensions have a positive influence on service quality and which dimensions have the most and least important impact on service quality in domestic air travel, as perceived by airline passengers.

1. INTRODUCTION

The Aviation industry can be defined as those activities that are directly related to the transporting of people and goods by air from one place to another, this industry plays a significant role in every country's economic activity and it aids in opening up of the countries market to both domestic and foreign investor. In a connected and globalized world, civil aviation is a catalystfor economic development and trade. The growing of the airline industry

service. The growing of this industry has led to the governments around the world to deregulate the industry by enablingcompanies to form private airlines. Further, the stringent rules on safety flight are currently applied in almost all countries.

The domestic sector of Indian civil aviation is also witnessing a boom. The market is dominated by six players: Air India, Jet Airways, Spice Jet, Indigo, Vistara and Go Air. Service quality is one of the most important determinants which affect the competitiveness of the aviation
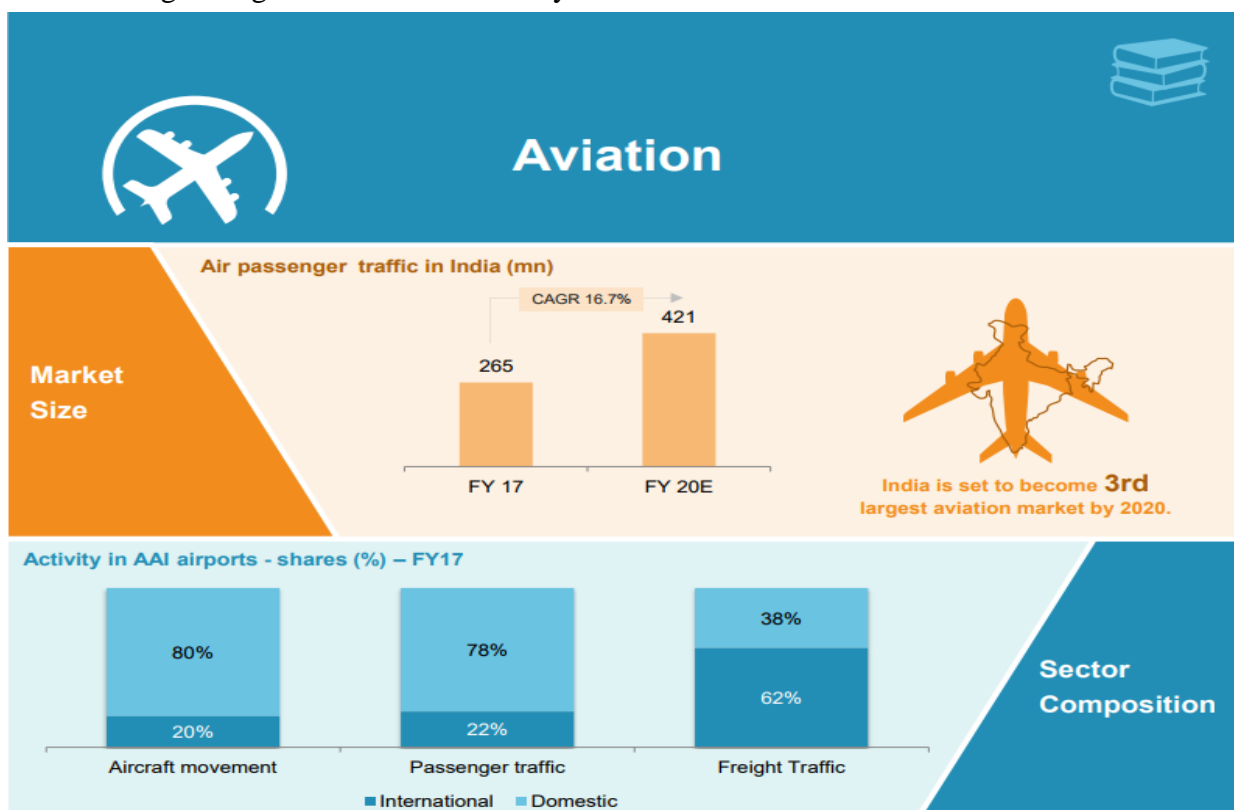

