

PERCEIVED SERVICE QUALITY WITH FRILL AND NO-FRILL AIRLINES: AN EXPLORATORY RESEARCH AMONG INDIAN PASSENGERS

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ABSTRACT

Direct competition between full service airlines and no frill carriers is intensifying across the globe. This paper contributes to literature by examining the consumer's perspective of the service component of the two carriers. Based on a survey of 180 passengers of both low cost carriers and full service carriers, this paper reveals differences in the perceived service quality of passengers of the two airlines. Results of the study reveal that although there have been significant changes in the aviation industry, which is currently in turmoil, yet the emergence of low fare carriers has been successful in making inroads in this sector. The findings provide evidence for the importance of service quality in both low cost and full cost airlines. Results show that passengers consider significant difference in the tangible features of full service carriers in that they consider it to be an important aspect of service quality. Whereas low cost carriers have become attractive given their low fares, passengers still consider tangibles to be an effective source of service quality perceptions.

Keywords: Customer Satisfaction, Services Marketing, Frill vs. No frill Airlines, Perceived Service Quality.

INTRODUCTION

The rapid development in the means of transport and communication has made the whole world practically one neighborhood and has made travel an easy affair. Today millions of people seem to enjoy the prospect of moving from one continent to another in a matter of hours. The great phenomenon that is being witnessed today is a visible result of the great waves of technology which have changed the social geography of the world since the late nineteenth century. Increase in leisure time, cheaper travel and rising curiosity about land, people and their ways of life promises a bright future for tourism and travel industry. Last few years have witnessed a dramatic improvement in the way travel is looked at and it is predicted that travel and tourism will become one of the highest growth sectors in the new century. In service industries such as the airline industry, the distinctive features of services require that managers understand customer needs and expectations, and keep promises (Zeithaml and Bitner, 2000). However, most companies do not recognize the importance of this approach until driven to it by circumstances (Kotler, 2000).

A high quality service is the cornerstone of any successful service industry which is why marketing strategies implemented by airlines to expand internationally must take into account the different expectations and perceptions of passengers (Sultan and Simpson,

2000). In highly competitive industries, while operational efficiency helps reduce costs, customer satisfaction is the key to market leadership and sustained profitability in the long run (Gustaffson et al., 1999). Airline industry has realized the importance of satisfying customers, as satisfied customers continue to be the single most important reason for phenomenal growth in the passenger traffic thereby creating new opportunities for growth by spreading positive word of mouth.

Customer experience is a journey that a consumer takes along a series of encounters: they become aware of a brand, consider what's on offer, make enquires, make a purchase and use the service. Customers may choose to stay with the current service provider or may even choose to opt for a different set of services. However, the airline industry has reached a crossroads where on one hand it is important to satisfy consumers by providing them with the best facilities, yet fuel and labor costs continue to find ways and means of cutting down on costs, giving rise to a phenomenon of low cost/ no-frill airlines.

The existence of low cost airlines is no longer a phenomenon in the sky alone. According to Economist Williams (2001), the airlines that would not serve any free food, assign seats, provide transfers or compensate for lost luggage, are now being favored not only by bargain-hunting leisure travelers, but also by thrifty business passengers.

Background of the Airline Sector

In the beginning, it was the rail-road systems which opened the continents. This was followed by motor cars which started decentralizing nations by sapping the vitality of the cities through the development of extended suburbs. In recent years, the faster means of travel has been the aircraft. Of the many forms of transport used by tourists, it is the aircraft that has captured the imagination since it has opened up many formerly remote areas as holiday destinations. Air transport is an innovative industry that drives economic and social progress. It is increasingly becoming committed to meet its customer's growing demand in a sustainable manner by striking a healthy balance between economic progress and environmental responsibility. Forty three percent of the global international tourist arrivals are now by air, while aviation technology alone has made possible the development of modern haul tourism. Foreign airlines carrying international passenger traffic to and fro from India existed long before independence. Their operations are governed by bilateral agreements signed from time to time between the Government of India and the Government of respective countries.

The multibillion dollar airlines industry has had a very humble beginning. The history of civil aviation in India began in 1912. This was with the opening of the first domestic air route between Karachi and Delhi by the Indian State Air Services in collaboration with the Imperial Airways, UK. Three years later, the first Indian airline, Tata sons' Ltd, started a regular airmail service between Karachi and Madras without any patronage from the

government. At the time of independence, the number of air transport companies, which were operating within and beyond the frontiers of the company, carrying both cargo and passengers, was nine and included Tata Airlines, Indian National Airways, Air services of India, Deccan Airways, Ambica Airways, Bharat Airways, Mistry Airways and Orient Airways (which later shifted to Pakistan). In early 1948, a joint sector company, Air India International Ltd, was established by the Government of India.

