Measuring Customer Satisfaction in Indian Low Cost Air Carriers

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INTRODUCTION

Air travel has taken off in India. The Indian aviation sector thundered up with incredible numbers both in terms of traffic and volumes during 2006-07. With sustained economic growth over the past few years' coupled with other factors like increasing liberalization, rapid urbanization, rising disposable income and increasing interest in tourism have all fuelled up business and leisure travel market in India. This resulted in an explosion of the Indian aviation sector that is expected to grow at 20% annually over the next five years (Centre of Asia Pacific Aviation (CAPA) Report, 2006). Much to the delight of the Indian air traveller, 12 wallet-friendly aviation players announced or initiated operations to compete in the market – including the likes of Jet Airways, Air Deccan, Spice Jet, Go Air, IndiGo, Indian, Air India Express, Allianz Air, Paramount Airways, Kingfisher Airlines and Indus Airways. With more mighty names waiting for approval from the Ministry of civil aviation, they are going to rapidly change the aviation landscape with extensive impact.

LOW COST AIR CARRIERS

The advent of Low-cost air carriers (LCC) has been one of the key drivers behind this dramatic and mushroom growth. LCCs are characterized by "no-frills" service operating through point-to-point, short-haul, high-frequency route network with high aircraft utilization achieving high load factors and high seat densities with reduced costs associated with crews, maintenance, inventory and with emphasis on online distribution. The concept of LCC originated in the west and quickly picked up in the Asian countries. In India, this bare bone mode of aerial transport has grown rapidly; exploiting a powerful, previously untapped market opportunity, leveraging costs and stimulating demand among more price-sensitive travelers with lower fares. LCC players took advantage of the population, geographic and income characteristics of India that are ideally suited for its growth. With one billion plus Indian population, in which middle class constitutes roughly to the population of Europe, who have never set foot in an airplane, LCCs have made air travelling an affordable reality which was once confined to the rich and elite. It has thus broken down social and economic barriers to flying and brought in sensational changes than imagined.The LCC model has demonstrated its ability to change the market across the world. Even in India, the low-cost phenomenon spread rapidly. From 0% market share in 2003, the LCCs have increased their reach to a mighty 39.5% by March, 2007 and are expected to garner a higher share of around 50% by the end of 2008 (Angel Trade Estimates, 2007). According to CAPA, the LCCs would hold a dominant 70% market share by 2010. It is also estimated that there will be 70 million air passengers and $50 billion investments in planes and infrastructure by 2010. This fairy tale advent of low cost airline made India as one of the most dynamic low cost airlines markets in the world. Indo-Swiss Aviation, an aviation consulting firm predicts that with labor cost advantage and high quality IT infrastructure at low prices supported by other parameters like fuel prices and airport charges, India will be at par with international levels and will be one of the lowest-cost aviation markets by 2010. It is appropriate to provide laudable space to the concept of low cost airliners and its phenomenal growth in India. But to all the excitement, the LCC industry is facing significant obstacles. A fabulous growth on one hand and monstrously inglorious losses on other hand have been witnessed in the sector. An expected loss of Rs.2084 crore during 2006-07 presents a formidable challenge (CAPA Report, 2006). The LCCs in India are operating in complex market conditions like increasing count of new entrants, rapid capacity

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growth, poor or inadequate passenger load factor, dismal & outdated airports, harebrained competition,fierce pricing and highly regulated environment. This is likely to get compounded with escalating operating costs, high distribution costs and poor Internet penetration. This could result in; short to medium term pressure on yields throughout the industry and a competitive battle scenario or even make the entire sector break down. These challenges have to be overcome to reach and to sustain profitability. However, failures are inevitable in such scenarios. Global numbers indicate at least five failures for every successful low-cost airline. Sectoral players have therefore to understand that a customer-centric balanced approach to growth is the only option that can bail them out from this difficult phase. The balance has to be of sustained customer trusts, efficiency and organizational focus with controlled long-term expansion resisting the temptation to gain incremental revenues in the short-run.

