Customer Satisfaction At Low Cost Airlines: A Case Study Of Jetstar Pacific Airlines (JPA)

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ABSTRACT

The appearance of LCA model in recent decades has rapidly penetrated into airline markets. Passengers have more options for their travel. Many people believe that low fares mean low quality. However, some of them argue that LCA can deliver good quality as FCA does. LCA providers always find ways to prove to their customers that it offers low prices but not low quality. Many studies have been explored on the subjects of the service quality, cost, and customer satisfaction in the LCA around the world but still rarely any related researches is in Vietnamese.

This paper examines the influence of factors on customer satisfaction and identifies the satisfaction levels with service that customers have acquired from the low-cost airline industry in Vietnam, with the case study of JPA that is the first LCA in Vietnam. The examination is based on the SERVPERF model includes Reliability, Responsiveness, Assurance, Empathy, Tangibility dimensions, and the Price dimension which is added afterwards. The hypotheses of six dimensions have been assumed to have positive impacts on customer satisfaction. Those hypotheses are tested to determine the correlation between initial dimensions and identify the real representative factors affecting customer satisfaction with services that JPA has supplied. In addition, the paper determines the scores of corresponding to the representative factors that are evaluated by its customers. Through those findings, the management has an overview and insight of performance that JPA executes to adjust the behaviors and to give the most appropriate direction. Furthermore, the identified factors are also evaluated to determine effected coefficients that have impact on customer satisfaction. Based on the effected coefficients the recommendations for improving those factors are given.

The survey and analysis result proves that the Behavior – Performance factor has the strongest influence on customer satisfaction; however JPA’s passengers are not very pleased about JPA’s performance on this factor, therefore JPA should focus on it at the highest priority for improvement. In the context of the current economic difficulties, Price - Convenience is also considered as the second factor which has relatively impressive impact on passengers’ satisfaction; JPA is regarded pretty good at this aspect in customer assessment, so that JPA needs to promote and continue to improve in order to keep a competitive advantage. Besides, the analysis also indicates that the Tangibility – Commitment factor has little affect on customer satisfaction, however followed by the two above factors, the JPA should improve this element.

Keywords: Customer Satisfaction; Jetstar Pacific Airlines (JPA)

INTRODUCTION

Research Background

There have been many considerable studies on customer satisfaction. Customer satisfaction has a strong influence on the customer retention and business effectiveness of a firm (Kwong, Wong, Chan, 2009). Steven,
Dong, & Dresner (2012) believe that customer satisfaction of a firm will be increased by improving the customer service factor and as a result the company’s performance would be better. In other words, providing poor service will lead to negative influence on the image and survival of a service company (Boshoff, & Staude, 2003). Being a fast developing country, Vietnam tends to integrate widely into the global market, people’s income is constantly improving, needs and demands for air travel grow rapidly. According to Thanh (2011) the domestic travel by air increased 14% in 2011 which is much higher than average rates in the world and Asia. In this context Vietnam is considered as an ideal market for airline industry. The participation of series Full Service Airlines (FSA) and Low Cost Airlines (LCA) into the airline industry such as Vietnam Airlines, Jetstar Pacific Airlines, Vietjet Air, Air Mekong, Vasco, and Indochina Airlines proves that judgment.

LITERATURE REVIEW

Introduction

Chen (2008) has appointed that customer satisfaction is a holistic concept that it represents the overall emotional response after consumption, and it can range from the level of dissatisfaction to satisfaction. LCA in particular, customer satisfaction is a crucial factor of competitive advantage and helps to create the success for LCA who is a newly participations (Kim & Lee, 2011). Besides, customer satisfaction is penchant for the defence to retain customers rather than for the offence to find new customers in a competitive environment (Reichheld & Sasser, 1990). Within theories about the elements of customer satisfaction, it seems that price and service factors are core elements that influence strongly on customer satisfaction of a service company.