REVIEW OF LITERATURE

Understanding, building, and maintaining quality are the main concerns of businesses today. Providing quality is not a concern of manufacturing companies alone. Delivering quality service is also important for many service firms (Akan, 1995). Consequently, service managers and academic researchers are now directing their efforts to understanding how customers perceive the quality of services, as well as how these perceptions translate into customer satisfaction and behavioral intentions.

The highly competitive market conditions in the airline industry pressurize airlines to deliver high-quality services. Since service is a performance, we have to measure and monitor performance to know where we stand in relation to customers' expectations and perceptions. Management may think that the company's service is fine, but if customers disagree, then the company has a problem. Hence, understanding the nature and determinants of customer expectations is essential to ensure that service performance meets or exceeds expectations. To provide this, airline firms must first understand customers' needs and expectations. Next, they should focus on how to deliver the most convenient service to meet customers' needs. The delivery of high-quality service became a marketing requirement among air carriers as a result of competitive pressure (Ostrowski et al., 1993).

Air transport punctuality, along with scheduling, food quality, cost, frequency, baggage delivery, cabin service, and membership of airline alliances are usually seem as the main elements of customer service (Weber and Sparks, 2004). In general, dissatisfaction after using the products or service is the primary reason for complaints. In service industries such as airlines, a major requirement for success is to understand and satisfy customer needs and expectations; creating, communicating and delivering customer value, and keeping promise (Aksoy et al., 2003). Understanding what consumers expect from a service organization is important because expectations provide a standard of comparison against which consumers judge an organization's performance (Jin and Julie, 2000). To do this, carriers introduced the concept of low cost carriers.

Low cost airlines ("LCAs") have revolutionized passenger air travel in recent years, bringing "no frills" operations to a broader public generally at substantially lower prices than traditional full-service airlines. In the process, the industry has been radically

shaken up as LCAs expanded their operations, opening up new routes with new destinations and greatly extending demand with their low prices, forcing the traditional airlines to respond by adapting their own operations and prices to compete more effectively. As a consequence, passengers appear to have benefited from this revolution; enjoying a wider choice of routes, more frequent flights, and lower prices.

The chief difference between low cost carriers and traditional airlines fall into three groups: service savings, operational savings and overhead savings. Low cost airlines tend to focus on short haul routes (of generally less than 1,500 km). To achieve the low operating costs per passenger required, this type of carrier needs to have as many seats on board its aircraft as possible, to fill them as much as possible, and to fly the aircraft as often as possible. Competitive advantage derived from greater aircraft productivity is of paramount importance and is achieved by a combination of using uncongested secondary airports and not offering anything other than point-to-point services, like interlining. Secondary airports have two main advantages over larger airports: they tend to charge airlines less for using their services; and, as they are less busy, delays due to congestion are less.

In addition, low cost airlines operate a single type fleet. By having only one aircraft type, pilots and cabin crew can operate on any aircraft in the fleet. Another key area where a low cost airline can gain a cost advantage over network carriers is in distribution. Significant cost savings can be made by selling directly to customers via the Internet and call centers and by using electronic ticketing. By not selling via travel agents, low cost airlines avoid travel agency commissions and also avoid computer reservation system fees. Lastly, the area of cost savings that is perhaps most apparent to passengers of low cost airlines is in the on-board service.

Understanding the factors that drive business travelers in their selection of an airline is fundamental in achieving growth in this market for both full-service airlines and low cost carriers (LCCs). Research concerning business travelers' choice of airline, distinguishing between full-service and LCCs, has been done on UK (Mason, 2000, 2001) and Brazilian markets (Evangelho et al., 2005). These studies show that LCCs have become a viable option for business travelers in Europe and Brazil. While there is some evidence that LCCs have made inroads into the business travel market in South Africa, very little, if any, research has been done into this market.

"The key variables normally considered when modeling passengers' decision-making processes include service expectation, service perception, service value, passenger satisfaction, and airline image" (Park et al., 2004). The growth of LCCs has shown that in following a strategy of "no-frills", low-fare alternative, they can successfully compete with full-service carriers, particularly in the price-sensitive leisure market, on these variables. A significant number of short haul business travelers are now also using LCCs. The studies by Mason (2000, 2001) and Evangelho et al. (2005) indicated that the

additional benefits provided by full-service airlines may not be as important to the domestic business travel market as the main benefit of quick reliable service.