THE ROLE OF CUSTOMER SATISFACTION IN THE SUCCESS OF LOW COST AIR CARRIERS

Four critical elements differentiate a successful low-cost airline from an unsuccessful one - Innovative customer experience, balanced growth, simplicity and efficiency from route structure to fare structure and effective governance (IBM Business Consulting Services, 2004). These factors determine success and understanding their importance can yield rich rewards. While other factors afford more scope for variation, Customer experience will be a key differentiating factor. Cost and price alone will not drive the success of low cost carriers especially in an increasingly crowded and low yield market. An essential prerequisite would be to develop a unique, well-crafted value proposition through a balanced mix of these factors with prime focus on customer that can make traveling a comfortable and memorable experience. The LCC model has demonstrated that it can offer a differentiated product with customer at front and center of it. It has challenged the traditional notion that frills and amenities are required to satisfy the customer. The focus has been on what customers want and avoid those that do not impress them and in the process eliminate unnecessary cost. It also has been designed and operated on the notion that customers appreciate travel without complex rules, restrictions and highly variable fares for the same flight. Thus, the key strategy has been to deliver a consistently excellent experience across all customer touch-points at the right cost.For this to happen, Low-cost airlines must carefully set customer expectations and make very careful decisions about capital investments accordingly. The decisions primarily involve the trade-off between the costs and the customer experience. It should attempt answering critical questions such as; do customers prefer the no-frills atmosphere? What destinations will most appeal to customers? Are customers willing to travel to secondary markets along with other primary issues like growth, branding, positioning and promotion? It is imperative to balance these issues to deliver high satisfaction and create an emotional affinity that can drive customers to choose LCCs over other carriers. But, these initiatives cannot be in isolation. It should be ongoing, integrated, innovative and efficient programs with focus on numerous aspects like marketing, HR, crew, operations, maintenance, communication that appeal and impact the customer.

OBJECTIVE OF THE STUDY

The objective of this study is to measure the satisfaction of customers with various services provided by low cost air carriers.

RESEARCH METHODOLOGY

SAMPLE

The sample consists of customers from the twin cities of Hyderabad and Secunderabad in the state of Andhra Pradesh. With software and outsourcing firms flourishing around the new technology park set up in twin cites, the place is fast emerging as the IT hub of India. It is one of the largest and most developed cities in the country. Appreciable growth in air traffic has been seen at Hyderabad due to increased operations by low cost Airlines. (Airports India Traffic News, 2007). Hyderabad airport has become a major hub and has recorded high growth due to start of operations by domestic and international

players. Since the focus of the study is on satisfaction of customers of low cost airlines, only low cost airline travelers were considered. For this study, low cost airline travelers are defined as those who have traveled at least once through any low cost airline during the last three months.The gross sample size of the survey is 350. Of this, two hundred and thirty respondents traveled by low cost airlines. 10 questionnaires were not considered due to incomplete information. A total of Two Hundred Twenty (N=220) questionnaires were found suitable for the study, representing over 77% of the total sample size. Questionnaire was administered to customers near airport premises and at booking offices. The study was conducted between March 2007 and April 2007.It may be noted this study doesn't refer to any specific low cost airlines. Considering the limited sample size of this study, the paper aims to capture the general perception of customers towards low cost airlines.

DATA COLLECTION

Both the primary and secondary data were considered. The primary data was collected through a questionnaire designed exclusively for the study. Secondary data was taken from Company periodicals, Research papers, Journals, Magazines and Websites.

QUESTIONNAIRE DEVELOPMENT

A well-structured questionnaire was developed after an extensive review of LCC literature. The questionnaire, administered in English, had two parts. Part I consists of questions relating to satisfaction. Part II contains questions related to demographics of the customers' e.g., gender, age and income group. A draft questionnaire was tested with 30 consumers to ensure the adequacy and communicability of the questions. The language in the questionnaire was made simple, clear and free from technical jargon. Adequate care was taken to see that the consumers have not misunderstood the questions. Based on the feedback obtained, the final version of the questionnaire was developed.

DATA ANALYSIS & RESULTS

The Statistical Package for the Social Sciences (SPSS) version 14.0 was used to analyze the data.

The Gender, Age and Income wise classification, giving an overview of the research sample, is presented in Table I. Out of 220 respondents, One hundred and seventy two are male respondents (78%) and forty-eight (22%) are female. One hundred and nineteen respondents (54%) belong to the age group between 18 years and 29 years; eighty respondents (37%) belong to the age group between 30 years to 39 years; and the remaining to other age group of 40-59 years. In terms of monthly household income, 49 (22%) respondents had monthly household income "Less than Rs.10000". Eighty-nine (41%) had an income of between "Rs.10001- Rs.20000" and twenty-six (12%) had between "Rs.20001- Rs.30000". Another 56(25%) respondents reported an income figure of "Greater than Rs.30000".

Table-I -Characteristics of the Sample

N=220	Categories	No. of Respondents	Percentage
Gender	Male	172	78
	Female	48	22
Age	18-29	119	54
	30-39	80	37
	40-49	16	7
	50-59	5	2
Income	Less than 10000	49	22
	10001-20000	89	41
	20001-30000	26	12
	Greater than 30000	56	25