In developing countries as Vietnam, LCAs are always attractive to customers through cheaper fares due to low cost strategies and diversified revenue sources. Nevertheless, some customers believe that low fares are synonymous with poor service quality. Therefore this chapter will give an overview of concepts, theories and models related to service quality, price, and customer satisfaction sectors in service companies, airline industry, and LCA particularly. In addition, this chapter also access to the theories, and definitions of the relationship between price, service quality and customer satisfaction.

Definitions, Concepts, and Theories

Service Literatures

- **Intangibility**: Services are considered as intangible because we can not touch, hold, smell and can not try them before buying the service. Heizer & Render (1999) highlighted some typical service sectors such as education, consultant, entertainment, banking, finance, commerce, transportation, logistics, health care, etc. Meanwhile, West et al (2010) believed that although most services are intangible in a natural but it still exists tangible aspects that they can be used as massages of service quality, even the most intangible services people can make it more tangible in the creative strategy.

- **Homogeneity**: In fact, services often fluctuate depending on around factors such as environmental impact, attitudes, and emotions, moods that exist in both service providers and service buyers (Wolak, Kalafatis, & Harris, 1998). To survive and grow in the competitive service environment, service providers must find its own solution and strategy to limit the volatility, and ensure provided services are consistent. For example, enhanced training for staff, establish procedures, and strictly monitored. Besides, some service providers use bank security services to guarantee for the consistency of services.

- **Inseparability**: Unlike products, in which two aspects of production and consumption are separated. For services, it is hard so that we can divide the service providing from the service utilizing. Usually two stages of service provision and service utilization occurs at the same time. You can only provide the service if there is customer (West et al, 2010). Health care for example, the service is provided to satisfy the needs of patients. At the same time two factors needs of patients and health care service happens at the same time, can not separate them from each other.

- **Perishability**: This is one of typical attributes of the service sector. Service can not be stored, transferred from one place to another, reused, resold, or returned (Fridgen, 1996 cited in Kandampully, Mok, &
Sparks, 2001). If services are not enforced it is considered as lost. Flight reservation service in airlines, for instance if the airlines has not sold the spare seats means that service will loss on that flight. The airline’s service can not be stored, transferred, resold over the next day.

Airline Service

Being one of the service sectors, airline companies bear themselves the characteristics mentioned above. 4P marketing mix model will help to outline the general service context of airlines in general and LCA at JPA in particular. According to McCarthy (1960) 4Ps marketing is a set of marketing tools including product, price, place, and promotion. In other words, it is known as marketing mix. Airlines use 4Ps as a strategic model to achieve marketing in their target markets. Although many people argue that the 4Ps classification is not a good taxonomy for the marketing strategy today (Walterschoot & Bulte, 1992) and there are many other marketing mix models such as 4Cs, 4As, 7Ps, etc, but 4Ps still exists in most marketing courses because it covers most elements of marketing strategy.

- **Product**: The element is formed based on fundamental needs of consumers. It represents the quality, style, features, brand, durability, etc. of the product. Airlines often offer types of services consistent with their service oriented and target market. For example, the FSA provides different fare services such as VIP, Business, and economic classes; services are classified corresponding fare classes; fares include other services. Meanwhile, the LCA usually provide a unique fare class and of cause one type of services; Customers have their right to select the service and pay for that.

- **Price**: Price of a product will be decided depending on production cost, operation cost, position of the product in the market, and its competitive products. In the severe competition of airline industry, requiring all airlines must do utmost to decline the costs while improve service quality. With the advantages of low cost strategy, we are witnessing the significant introduction of LCA.

- **Place (Distribution)**: It reflects the product distribution, stock, outlets, freight, insurance, warranty, etc. Airlines offer services through agents, ticket offices, post offices. In addition they cooperate with financial organization, banks to sell their services.

- **Promotion**: That is activities of advertising, sales promotion, publicity, personal selling, etc. For instance, Airlines can be a sponsor for events such as culture event, tourist events, and traffic or safety promotions; use the quick spread of the internet, media to promote their services.