The constructs of perceived service quality and customer satisfaction have traditionally been equated. Howat et al. (1996), for example, measured satisfaction by using indicators based on the five dimensions of perceived service quality suggested by Parasuraman et al. (1988). According to the expectancy-disconfirmation paradigm that formed the basis of the SERVQUAL model, service quality was defined as the “gap” between expectation and perception (Parasuraman et al., 1988), and customer satisfaction was understood in terms of meeting or exceeding these expectations (Oliver, 1980).

RESEARCH OBJECTIVES AND HYPOTHESES

The growth of low cost carriers (LCCs) is arguably the single most important factor currently shaping the airline industry. The level of factors important for passengers in their choice of low cost airline are measured on twelve factors; convenience of schedules, on time performance, safety, types of airlines, price, comfort, food and drinks, personnel behavior, airline images, baggage services, flight network, cabin services. Although surveys have been undertaken to ascertain reasons why passengers choose one particular airline over another. While such issues related to service quality in airlines have been extensively taken up in the Western culture context, little or no research has been done in India. This paper contributes to the literature by examining the differences in passengers’ perceptions between the two airline models- low cost carriers and full cost airlines, in the Indian aviation market.

The aim of the present research is to understand the difference in perceived service quality among passengers of the no-frills low-cost carrier and full-service network carrier simultaneously.

Research Hypotheses

The objective which is the focus of the present research work is to study the difference in customer satisfaction between frill and no frill carriers in the Indian context. In this context the following hypotheses have been developed.

H01: Satisfaction with tangible features is higher for full service carriers than for Low cost carriers.

H02: Passenger’s satisfaction does not differ significantly with respect to schedule feature for Low Cost Carriers and Full Service Carriers.

H03: There exists no significant difference in the 'services provided by staff' factor of perceived service quality for the two carriers.

H04: There exists a significant difference in the 'services provided by flight attendants' factor of perceived service quality for the two carriers.

H05: Customer's overall perceived service quality is higher for low cost carriers than full cost airlines.

RESEARCH METHODOLOGY

INSTRUMENT DESIGN AND DATA COLLECTION

The study is an evaluative and a diagnostic attempt to discover empirically the perceived service quality of customer's for frill and no frill carriers. Many researchers and marketers have focused their attention on customer evaluations of services in an effort to find ways to improve service quality (Fisk, Brown, & Bitner, 1993) leading to extensive research this field. Parasuraman, Berry and Zeithaml (1991) developed a service quality measure, called SERVQUAL, which states that the customer's assessment of overall service quality is determined by the gap between their expectations and perceptions of actual performance levels. They also identified five essentials for service quality: tangibles, reliability, responsiveness, assurance, and empathy.

They proposed that perceived service quality could be estimated by calculating the difference between expectations and perceptions of actual service performance. The SERVQUAL scale has been criticized for its validity and reliability. Buttle (1996) pointed out that including all 44 items (22 items of service expectations and a duplicate of 22 items of service performance) in one study often makes the survey task too difficult for respondents. Cronin and Taylor (1992, 1994) have empirically evidence which shows that the measures of service performance or SERVPERF, is more effective than SERVQUAL, which includes expectations as well as performance. SERVPERF is now widely used in measuring customer evaluations of service quality (Cunningham et. al., 2004).

Cunningham and Young (2004) used SERVPERF in measuring the airline service quality. Their literature review suggests that initial publications on airline service quality appeared in 1988 (Gourdin, 1988). Fick & Ritchie (1991) and Gourdin and Kloppenborg (1991) were the first to apply the service quality gap model to the airline industry in 1991. Fick and Ritchie (1991) used the SERVQUAL scale to measure perceived service quality within several service industries including the airline industry. They found the mean scores of consumer expectation and perception of service performance measures and failed to determine the relative impact of various SERVQUAL items on overall service quality and satisfaction (Cunningham et. al. 2004).

The service-quality dimensions used in the study were developed on the basis of:

- a focus-group discussion with seven experienced customers of LCC services;
- and the SERVPERF instrument (Cronin and Taylor, 1992).

In the focus group, the traditional dimensions of reliability, assurance, tangibility, empathy, and responsiveness were discussed to evaluate their appropriateness for measurement of service quality in the context of LCC services. There was initial uncertainty among practitioners as to whether the perceptions of a lower cost structure would alter accepted measures of service quality or whether the conventional measures continued to apply to the LCCs. It has subsequently become apparent to the LCCs that their lower fares to passengers are perceived to be due to cost reductions through efficiency in their operations, rather than to diminished service standards. As a result, compliance with service-quality standards continues to be important for the LCCs. Indeed, a comparative study of LCCs and FSCs found that service failures (such as flight cancellations, diversions, delays, strikes, and negative staff attitudes) resulted in more complaints for the LCCs than for the FSCs (Bamford and Xystouri, 2005).