Figure 1: Market Size of Indian Aviation Industry, Source: ibef.org

provides opportunities as well as challenges to the business entities in this industry. The opportunities arise due to the increasing demand for the airline services. While the challenges arise not only because of the high level of competition between the airlines but also due to growing consumer demands for better

industry. The aviation sector has become the most important segment in the economic development of a nation. It plays a vital role in moving people or products from one place to another, be it domestic or international, especially when the distances involved are far. Stiff competition and favorable initiatives of the

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Government of India added fuel to enlarge both flights and fleets. In a highly competitive environment, the provision of high-quality services to passengers is the core competitive advantage for an airline's profitability and sustained growth. In the past decade, as the air transportation technology (IT) interventions and growing emphasis on regional connectivity.

Low price alone is not sufficient to compete in a deregulated airline market. Customers do make decisions about airlines based on their experience and perception about an airline's customer
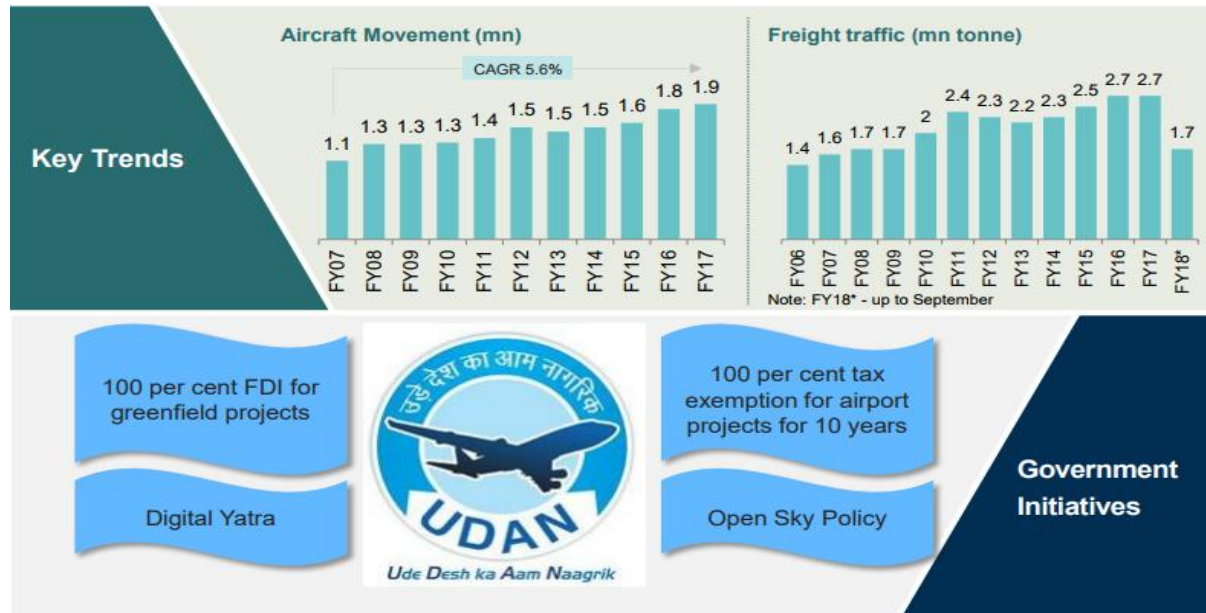

Figure 2: Trends in Indian Aviation Industry, Source: ibef.org

market has become even more challenging, many airlines have turned to focus on airline service quality to increase service satisfaction.