Low Cost Airline Literatures

Unlike the full service airlines (FSA), LCA spins off into strategies to minimize costs by reducing overheads costs, optimizing transportation capacity, and increasing load factor (Berrittellar, Franca, & Zito, 2009). The aircrafts of LCA are usually equipped with more seats to increase the transportation capacity. Service is standardized by using unique economical service level. Additional services are normally provided based on customer’s demands. LCA normally applies all necessary solutions to reduce turnaround time for longer time the airplane serving in the air. The point to point flight routes are also the first priority for saving the fuel consumption. LCA usually operates secondary airports with low packing and landing charges. Customers can approach the booking service easily; most of transactions are implemented via internet, e-banking service, etc… to save the distribution manpower cost. Moreover, LCA prefers synchronizing the configuration of the aircraft fleet, using one type of aircraft generation in order to decline the manpower, training cost, and spare cost. Employees can undertake more than one task. The operating and managing structures are minimal and efficient, etc… (“Bao moi”, 2011; Berrittellar, Franca, & Zito, 2009). Undoubtedly, low fare is one of the crucial reasons to satisfy customer’s needs and inspire them to buy it again (Hidalgo, Manzur, Olavarrieta, & Farias, 2008).

LCA have created a revolution in the world for airline sector in the mode of operation completely different than traditional airlines (Berrittella, at al, 2009). The LCA is attractive customers that are sensitive with price levels such as young people, leisure travellers (Morrell, 2005). In choosing of competitive strategy, the most important for company is how to offer the product or service that best meet the demands of customers in comparison with its revivals. According to Porter (1996) that means the firm perform a similar practice better than other competitors. For
LCAs, this means that how can they achieve the lowest possible price for their services. To do this, LCAs often pursue policies to cut cost, build optimal cost structure. In the study relevant cost of the LCAs as Ryanair and EasyJet in Europe and Southwest American, Campbell and Kingsley (2002) outlined the average operating cost per km of available seat at studied LCAs only half that cost at FSAs, and the difference in cost between LCA and FCA depends on three main groups of service savings, operational savings, and overhead savings. By the experience in the airline industry, researcher argues that the significant characteristics which are applied by LCA to achieve the success will be described as follows:

- **Fuel hedging:** Fuel is one of the largest operating costs of airlines. When airlines believe that the fuel price won’t drop in the future, they can sign a contract to buy for a period of time at the current price. In the future, if the fuel price increase, they get benefit, in contrast they paid the higher fuel prices.
- **More seats:** The LCA can sale the cheaper fare but they can still increase revenue by arranging more passengers on the plane. For example, JPA reorganizes the Boeing B737-400 aircraft configuration to accommodate 168 passengers, while other FCA remains the configuration at 144 or 150 passenger seats.
- **Pay for additional demands:** LCA cuts off free food and drinks, instead of the customer to pay for those services.
- **Similar aircraft configuration:** Using a unique aircraft type and configuration to minimize the cost of training, maintenance, and repair.
- **Using cheaper airport:** They use the small airport, little attention therefore the cost of parking and related services are lower.
- **Online ticket:** LCA sells tickets online or over the phone. It helps reduce the marketing cost, agent commission cost, and ticket printing cost.
- **Flexible ticket prices:** The ticket prices are extremely flexible, which is offered depending on the needs of passengers. Normally, the sooner buying the ticket, the lower price will be applied and as close to departure, the higher ticket price. Some time the cheap ticket at the last minute when the aircraft has a lot of available seats.
- **Short turnaround time:** Reduce the ground time and increase flight time will be a considerable cost savings for airlines. Adapting this aspect, LCA implements appropriate solution. For example, pilots perform transit check; cabin crews carry out cleaning job; aircraft interior is simply furnished and equipped leather seat covers for easy cleaning; etc.