The discussion resulted in a consensus with regard to four broad factors:

1. *Tangible factors*: such as the newness of the plane, seats, and air conditioning;
2. *Flight schedule factors*: such as convenience of schedule, on-time departure and arrivals;
3. *Flight attendants*: such as dress and appearance, knowledge in providing services, and friendliness with the passengers; and
4. *Ground staff*: identical items to those used for flight attendants.

For the present study, the above mentioned factors were used. In all, a total of 21 items were developed for the four constructs (three for tangibles, four for schedule, and seven each for flight attendants and ground staff). All items were measured on a five-point Likert-type scale (1 “strongly disagree”; 5 “strongly agree”).

Data collection and samples

A self-administered questionnaire was used to collect data from domestic airline passengers. Data was collected from two large groups of passengers, one traveling from a low cost carrier and the other group traveling from a full cost airline. The respondents were asked to evaluate the service quality of the two types of airlines, from which they have traveled. The questions based on review of literature and specific airline service contexts, were pre-tested and revised. The questionnaires were distributed based on a “convenience” sampling method and collected at Jammu Airport during the month of

March 2012. Three hundred questionnaires were distributed and 180 useable samples were obtained after excluding the incomplete ones, yielding a 60% response rate from those who agreed to participate.

DATA ANALYSIS AND INTERPRETATION

The total number of respondents in this research was 180. The demographic profile of the respondents can be seen in Exhibit 1. Most of the respondents (about 57%) were in the age group of 30-40 years. The rest were in the age group of 20-30 years (about 23%) and 50-60 years (about 19%). Also majority of the respondents were males (72%).

Exhibit 1: Demographic characteristics of Respondents

S.No.	Respondent's characteristics	% of respondents
1	Age group	
	20-30	23.04
	30-40	57.44
	40-50	19.52
2	Gender	
	Male	72
	Female	28

Firstly, the reliability coefficients for the of perceived service quality scale were measured.

Exhibit II: Reliability analysis

Mean Responses to the Items, n= 180, (1= Strongly Disagree, 5= Strongly Agree)				
	LCC	FSC	Reliability**	
			t-test	
Tangible features			0.84	
The airline has new planes	3.87	4.06	-1.88*	
The air conditioners in the planes were comfortable	3.66	3.73		
The seats in the planes were comfortable	3.58	3.69		
Schedules			0.77	
The airline has convenient flight schedule	3.14	3.54	1.05	
The air plane departed from the airport at schedule time	3.59	3.76		
The air plane arrived at the destination at schedule time	3.55	3.74		
The airline did not cancel the flight	3.51	3.25		
Services provided by ground staff are			0.71	
Well dressed and neat appearance	3.28	3.15	0.020	
Easy to contact	3.38	3.18		
Had sincere interest in fulfilling my needs	3.01	3.35		
Willing to help passengers	3.58	3.59		
Never too busy to respond to my request	3.53	3.63		
Friendly to passengers	3.59	3.65		
Had knowledge to answer my questions	3.54	3.65		
Services provided by flight attendants are			0.69	
Well dressed and neat appearance	2.93	3.39	19.40*	

Easy to contact	3.00	3.51
Had sincere interest in fulfilling my needs	3.50	3.79
Willing to help passengers	3.56	3.73
Never too busy to respond to my request	3.56	3.62
Friendly to passengers	3.56	3.58
Had knowledge to answer my questions	3.50	3.64

***Chronbach’s alpha reliability test was used.*

**Significant at 5% level of significance*

(LCC: Low Cost Carriers; FSC: Full Service Carriers)

The most significant measure of reliability is coefficient alpha. The internal reliability score was measured using cronbach’s alpha. The coefficient alpha reliability estimates indicate that the items in each scale are acceptable measures of each of the factors. Nunnally (1978) suggests that an acceptable level of coefficient alpha in exploratory analysis is 0.70. The overall Cronbach’s alpha for the scale was 0.871 across all 21 items which is within the acceptable limits.

Independent t-test was used to examine the difference between means of consumer’s perceived service quality of low cost carriers and those of full service carriers, and to statistically test whether there are significant differences between these two groups of consumers. The t-values which exceed 1.645 indicate that the parameters can be interpreted to be different from zero (Joreskog and Sorbom, 1989).

The various reactions of consumers toward frill and no frill carriers are presented in Exhibit II. The findings describe how users perceive service quality of the two carriers. Following are the highlights of the results:

Tangible Features: From Exhibit II it is clear that the consumers consider full cost carriers to be better in tangible features such as comfortable seats, effective air conditioning and new aircrafts giving an overall positive impression of the full cost aircrafts. This is consistent with the perception that the low cost airlines pay little attention to the ‘frills’ for creating positive perceptions among passengers. However, it is likely that the passengers be dissatisfied with the poor up keep of the aircrafts.