The civil aviation industry in India has emerged as one of the fastest growing industries in the country during the last three years. India is currently considered the third largest domestic civil aviation market in the world. According to International Air Transport Association (IATA), India will displace the UK for the third place in 2026. The Civil Aviation industry has ushered in a new era of expansion, driven by factors such as low-cost carriers (LCCs), modern airports, Foreign Direct Investment (FDI) in domestic airlines, advanced information

service. Unlike a tangible product, an unsatisfied customer can neither ask for refund nor exchange a flight, once performed. The government in past few years has also launched many schemes like **UDAN (UdeDesh Ka AamNagrik)** to encourage more peopleto use air travel and make it more affordable, also to increase the connectivity between cities and terrains where there is not much air traffic. The **UDAN Scheme** aims at providing **connectivity to un-served and under-served airports of the country** throughthe revival of existing airstrips and airport. It aims to develop the regional aviation market and make flying affordable. It is applicable on flights which cover between 200 km and 800 km. The distance limit isthe lower limit for hilly, remote island

and security sensitive regions. It reservesa minimum number of UDAN seats i.e. seats at a subsidized rate and also caps the share for short distance flights. It has a unique market-based model to develop regional connectivity.

These conditions cause all players in the airline industry require to continuously innovate in terms of both services and technology used to deliver services and better safety to the Customers. In line with the efforts to continuously innovate service, the airline industry previously dominated by traditional airlines providing full service is currently enlivened also by the low-cost airlines. In contrast to full-service airlines, low-cost airlines offer low fares as well as provide basic services and does not provide additional services such as those provided by traditional airlines (full-service airlines).

India's aviation industry is largely untapped with huge growth opportunities, considering that air transport is still expensive forthe majority of the country's population, of which nearly 40 percent is the upwardly mobile middle class. The industry stakeholders should engage and collaborate with policymakers to implement efficient and rational decisions that would boost India's civil aviation industry. With the right policies and relentless focus on quality, cost and passenger interest, India would be well placed to achieve its vision of becoming the third-largest aviation market by 2026.

Objectives of this paper are to assess the relationship between service quality and pricing and also howa change in pricing will lead toa difference in perceptions of Customers related to service quality.

2. RESEARCH METHODOLOGY

In this section, the researcher describes the research framework. Based on the framework, what is proposed is that Service Quality and price will influence customer loyalty.

The first section of the questionnaire evaluated demographic information collected from all respondents regarding age, gender, employment status, and income level.

The second section of the questionnaire evaluated service quality. The SERVQUAL model was adapted from Parasuraman et al. (1988) and used to measure service quality. SERVQUAL measured tangibles, reliability, responsiveness, assurance and empathy. The questionnaire asked respondents their perception of the airline service quality factors that make-up the core of the research. Respondents were asked to provide, based on their beliefs using a5-point Likert scale, SERVQUAL's measurement also used a5-point Likert scale ranging from most important (1) to least important (5).

PROFILES OF CONSUMERS
of Aviation Industry

EMPATHETIC

Ms. Alka makes sure that before choosing a specific airline, it needs to have the sense of belonging within and suits her aspiration. For her, Employee and staff behaviour is one of the most important characteristics of good airlines.

MS. ALKA PANDEY
Owner of a Textile Firm

TANGIBILITY IN SERVICE

Mr. Rakesh, a frequent flyer is an IT Executive working in Pune. He has to go to onsite locations to deliver IT solutions every alternate week in a month. For him, tangibility of services and point-to-point network are two of the most important deciding factors in choosing an airline. Tangibility in terms of comfort of seats and food.

MR. RAKESH SEN
IT Executive

EASE OF AVAILABILITY

Mr. Jayant Lal a retired government employee, settled at Kolhapur frequently visits his children who are working in Mumbai and Delhi, 2 of the biggest metros in India. Traveling by road and train can be hectic, he would want to catch a flight and reach the desired locations, this would save time and make the journey enjoyable. Government has launched UDAN scheme, which aims at providing connectivity to un-served and under-served airports of the country through a revival of existing airstrips and airport which would, in turn, make air travel affordable and widespread. Mr. Lal is hopeful at the ease of access this scheme would provide.