**Service Quality Literatures**

Firms should understand and adapt customer’s requirements and expectations to achieve the competitive advantages. As the result those firms can improve customer’s loyalty and satisfaction via their high quality products or services (Bui and Nguyen, 2004). As noted above, unlike product quality, which is tangible thus it is measured objectively by durable and defect indicators, meanwhile most service are intangible (Berry, 1980) therefore it may be difficult to measure. Normally, service quality is assessed via customer feel and experience. In this section, the author will refer to definitions and concepts of service quality, by which identify and introduce some measuring methods that are applied in previous studies of

**Relationship between Price and Customer Satisfaction**

As mentioned above services bear highly intangible attributes. Customers judge the service satisfaction through their feel and experience. Service price is always one of the core factors in the customer perceived level of satisfaction. Generally, high-quality services, greater cost than equivalent low-quality services (Chitty, Ward, & Chua, 2007). For most consumers, the best quality service is not sufficient to rule that it has satisfied customers. Customers tend to buy the services that make them satisfy, but they do not need to buy the best services (Cronin & Taylor, 1992). Besides, many studies argued that service price can strongly influence customer perception of service value, service satisfaction (Zeithaml & Bitner, 2000; Peng & Wang, 2006; Kim, Zhao, & Yang, 2008). More competitive prices will be a motive source to attract new customers because those customers often rely on the service price to judge the service through its price, while they are no experience to evaluate the service before buying or using it.
The value of the money to purchase services or products is another aspect in the customer satisfaction. According to Porter (1985) value is the amount that customers satisfy to pay for products or services of the firms. Feller, Shunk, & Callarman (2006) gave an excellent example about the value in the context of a person who is dying of thirst in a desert. If someone gives him water in one hand and money in the other, the money would be a little considered. Thus only water can satisfy him at that time. The example provides us the insights that the value is a subjective experience depending on particular circumstances. Therefore, the value appears when needs meet supply.

The concept of reasonable price is also applied to many researches to judge the customer satisfaction compared to the price of products and services. Customers are willing to open their wallets to by the services or products that they feel reasonable price (Oliver, 1997; Cheng, Lai, & Yeung, 2008). Airlines in general and LCAs in particular do not ignore this principle in building the fare frame to meet the different demands of consumers, from that they launch out extended fare ranges compatible with the provided service, the flying time, or the booking season.

Relationship between Service Quality and Customer Satisfaction

There are so many studies on the relationship between service quality and customer satisfaction. That leads to the result of behavioral outcomes. Generally, researchers agreed that high service quality leads to increase customer satisfaction. Consequently, the customer is willing to share the satisfaction to other people; the service firms gather the consumers’ loyalty, retention (Lee, 2011; Danaher, 1997; Magi & Julander, 1996; Levesque & McDougall, 1996; Bitner, 1990).

However, some other researches specified that link between service quality, satisfaction, and firm performance is not consistent with each other (Anderson & Mittal, 2000; Arthur, 1994; Ittner & Larcker, 1998). In another study on airline industry Steven, Dong, & Dresner (2012) demonstrated that the relationship between three factors of service, satisfaction and performance is non-linear and can identify the optimal point in which the company can get maximum profit at a specified customer service and satisfaction.

In general, most of studies agreed that there is a proportional relationship between customer service, customer satisfaction, and business performance. When firms provide higher service quality, increase customer satisfaction and lead to better performance results, the company earns higher profits (Banker & Mashrana, 2007; Behn & Riley, 1999; Dresner & Xu, 1995; Sim et al., 2010).

RESEARCH METHODOLOGY

Research Introduction

The Service Performance Model and price factor that have been introduced in the previous chapter will serve as a basis to introduce the research methodology on customer satisfaction at JPA. In this chapter, the survey questionnaire that will be used to collect the data of the properties in the research model will be described in details of the design, reliability assessment. The encoding of research model dimensions will be also mentioned here. Beside the survey questionnaire will be pilot-tested and checked by interviewing two key persons at JPA to ensure the reliability, coverage, and quality of those questions before distributing them to JPA’s customers.

