Service operations and the overall image of the firm

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Abstract

We study how the overall image of the firm is affected by its service operations performance. We use the airline industry to test our hypotheses. We find that fast response to customer requests, high cabin presence, good quality in-flight products, and well-designed check-in operations have significant positive effects.

Keywords: Service operations, quality ranking, airline industry

Introduction

The airline industry provides services in tangible (such as seat comfort, meals, magazines, etc.) and intangible (such as flight attendant efficiency, responding to request, attitude, etc.) manners. The industry is highly competitive and passengers have many options to choose from. Airlines join the program to be reviewed and granted an award by a third party reviewer based in U.K, Skytrax. Skytrax ranks airlines into stars representing their best quality in serving passengers through their flying experience. For example, Asiana, Cathay Pacific, Hainan, Kingfisher, Qatar, Singapore and Malaysia are ranked as the highest- 5 stars in 2011 (Skytrax, 2011), others are ranked in 4-stars and 3-stars. Airlines keep tracking their awards and publicize their award by using tools such as advertisements, website, and social media (Travelworldnews\(^1\), 2011). In the same yearly ranking report, Skytrax also incorporates detailed airline service scores (such as rating for check-in, transfer, arrival, seat comfort, quality of meals, lounge, washrooms, cabin

\(^1\) http://travelworldnews.com/category/airlinenews/
cleanliness, enthusiasm and attitude of staff, friendliness and hospitality, etc.) on their website (airlinequality.com). These detailed scores are reported separately for first, business and economy class. Each year, more than 100 detailed service items was published for each airline. However, there are some differences between an overall stars and detailed item scores. Some items could have higher or lower scores compared to the overall ranking. According to Travel and Leisure magazine\(^2\), Eva and Korean Air are known for inflight meals, Cathay Pacific and Virgin America are known for personal entertainments, Korean air promotes their brand new lie-flat bed seats, or Virgin Atlantic puts a futuristic-design of their mini-lounge onboard. The overall ranking may not be able to capture all service dimensions and there might be some important items that play important role determining the perception of overall image for particular firm. Hence, in this study, we seek to identify whether “the award (overall ranking) truly reflects service performance of the airlines and what are the major characteristics to determine the airline overall ranking?”

Airlines design different products and services for premium (first and business) and economy classes. Each detailed attribute (for premium and lower quality) may have different influences on how customers perceive the overall image. For example, an airline may put personal inflight entertainment units for all economy class seats that improve image of their onboard facility. On the other hand, some airlines (such as Emirates) advertise their brand by using an image of their brand new first class suites with a spa bathroom on Airbus 380. This advertisement is used to convey a message of their luxurious services for both premium classes and economy. Hence, this study further seeks to identify whether individual attributes of the premium and lower-quality products have different impact on the overall image of the firm?

**Literature Review**

Airline service quality is commonly measured by conformance quality due to availability of the data through US Department of Transportation. These quality measures represent number of on-time arrivals, denied boardings, mishandled baggage, and customer complaints (Bitner et al, 1990; Bejou et al, 1996; Lapre and Tsikriktsis, 2006; Tsikriktsis, 2007). Then, these measures are calculated and ranks are given to airlines based on the total scores (Bowen and Headley, 2002).
1999-2009). Such output measures focus on dissatisfaction of customers rather than the true dimensions of service quality (such as tangibles, reliability, responsiveness, assurance, and empathy).

There is a line of literature that study airlines using SERVQUAL measures (Gourdin, 1988; Elliott and Roach, 1993; Ostrowski et al., 1993; Truitt and Haynes, 1994). They categorized airline service quality dimensions in terms of price, safety, timeliness, food and beverage, seat comfort, or check-in process. Other research focuses on identifying passenger experience (Zins, 2001; Ostrowki et al., 1993). This type of customer survey methods cannot capture variations in the expectations because individuals may come from different comparative standards, and expecting different outcomes. Hence, studies that utilize information that come from customers cannot capture the actual objective nature of operational quality.

Another aspect of service quality in airline product is how airlines offer different products and services in their product line. Literature suggests that equity of premium products generated by word of mouth and advertising encourages customers to come back, and generates more customers through referral (Randall et. al., 1998; Sullivan, 1998; Tepeci, 1999; Erdem and Sun, 2002; Hoeffler and Keller, 2003; Anand and Shachar, 2004). This exposure to the products would bring more customers to the overall market. We see that the previous findings in airline service quality not only ignored the actual interaction between airlines and customers and delivery performance in terms of airline services (including many intangible dimensions), but also disregarded quality of the service measured by classes of airlines (premium and low-quality).

Hence, in this study, we incorporate an objective measure with comparable standards and determine how each quality attribute (for both premium and low-quality services) impacts the overall image of the airline.

**Hypotheses and Conceptual Framework**

Brand image is associated with physical attributes and non-physical attributes of products or service requirements. If an airline is able to provide better service in each quality dimension,
these items will have a positive impact to overall image. The first group of hypotheses is as follows:

\textit{H1a: All dimensions in economy class service relates to airline’s overall image.}

\textit{H1b: All dimensions in business class service relates to airline’s overall image.}

Skytrax® also publishes information on individual ranking of particular class of airline service (Economy class rank and Business class rank) along with the overall image or the stars award. Next group of hypotheses addresses how service dimensions affect its own class ranking.

\textit{H2a: An increase in economy service dimensions will improve economy ranking.}

\textit{H2b: An increase in business service dimensions will improve business ranking.}

Both economy and business class rankings should conform to the regulations of each airline. Hence, we should see similar results when we seek to determine the impact of economy ranking (or business class ranking) on overall image (overall stars). The next group of hypotheses is as follows:

\textit{H3a: An improvement in economy class ranking will increase the overall image.}

\textit{H3b: An improvement in business class ranking will increase the overall image.}

\textbf{Conclusion}

In this proceedings paper, we introduce our study on airlines’ service operations and their impact on the overall image of the firm. Full details of the methodology, results, and discussions can be found in the full length paper (Tansitpong and Yayla-Kullu, 2014).

We study how the overall image of the firm is affected by its service operations performance using airlines sample. Airlines interact with their passengers on a number of dimensions such as flight attendants (language skills, attitudes, and appearances), physical items (seats, meals, inflight entertainment system, magazines, blankets, and pillows), and airport operations (check-in, arrival and transfer services, lounge management). We find that response to customer requests, high cabin presence, good quality in-flight products, and well-designed
check-in operations have significant positive effects. Interestingly, some items are worsening the image of the airline such as safety standards.

Another sets of hypotheses tested the effect of the premium brand image, the results suggest that business rank improves overall image through mediation effect. This study tested and showed that an inherent implication that way to be the “Best Airline” is to be good at most of these individual service delivery dimensions.

References