Eighteen factors were identified, after an extensive literature review, as reasons to why a customer might want to travel by a low cost air carrier. The factors, tested on 30 randomly selected customers who indicated their importance, are – Ticket Booking Process, Customer Service Response, Cabin Staff Service, Check-in Process, Boarding System, Facilities relating Baggage Handling & Screening, Prior Intimation of Flights/Cancellations/Rescheduling, Timely information regarding flight arrival and departure through Public Announcements (PA), Ambience in terms of seating, lighting and air conditioning, Timely Updates, Ready access to information on routes, flight numbers, Cancellations and Refund, Mode of Extra Payments, Charges for Extra Luggage, Availability of flights according to requirement, Care for Elderly / PH, Low Fares and Previous Experience. The customers were asked to rate their level of importance for the above factors. The scale used to measure importance ranged from one for "Not Important" to five for "Very Important." With a purpose to identify the factors that largely impact the customer, exploratory factor analysis was carried out on the data. The KMO (Kaiser-Meyer-Oklin) test result was greater than .5 signifying the sampling adequacy to proceed for a satisfactory factor analysis. The Bartlett's test of sphericity, which indicates the strength of the relationship among variables, was also significant. For ease of interpretation, Principal component analysis method of extraction, orthogonal with Varimax rotation and the Kaiser criterion were considered. Eight factors that emerged, on retaining those that have eigen values greater than 1, were Low Fares, Previous Experience, Charges for Extra Luggage, Cancellation & Refund, Timely Updates, Ticket Booking Process, Customer Service Response and Access to Information. These factors explain 63% of the variance as exhibited in Table II.

Table II : Results of Factor Analysis- Total Variance Explained

Components	Initial Eigen Values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Low Fares	2.741	11.306	11.306	2.741	11.306	11.306	2.046	8.440	8.440
Previous Experience	2.271	9.368	20.675	2.271	9.368	20.675	1.947	8.031	16.471
Charges for extra luggage	2.072	8.550	29.225	2.072	8.550	29.225	2.086	8.605	25.076
Cancellation Process & Refund	1.986	8.193	37.418	1.986	8.193	37.418	1.636	6.747	31.823
Timely Updates	1.774	7.320	44.738	1.774	7.320	44.738	1.855	7.653	39.476
Ticket Booking Process	1.630	6.723	51.461	1.630	6.723	51.461	1.738	7.170	46.646
Customer Service Response	1.434	5.918	57.378	1.434	5.918	57.378	2.051	8.460	55.106
Acesss to Information	1.395	5.775	63.133	1.395	5.755	63.133	1.946	8.027	63.133
Ambience	1.247	5.145	68.278						
Check- in Process	1.115	4.600	72.878						
Boarding System	1.084	4.473	77.351						
Baggage Handling	1.026	4.235	81.586						
Prior Intimation	.873	3.602	85.188						
Timely Info through PA	.813	3.354	88.542						
Cabin Staff Service	.791	3.263	91.805						
Flight Availability	.709	2.925	94.730						
Care for Elderly / PH	.686	2.830	97.560						
Mode for extra payments	.591	2.440	100.000						

Extraction Method : Principal Component Analysis. Rotation Method : Varimax with Kaiser Normalization.

Results of KMO and Barlett's Test

Kaiser- Myer-Olkin Measure of Sampling Adequacy.		**.509**
Barlett's Test of Sphericity	Approx. Chi - Square	217.914
	df	153

Table III : Satisfaction Level of Various Factors

Factors	Highly Dissatisfied		Somewhat Dissatisfied		Neither Satisfied nor Dissatisfied		Somewhat Satisfied		Highly Satisfied		N	Mean	Std. Deviation
	Count	%	Count	%	Count	%	Count	%	Count	%			
Ticket Booking Process	70	32	40	18	36	16	45	20	29	13	220	2.65	1.44
Customer Service Response	28	13	47	21	53	24	64	29	28	13	220	3.08	1.23
Cabin Staff Service	37	17	39	18	63	29	54	25	27	12	220	2.98	1.26
Check - in Process	78	35	32	15	54	25	33	15	23	10	220	2.50	1.38
Boarding System	59	27	55	25	58	26	36	16	12	5	220	2.49	1.20
Baggage Handling	73	33	34	15	42	19	39	18	32	15	220	2.65	1.46
Prior Intimation	30	14	69	31	47	21	53	24	21	10	220	2.85	1.21
Timely Info through PA	43	20	47	21	54	25	50	23	26	12	220	2.86	1.30
Ambience	76	35	63	29	50	23	20	9	11	5	220	2.21	1.16
Timely Updates	64	29	45	20	42	19	51	23	18	8	220	2.61	1.34
Access to Information	66	30	31	14	47	21	51	23	25	11	220	2.72	1.40
Cancellation / Refund	26	12	62	28	40	18	60	27	32	15	220	3.05	1.27
Mode of Extra Luggage	39	18	55	25	78	35	34	15	14	6	220	2.68	1.13
Charges for Extra Luggage	65	30	72	33	45	20	24	11	14	6	220	2.32	1.19
Flight Availability	55	25	39	18	68	31	30	14	28	13	220	2.71	1.32
Care for Elderly / PH	61	28	53	24	38	17	57	26	11	5	220	2.56	1.28
Low Fares	17	8	19	9	36	16	49	22	99	45	220	3.88	1.28
Previous Experience	104	47	56	25	39	18	6	3	15	7	220	1.96	1.17