Research Hypotheses and Coding

Some further researches in service quality conducted by Parasuraman at al. (1988); Erdil and Yildiz (2011) showed that SERVQUAL and SERVPERF instruments introduced five dimensions which are used to measure the service quality including Tangibility, Reliability, Responsiveness, Assurance, and Empathy. There is a lot of controversy surrounding the application of the SERVQUAL and SERVPERF measurement tool, but most agree that they are appropriate instruments for examining the perceived service quality in the airlines sector despite remaining limits on the validity and reliability (Aksoy, Atilgan, & Akinci, 2003; Sultal & Simpson, 2000; Park et al., 2004). Moreover, the qualitative interviews that were conducted by researcher have shown that two significant factors
influencing on customer satisfaction at LCA and JPA are service quality and fare price (Thanh and Phuong, 2012). In addition the result of a survey that was organized by JPA’s Marketing Department on the weights of influential factors on the decision of buying air ticket in Vietnamese airlines highlighted that the weight of service quality factor occupies the biggest rate at 71.6% in which 45.9% of performance and 25.7% of reputation, and the fare price occupies the weight of 28.4% (Jetstar Pacific Vietnam Prophecy, 2012).

![JPA Value Model](image)

*Figure 1: Overall Value Model, Adapted from (Jetstar Pacific Vietnam Prophecy, 2012)*

Therefore, this research confirmed the conceptual research model for studying of customer satisfaction at JPA in the influential factors of service quality and fare price.

![Research Hypothesis and Coding](image)

*Figure 2: Research Hypothesis and Coding*

In the grounded theory, Strauss & Corbin (2008) referred to three coding phases including open coding, axial coding, and selective coding, in which the open coding is the process to disaggregate the data into units, the axial coding is the phase of recognizing the relationship between the categories, and the selective coding is the process of label for the integration of categories to form a theory. This study codes hypothesis, variable items and dimensions as below.
Hypothesis coding: The customer satisfaction is measured and evaluated via six hypotheses including five service quality dimensions and one additional price dimension in which they are interpreted and encoded. The letters as H1, H2, H3, H4, H5, and H6 represent in turn for the positive effects of reliability, responsiveness, assurance, empathy, tangibility, and price on customer satisfaction.

Variable coding: The measuring variables are also coded in short form. The (V1 to V5), (V6 to V9), (V10 to V13), (V14 to V18), (V19 to V22), (V23 to V27) describe respectively the measuring items of reliability, responsiveness, assurance, empathy, tangibility, and price dimensions.

Dimension abbreviation: The dimensions of the model as reliability, responsiveness, assurance, empathy, tangibility, price, and customer satisfaction are abbreviated by REL, RES, ASS, EMP, TAN, PRI, and CS respectively.

According to Jain & Gupta (2004), the performance of the service companies has a linear relationship with service quality:

\[ SQ_i = \sum_{j=1}^{k} P_{ij} \]

Where:

- \( SQ_i \) - The perceived service quality of individual ‘i’
- \( k \) - The number of items
- \( P \) - The perception of individual ‘j’ with respect to performance of a service firm on item ‘j’

Applying to this extended conceptual model the equation of customer satisfaction and dimensions of service quality, fare price is used for multiple regression analysis.

\[ CS = \beta_1 * REL + \beta_2 * RES + \beta_3 * ASS + \beta_4 * EMP + \beta_5 * TAN + \beta_6 * PRI \]

Where:

- \( \beta \) - The standardised regression coefficients

Data Collection

Official Survey - Quantitative Research

After finishing the preliminary interview and pilot survey periods, the researcher has revised the questionnaire that best suits the condition of this study. The next step is to distribute the official questionnaire to customers of JPA to conduct official surveys. This task is done over the following steps:

The questionnaire structure: includes three parts, Part I consists of 8 questions (question 1 to 8) describe the customers’ information and their behaviours. Part II consists of 27 subsidiary questions with 5-point Likert scales from strongly disagree to strongly agree of research model (question 9.1 to 9.27), in which 22 questions describe five dimensions of SERVPERF model for service quality and 5 questions describe the additional dimension of fare price. Part III consists of 5 remaining questions (question 9.28 to 9.32) represent for the overall customers’ satisfaction.