MR JAYANT LAL
Retired Government Employee

PRICE SENSITIVE

Mr. Ajay has recently started his startup based out of Pune, and has to frequently make visits to Bangalore, Hyderabad, Chennai, Delhi and Mumbai to look for investors. As he does not have the freedom of resources at his disposal, he chooses his airlines very sensibly, pre-booking the tickets in advance, saving himself from the surge pricing and opting for No frills airline. For him, the only criteria of choosing the airline is the price of the tickets being offered.

MR. AJAY SHARMA
Co Founder of a Startup

Figure 3: Profiles of Customers availing services of Airline Industry

The third section of the questionnaire evaluated price. Airlines have struggled with profitability, in recent years, and paradoxically faced intense competition from both established rivals and new entrants into the industry. Compounding this fight between the passenger airline carriers is the constant pursuit of cheap prices and travel deals with their customers. For any chosen travel

route, the ticket price continues to vary continuously depending on the time of departure, season and competition among many reasons.

Comparative study of customer feedback related to their choice of airline, preference of airline on the basis of services offered and lastly the awareness about UDAN was conducted online through Google Forms. The sample size was 220, questionnaire consisted of relevant questions regarding their preference of the available airline. Covering every aspect ofgender, age, and occupation of the respondents to get a clear and in-depth insight regarding the study. A pilot survey was also conducted on industry people to study how they perceived customers change their preference for airline basis on the changes in price and how they perceive changes in service quality.

3. LITERATURE REVIEW

Service Quality

Service quality, a consumer's judgment about the overall superiority of a product or service (Zeithaml, Bitner, &Gremler, 2009), is widely acknowledged as one of the important determinants of brand loyalty.

Service quality is an essential strategy for success and survival of any business organization, as it can influence customer purchase behavior and organization performance (Zeithaml, Berry, & Parasuraman, 1996). Considering the importance of service quality for any business, a great deal of service quality research in recent decades has been devoted to examining this construct across industries. Despite a number of service quality studies, there has been little consensus not only in its conceptualization, but also its measurement, dimensionality, and consequences.

A review of the service marketing literature indicates that there are mainly two types of service quality conceptualizations: Nordic and American. The Nordic approach proposes that a customer's overall perception of service quality consists of functional and technical quality, with technical quality being what customers get after the service delivery process in buyer-seller interactions and functional quality is the interaction between employees and customers during the service encounter (Lau, Akbar, & Fie, 2005). The American approach proposes that service quality consists of reliability, responsiveness, empathy, assurances, and tangibles dimension, known as SERVQUAL (Zeithaml, et al., 1996). This model, based on Expectancy-Disconfirmation Theory, views that service quality is a gap between customers' perceptions and expectations of service performance. Although researchers tend to use the American approach over the Nordic approach, neither approach has been deemed universally superior.

Acknowledging the shortfall of SERVQUAL in terms of theoretical and empirical evidence, Cronin and Taylor (1992) recommended the SERVPERF model to assess service quality. SERVPERF measures service quality by capturing customers' performance perceptions in comparison to their expectation of the service encounter. The debate between SERVQUAL and SERVPERF is widespread with some

scholars. Despite the differences in their opinions, Carrillat et al.'s (2007) meta-analytic study report that both models are equally valid predictors of overall service quality. Other scholars conclude that SERVQUAL is a suitable tool for diagnosing service shortfall and measuring the variance of dependent constructs, while SERVPERF is commonly acknowledged as a suitable method for predicting consequences variables such as customer satisfaction and brand loyalty (Cronin, Brady, &Hult, 2000; Zeithaml, et al., 1996).