Schedules: When the notion of low cost carriers was initially conceptualized, its basic purpose was to convert non users by attracting low income passengers who would normally not travel by FSCs. It was assumed that the high income passengers would not prefer to travel by LCC. However results show that in relation with the schedule of the carriers, there exists no significant difference between passenger’s perception of LCC and FSCs. The scheduled departures, arrivals, convenience of flight schedules are the same for the two types of carriers.

Services provided by the ground staff: Results once again point out that the passengers are not significantly different in their perceptions of the services provided by the ground

staff on the two types of carriers. The staff is well dressed, neat, friendly, pleasant to talk to and cooperative in both the cases.

Services provided by the flight attendants: Although the LCCs work with the idea of cutting down on cost by reducing the frills or the number of services provided such as entertainment, food and beverages; the focus still remained on improvement in service quality. Yet, results indicate that the passengers perceived the services rendered by the staff of FSCs to be better than those provided by the flight attendants of LCCs.

Exhibit III presents the correlation matrix among the eight variables. As expected, the correlations are sizable, significant, and in the expected direction. Correlations among the service-quality dimensions revealed that the correlation between the dimension of schedule and the other three dimensions (tangibles, ground staff, and flight attendants) was positive but relatively weak as compared with the correlations among the other dimensions of service quality.

Exhibit III: Correlation Matrix Among variables

	Tangibles	Schedule	Staff	Flight Attendants
Tangibles	1.00			
Schedule	0.45	1.00		
Staff	0.59	0.45	1.00	
Flight Attendants	0.59	0.50	0.79	1.00

CONCLUSION AND DISCUSSION

Low fare airlines are making major breakthroughs in the aviation industry with improved services and low cost of flying making it attractive and affordable for even the low income consumers. There have been significant changes in the aviation industry, which is currently in turmoil. Yet, the emergence of low fare carriers has been successful in making inroads in this sector. The complexities surrounding working of full cost carriers, has further led to the acceptance and increased preference for the low cost carriers even among the high income groups. Despite the absence of 'frills' or additional advantages of the FSCs, passengers are increasingly opting for the LCCs. This brings us to ask the question of whether there still exist differences between the two types of carriers with respect to the perceived service quality.

The findings of the present study are consistent with the previous studies in concluding that in the wake of intensifying competition between full service airlines and no-frills carriers; perceived service quality plays a crucial role. The findings provide further evidence for the importance of service quality in both low cost and full cost airlines. Results show that passengers consider significant difference in the tangible feature of full service carriers in that they consider it to be an important aspect of service quality. Whereas low cost carriers have become attractive given their low fares, passengers still

consider tangibles to be an effective source of service quality perceptions. On the contrary, both the airlines have shown satisfactory service viz. the schedules. It is apparent that impressive tangibles cannot compensate for late arrivals/departures and cannot be compromised. Service quality is the cornerstone of a service industry like the airways. It therefore becomes imperative that the consumers consider this aspect to be a deciding factor for choosing a service.

MANAGERIAL IMPLICATIONS

Since passengers' perception of service quality plays a key role in the success of an airline, therefore it is important to know the difference in consumer's perceptions toward the two types of carriers. Since consumers want the best service with the least cost associated with it, it becomes a challenge for the management to come up with cost cutting measures without compromising on the quality. Customer satisfaction being the key word, management relentlessly tries to work out a balance between too much and too little. The results of the present study help in understanding the areas of concern for the customers. Consumer's reaction toward the basic service viz. schedule is of prime importance. All other aspects of the service are 'frills' and can be cut down. For short distance travelers, in flight service is an add-on that they can ignore as long as they reach their destination at the scheduled time. Therefore, the biggest responsibility of the management is to attend to the very basic needs to satisfy the consumers.

LIMITATIONS AND FUTURE RESEARCH

Although the present study took a positive approach in reviewing previous literature of perceived service quality for frill and no frill carriers and a comparative analysis of the relationship among them using advanced statistical tools, there are some limitations worth acknowledging. These include considering low cost and full cost carriers in general rather than taking particular cases of airlines. Future research may consider a comparative analysis of the two types of airlines taking case studies of airlines from the two categories. Researchers may also take up future research to analyze the difference in consumer's propensity to complain a service failure in the two types of carriers. It would be interesting to understand if the passengers of a low cost carrier complain in case of service failure or is it a phenomenon popular in full service carriers alone?

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