DATA ANALYSIS AND DISCUSSION

In this chapter the results obtained from the qualitative interviews and quantitative survey questionnaire will be described and their implications will be analyzed, dissected and discussed. In the other words most questions
of the research about the situation of customer service, dimensions of the service quality, fare price commitment, and other factors that contribute to customer satisfaction at JPA will be answered in this chapter through description, analysis and discussion of findings. Therefore, the research objectives can be clarified and the purpose of the study will be solved.

Interview Response Statistics

In order to gather the insiders own thoughts about the current status of customer satisfaction, service quality, and prices that JPA is delivering to its customers and understand the strategic orientations that JPA leaders are pursuing for improving the customer satisfaction, an interview with two key managers who are Ta Huu Thanh – Chief Commercial Officer and Cao Hong Phuong – Marketing Manager has been organized. The interviewees were willing to provide essential information for the study.

Recent Level of Service Quality, Fare Price and Customer Satisfaction

- **Overall market:** Although Vietnamese airline market is considered potential with the continuous growth capacity of passenger and goods in recent years. But the competition becomes stricter with the entrance of the newly established airlines and the growth of transport capacity of the existing airlines. In the Vietnamese LCA, the participation of Vietjet Air makes competition in this segmentation more intense. Besides the loss in business for consecutive years despite high level seat usage coefficients forces JPA to continuously reform the organization and improve the service quality and air fare as well.

- **Fare price:** Interviewees stated that according to the latest survey of the company, JPA is leading the competition in price at the domestic market (Jetstar Pacific Vietnam Prophecy, 2012). In another survey of David & Rachael (2009), the JPA was also ranked at the same level among the surveyed companies that are Vietnam Airlines, JPA and Air Mekong. According to the international ranking on the millions of eDream flight bookings during 2011 JPA offered the cheapest flights worldwide at 8.55 Euros per 100 miles (eDreams traveling together, 2012).

- **Service quality:** The interviewees also frankly acknowledged weaknesses in JPA in terms of service quality performance. According to the survey results (Jetstar Pacific Vietnam Prophecy, 2012), the JPA is standing at the bottom of the rankings of service quality in comparison with three other domestic airlines. This is lower than the survey results in 2009, in which JPA was ranked at the second highest quality service in comparison with two other domestic airlines at that time (David & Rachael, 2009). Thanh said the poor quality comes from two main causes which are hard and soft services. The hard service refers to the current aging aircraft fleet which has different configurations and low technical reliability leading to unexpected technical problems. This impacts directly on flight schedule such as cancellations and delays. The soft service represents the performance of front line fleets such as customer service staffs, check-in employees, and flight attendants.

Solutions for Improving Service Quality, Fare Price and Customer Satisfaction

In the interview, the interviewees mentioned core elements of improving the customer satisfaction at JPA is to continuously improve the service quality, and maintain the lead on fare price. JPA consistently complies with the following strategy directions:

- Synchronizing the aircraft fleet only Airbus A-320 aircrafts that have the same configuration, same engine with the aircraft fleet of mother Jetstar group. JPA also aims at a younger aircrafts. As an evidence for this strategy, JPA is nearly complete phasing out the old B-737 aircrafts which are replaced by the newer A-320 aircrafts (Our fleet, 2012). With this strategy JPA aims to improve the reliability of flight schedule, reduce the delays and cancellations. Besides aircraft interior is also improved significantly due to the nature of the newer aircrafts. Furthermore newer aircrafts, unique configuration, one type of engine can help to improve the costs of maintenance, spare parts, and technical administration.

- Enhanced training for front line employees that communicate directly with customers to improve the service performance, ability to handle problems, manner of communication, behavior attitude, etc. For example, the implementation of training courses for a standing smile in every front line staff.
CONCLUSIONS

Conclusion of Analysis Result

Behavior-Performance Factor

As analyzed in chapter 4, this factor has the highest standardized regression coefficient 0.522. It means that the factor has the biggest impact on the customer satisfaction. Regarding to the results of EFA analysis, the Behavior-Performance factor consists of 14 variables which come from initial dimensions of Reliability (V2, V3, V4), Responsiveness (V6, V7, V8, V9), Assurance (V10, V11, V12, V13), and Empathy (V14, V15, V17).