Price

Price is defined as what customers actually pay in exchange for the benefits accruing from a product or service (Lovelock & Wirtz, 2007). Services firms are relatively undifferentiated from competing offerings need to keep an eye on what competitors are charging and should to try price accordingly. If there is a little or no difference between the services offered in the marketplace, customers may just choose the cheapest (Lovelock & Wirtz, 2007). Thus,the price can be an effective way to influence demand. Price carries a message; lower prices in off-peak periods may stimulate demand at that time but put off other customers. Pricing is one of the intriguing aspects as buyers tend to use price as an indicator of both service costs and service quality – price is at once an attraction variable and a repellent.

When quality is hard to detect, or price variesa great deal within a class of services, these conditions aretypifying situation face Customers when purchasing services, customers tend to use price as an indicator of quality. Customers react to products or services and their prices

haveimplicated by their quality. Customers often consider purchasing the item only when the products meet minimal quality standards and rarely purchase with the highest quality. Many observers assume that quality is directly associated with price. That is, higher price serves as an indicator of higher quality. If such a relationship exists, it would seem to complicate the ability to determine value.

Maintaining quality are the main concerns of business today. Providing quality is not a concern of manufacturing companies alone. The delivery of high-quality service becomes a marketing requirement among air carriers as a result of competitive pressure (Ostrowski et al., 1993). Chang and Keller (2002) argue that quality in airline service is difficult to describe and measure due to its heterogeneity, intangibility, and inseparability, and only the customer can truly define service quality in the airline industry (Butler and Keller, 1992). Previous airline service studies are concentrated in modeling the effect of perceived service quality at the aggregate construct level, through examining the effects of individual dimensions of service attributes has potentially great utility for airline managers (Patterson &Spreng, 1997). The perceptions of airline service quality are quite diverse and do not seem to fit any single existing quality model such as the service quality (Haynes & Percy, 1994).

From the consumer's perspective, the monetary cost of something is what is given up or sacrificed to obtain a product (Zeithaml, 1988). Thus, in studies on related topics, price has often been conceptualized and defined as a sacrifice

(Anderson, Fornell and Lehmann, 1994; Athanassopoulos, 2000; Chang and Wildt, 1994; Sirohi, McLaughlin, and Wittink, 1998; Sweeney, Soutar, and Johnson, 1999). There are three components to the concept of price: objective price, perceived non-monetary price, and sacrifice (Zeithaml, 1988). The objective of monetary price (simply put, the amount of money paid for product) is not equivalent to the perceived price (that is, the price as understood and recorded in the mind of consumer) since Customers do not always know or remember the actual price paid for a product. Instead, they encode the price in a way that it is meaningful to them (Zeithaml, 1988). As to the relationship between price and satisfaction, research has shown that price is one of the determinants of customer satisfaction (Anderson, Fornell, and Lehmann, 1994; Parasuraman, Zeithaml, and Berry, 1994; Zeithaml and Bitner, 2000). When customers were asked about the value of services rendered, they consistently considered the price charged for the service (Anderson, Fornell, and Lehmann, 1994). In those cases, in which Customers did not consider price in forming their judgments about the quality of service, it was generally because they lacked a reference price (Zeithaml and Bitner 2000). Still, though, this group ranked price as a crucial factor when it came to their overall satisfaction.

4. MODEL OF SERVICE QUALITY GAPS

There are seven major gaps in the service quality concept, which are shown the model is an extension of Parasuram et al (1985). According to the following explanation, the three important gaps, which are more associated with the external customers are GAP 1 GAP 5 and GAP 6 since they have a direct relationship with customers.

GAP 1 Customer's expectation versus management perception; as a result of the lack of a marketing research orientation, inadequate upward communication and too many layers of management.

GAP 2 Management perceptions versus service specifications; as a result of inadequate commitment to service quality, a perception of unfeasibility, inadequate task standardization and an absence of goal setting.

GAP 3Service specifications versus service delivery; as a result of role ambiguity and conflict, poor employee job fit, inappropriate supervisory control systems, lack of perceived control and lack of teamwork.