- V2 - Being a safe airline
- V3 - Feeling the comfortable on the support of the JPA’s staffs
- V4 - Having staff that demonstrate understanding when problems arise
- V6 - When delays or cancellations occur, JPA notify customers of the exact time of flight
- V7 – You are provided with a quick service upon request
- V8 – JPA’s employees are willing to help you
- V9 – JPA’s employees focus on your requirements
- V10 – You feel safe in your transaction with JPA
- V11 – JPA’s employees are respectful
- V12 – JPA’s employees give you confidence when using their service
- V13 – JPA’s employees have knowledge about airline’s service
- V14 – JPA’s staffs understand your specific needs
- V15 – JPA is wholeheartedly interested in your interests
- V17 – JPA’s employees listen to your queries and opinions.

This factor describes mainly the behavior and performance of the JPA staffs such as friendly gesture, the understanding and the ability to solve tasks, the commitment that JPA has offered, the absolute safety for each flight, the delay and cancellation status, responsibilities of employees for their work, the service process of before, during and after flights, and the attitudes of helping customers as well. The results of interview with JPA’s key managers and score judgment at 3.50 indicate that JPA’s customers were not really satisfied with perceptions about behavior and performance of JPA’s staffs.

Price-Convenience

Price-Convenience is the second strongest factor, just behind the Behavior-Performance factor that influences the customer satisfaction. This factor describes mainly the airfares and the convenience of flight schedules, contains four initial surveyed variables of price dimension (V23, V24, V26, V27) and one initial surveyed variable of Empathy (V16).

V16 – JPA provides convenient flight time
V23 – Generally, JPA offers the lowest airfares
V24 – JPA has a wide range of fare pricing options
V26 – JPA provides the choices that you just pay for service you will use
V27 – JPA introduces flexible payment methods.

The above variables clearly reflect the service prices and the slight contribution of the convenience of the flight schedule. According to the results of the EFA analysis, the highest score at 3.90 demonstrates that customers are the most satisfied with what they perceived from JPA-related to this factor. The JPA’s key managers also supposed that JPA would continue to lead the price dimension in the domestic airline market.

5.1.3 Tangibility-Commitment:

Although the results of the multiple linear regression analysis showed that this factor has less impact on customer satisfaction and it has even been removed from the list of the major factors affecting satisfaction. However
the significant value of the factor reached 0.053 which is just over the eliminated limit of Sig (0.05). Besides EFA analysis shows that JPA are performing poorly in this factor, the EFA score is 3.12 only. Therefore, this factor can also be evaluated as one of the considerable factors behind the two major factors above. This factor includes four initial variables of Tangibility dimension (V19, V20, V21, V22), one variable of Price dimension (V25), and one variable of the Reliability dimension (V5).

V5 – Ensuring flight schedules as announced
V19 − JPA has well presented staffs
V20 − JPA has a model looking aircraft
V21 − The aircraft interior is clean
V22 − There are quality options of food and drinks
V25 − JPA give the suitable price of food.

Those variables represent the Tangible properties such as facilities, aircraft fleets, the appearance of the staffs, the food and drinks, as well as the commitment to flight schedules.

Recommendations

Based on the above analysis and findings, with the purpose of improving the customer satisfaction, the researcher would like to offer recommendations related to each factor affecting customer satisfaction. Besides, introducing a Balance Scorecard illustration may help JPA’s managers communicate mission and vision of company to its employees.

Improving Behavior and Performance

Behavior and performance occupies the biggest density of the influences on customer satisfaction. Thus improving this factor will significantly help JPA increase the most customer satisfaction.

Improving behavior: Staff training solutions need to be implemented continuously. For example, JPA should create favorable conditions for their staff to update their knowledge regularly, make sense of responsibility for their work, and improve the processing skills and efficiency. Besides, JPA should pay particular attention to in-front employees to equip them with knowledge about customer service skills, practice patience, confidence to solve problems of customer, calm and cheerful attitude with customers even when facing work pressure.

Improving Performance: Improvement of reliability and assurance such as ensuring the punctuality at high rate, limiting the status of delayed or canceled flights will contribute to the impression performance for JPA. In order to improve these aspects JPA should focus on criteria key points of the aircraft availability, check-in process, ground service, flight planning and controlling.

Improving Price and Convenience Perspective

Price and convenience is the second significant factor that JPA should focus on. Although JPA is assessed quite well by customers for this factor however JPA is facing the challenges that JPA needs to overcome to continue driving on price. The appearance of Vietjet Air with the same market segment has created real kick to force JPA to have clearly competitive strategies. Besides the JPA continues to incur losses for recent years, although the coefficient of seat using always stands at high level. Thus JPA must carefully calculate to deal with the competition on price. The author would like to suggest the following recommendations in order to optimize the cost and maximize the convenience for considering of JPA’s managers.

Risk preventive solutions: In airline operation always exists high risks that are difficult to predict such as fluctuations of fuel prices, the unusual incidents. Thus preventing risks such as fuel hedging, insurance for aircraft and engine will ensure for JPA avoiding abnormal events, balancing the fare price.
High level of seat utilization: Having solutions to ensure the seat utilization as high as possible. For example, JPA should continue providing the most convenient service, flexibility to its customers at all times; giving service packages to attract tourists; Linking tourism, transportation to ensure connectivity.

Improving ancillary revenue: Most of the LCA in the world are interested in ancillary revenue that is often significantly improving the organization's total revenue. So JPA should focus on improvement, innovation both in terms of quality and design of the food, drink, and items sold on the flights to attract buyers.

Improving aircraft fleet: Using aging and complex aircrafts including both A-320 and B-737 with so far different configurations of engines and parts cause higher technical expense. Although aircraft leasing costs low due to aging aircrafts but that could not offset the intangible cost due to delays and cancellations. The author recommends as rapid deployment of the strategy of younger aircraft fleet is needed, JPA should use the unique configuration of engines and parts for whole aircraft fleet.

Improving turnaround time: Ensure increasing flight time, while reducing the ground time, means that shorter the turnaround, lower the costs per seat. JPA should consider this criterion by improving the performance of ground service staffs to reduce the time between flights. For example, transit check, cleaning jobs should be carried out by flight crews.

Improving the convenience: JPA should also pay attention to the connection between the flights and other kind of transportation at the destination such as flight connections, car transportations, etc. to create the most favorable conditions for its passengers. Reasonable flight schedules, suitable flight times and regular flights will contribute to convenience.

Final Conclusions

The service industries in general and the airline industry in particular, the customer satisfaction is always a key element of most companies. Thorough understanding of customers’ expectations and perception is a critical stage to help companies make the right decisions for developing. This research does not stand outside that purpose. The researcher applied the theories of services, service quality, lower costs, etc. for interpreting and step by step identifying the answers for the customer satisfaction and its involved aspects in a low cost airline in Vietnam with the specific case of Jetstar Pacific Airlines.

Applying SERVPERF model that is widely used in researches on the service quality, the author has designed a research methodology which takes five dimensions of the SERVPERF model including Reliability, Responsiveness, Assurance, Empathy, and Tangibility combined with the Price dimension which is the typical characteristic of low cost airline industry as the core elements for the quantitative measurement. In addition, the qualitative interview on two key managers has been applied to improve the quality of this research. The functions such as reliability Cronbatch's Alpha, Exploratory Factor, Score, Multiple Regression, and descriptive analyses of Microsoft software SPSS 20 have been applied to the analysis and interpretation of the survey’s results. Through the analysis stages, the initial six dimensions have been reduced to two Behavior-Performance and Price-Convenience factors having significant influence on customer satisfaction, and one Tangibility-Commitment factor having negligible influence on customer satisfaction. The 27 observed items have been initially also reduced to 25 variables having significant correlation to the reduced factors. Furthermore, the analysis also offered the customer’s evaluated scores for reduced factors and the loading coefficients (Standardized Beta) of each factor affecting customer satisfaction. Therefore, the current performance levels have been judged, and the improving factors have also been identified.

REFERENCES