GAP 4 Service delivery versus external communication; as a result of inadequate horizontal communications and personality over-promise.

GAP 5 The discrepancy between customer expectations and their perceptions of the service delivered; as a result of the influences exerted from the customer side and the shortfalls on the part of the service provider. In this case, customer expectations are influenced by the extent of personal needs, word of mouth recommendation and past service experience.

GAP 6 The discrepancy between customer expectations and employees' perceptions; as a result of the differences in the understanding of customer expectations by front-line service providers.

GAP7The discrepancy between employees' perceptions and management perceptions; as a result of the differences in the understanding of customer expectations between managers and service provider (Carman, 1990).

5. OUTCOME OF THE STUDY

The data obtained from the questionnaire were analyzed by descriptive statistical tools like percentages, Chart, frequency, mean and Microsoft Excel Worksheet also

220responses were recorded from the respondents, with 100% of the response rate.

This section of the paper discusses the results of the data analysis. To assess the extent of Service Quality, a gap analysis has been carried out to determine the difference between the expectation of passengers and what they received from different players of Airline Industry. This is explained in Figure5 below.
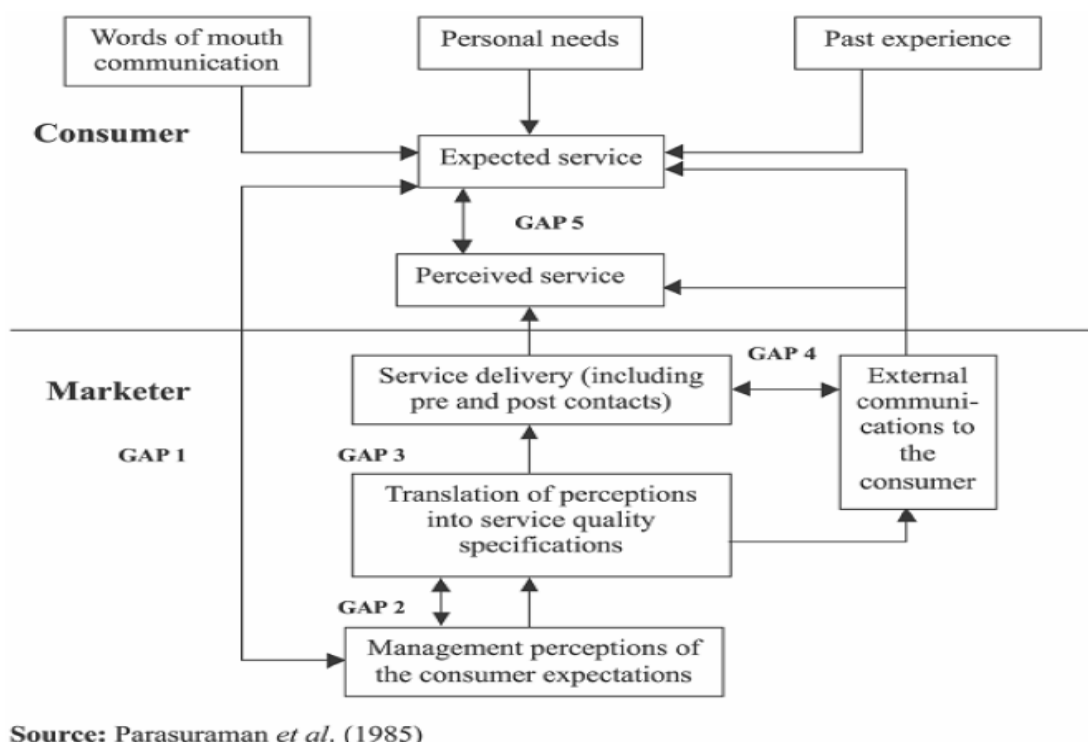
Figure 4: SERVQUAL Gap Model

used. The SERVQUAL GAP MODEL

Service Quality	Expectation	Perception	Gap
Tangibility	4.30	3.46	-.84
Reliability	4.53	3.86	-.67
Responsiveness	4.33	3.71	-.62
Assurance	4.37	3.71	-.66
Empathy	4.31	3.49	-.82
TOTAL GAP	4.37	3.65	-.72

Figure 5: Overall Gap Analysis

was used to determine the service gaps in the individual attributes. A total of

Figure5 shows the analysis of overall gap in service quality. The gaps between all the variables are negative. The highest gap among the variables is tangibility which is -.84. It can be concluded that customers' expectation towards the appearance of the visible facilities and equipment that are serving in good condition to customers did not meet their expectation the most. In the meantime, the lowest gap is in terms of

responsiveness. It shows that there is willingness to provide prompt or favorable services by the administrative staff to customers. Even though it is negative gap differences, the responsiveness is the lowest compared with other variables. On the other hand, the total gap indicated is -.72, which airline industry need to fulfill in order to meet their customers' expectation.

Out of Total Population 60.9% of respondents are male and remaining 39.1%
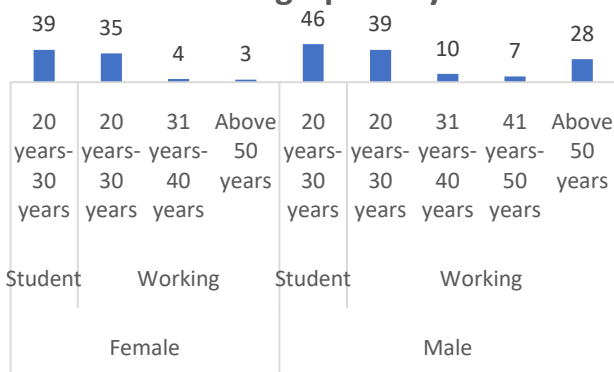
Segregation of Respondents Demographically

Figure 6: Respondents segregated Demographically

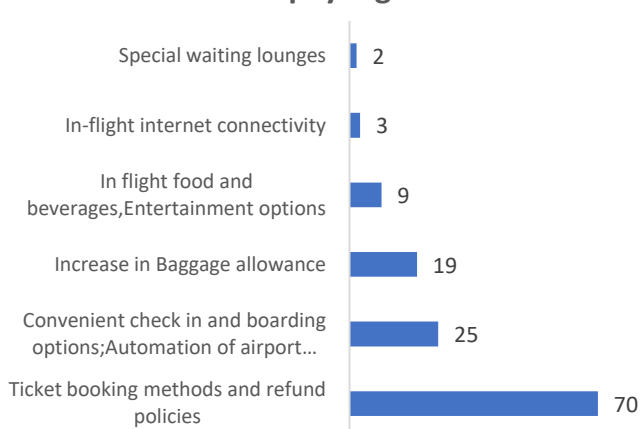**List of Services for which customer ready to pay higher**

Figure 7: Customers paying for extra services

are female, all are graduate and above and data gathered from various level of income groups. Also, the majority of the respondents were students with the age group of 20-30 years old for both the

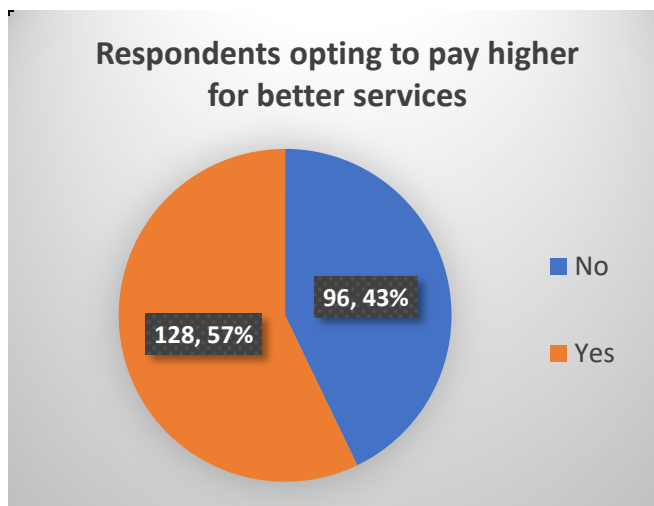categories. Further, 54% of the respondents are the travelers who travel

Respondents opting to pay higher for better services

Figure 8: Break up of Respondents

very rarely (i.e. once in a year or once in 6 months). Lastly, 128 of the respondents are ready to pay extra to avail better services and 70 out of those 128 i.e. 54.6% of the respondents would want to pay for better 'Ticket booking methods and refund policies'.
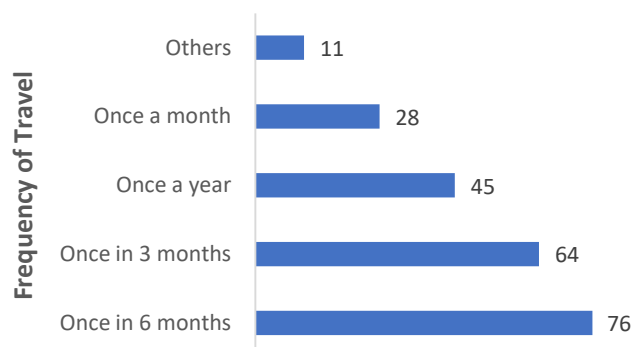
No. of Respondents

Figure 9: Frequency of Travel of Respondents

6. CONCLUSION

The present study shows the analysis of overall gap in service quality. The highest gap among the variables is tangibility which is -.84. It can be concluded that customers' expectation towards the appearance of the visible facilities and equipment are in good condition did not

meet their expectation the most. In the meantime, the lowest gap is in terms of responsiveness. It shows that there is awillingness to provide prompt or favorable services from the administrative staff to customers. Even though it is negative gap differences, the responsiveness is the lowest compared with other variables.

In terms of tangibility, it shows that the highest gap is about the plane seats and the food quality. The respondents put a high expectation before they travel with different airlines regarding the plane seats, however, as they experienced themselves, they have a low perception as compared before. All the statements of tangibility have a negative gap and did not meet the customers' expectation. However, the lowest gap indicated the acceptable quality of air-conditioning in the planes. It shows, the customers are really comfortable during the flight as the air-conditioning is in a good condition.

Also, Airline managers need to foster loyalty by improving passengers' airline experience. While airlines have differentiated services to the segmented groups of passengers, the frequent flying, high revenue passengers are not satisfied with the level of service. Although service differentiation is recognized as an essential element in gaining competitive advantage (Pham, 2006; An and Noh, 2009; Wen and Yeh, 2010) and higher customer satisfaction increases the likelihood of service repurchase (Nadiri et al., 2008), a number of airlines suffer from a business culture where fuel and labor costs are more important than creating service differentiation to drive customer

satisfaction (Tiernan, Rhoades and Waguespack, 2008).

Additionally, the way airlines advertise air travel services may also be creating problems since the advertisements often fail to present a realistic view of air travel. This creates a discrepancy between passengers' expectations regarding airline quality (Chen, 2005; Hunter, 2006) and the passengers' actual experiences. Airline managers need to be aware that familiarity could breed contempt or risk finding out whether absence makes the heart grow fonder.

For reliability, customers are looking for an airline that provides 'Ease, accuracy and speed of check-in', while they concern 'the airline that provides good quality food and beverages (tasty and fresh) in tangibility. For response, customers are looking for the airline that is 'Capable to response to emergency situations. In assurance, customers are keen to use airline with less 'Probability of flights breakdowns'. Finally, the 'numerous, and easy-to use ticketing channels' is the most important aspect in empathy.

List of Figures:

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9. **Figure 9**: Frequency of Travel of Respondents

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