The customers were also asked to indicate their level of satisfaction on a scale of "Highly Dissatisfied" to "Highly Satisfied" for the above eighteen factors. The results, presented in Table III, reveal that customers are dissatisfied on a number of factors. 73% of the respondents are highly dissatisfied or somewhat dissatisfied with previous experience of flying a low cost experience - 63% with Ambience in terms of seating, lighting and air conditioning and 62% with charges for extra luggage. Around 50% of respondents have reported dissatisfaction on Ticket booking process, Facilities relating to Check-in process by air staff, Boarding System, Timely updates and care given to elderly and physically disabled.

However, 67% of the respondents are either highly satisfied or somewhat satisfied with low fares, 42% with cancellation & refund and Customer service response, and 37% with Cabin Staff Service.

Further, on comparison of importance of the benefit to the level of satisfaction, results indicate that only on three factors – low fares, customer service response and cancellation and refund, the percentage of somewhat satisfied and highly satisfied is higher. All the other five factors have high levels of dissatisfaction. Seventy-two percent of respondents are somewhat and highly dissatisfied with previous experience of flying a low cost airline, 63% with charges for extra luggage, 50% with ticket booking

process, 49% and 44% with timely updates and access to information respectively. The low cost airline companies may take note of these factors and intensify their support.

Table IV : Overall Flying Experience of Customers

Satisfaction Level	Frequency	Percent	Cumulative Percent
Highly Dissatisfied	65	29.5	29.5
Somewhat Dissatisfied	58	26.4	55.9
Neither Satisfied nor Dissatisfied	24	10.9	66.8
Somewhat Satisfied	40	18.2	85.0
Highly Satisfied	33	15.0	100.0

Figure I

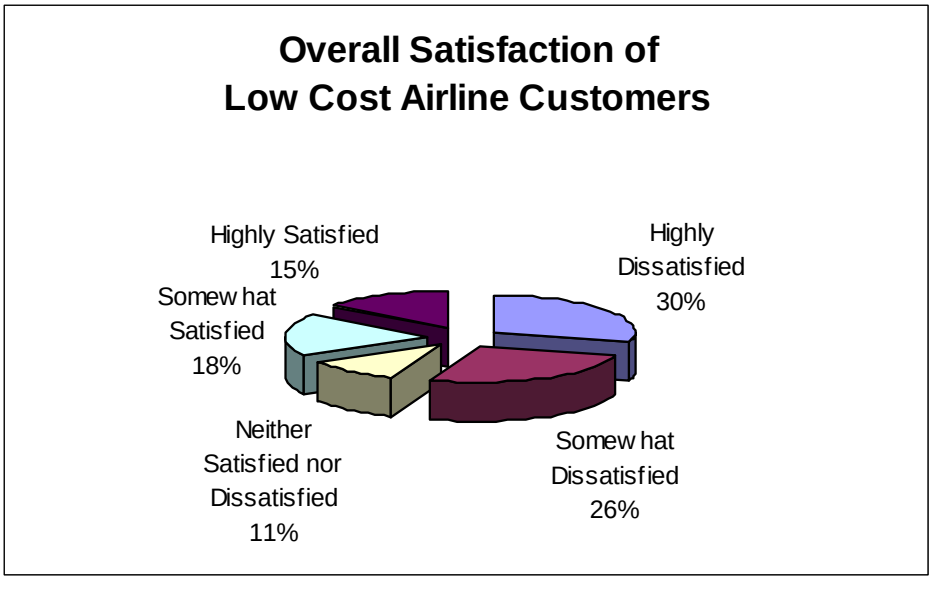

Table V : Travel and Recommendations by Customers

	Recommend Others for Travel			Would You Travel Again		
	Frequency	Percent	Cumulative Percent	Frequency	Percent	Cumulative Percent
Definitely Not	60	27.3	27.3	57	25.9	25.9
Probably Not	74	33.6	60.9	76	34.5	60.5
May or May Not	43	19.5	80.5	54	24.5	85.0
Probably Yes	37	16.8	97.3	29	13.2	98.2
Definitely Yes	6	2.7	100.0	4	1.8	100.0

The customers were also asked to rate their overall experience of flying a low cost airline on a scale from one for "Highly Dissatisfied" to five for "Highly Satisfied". A Significant 56% (30% + 26%) of respondents are either highly dissatisfied or somewhat dissatisfied with the overall flying experience. Eleven percent reported neither satisfied nor dissatisfied with the issue. However, 18 and 15 percent are somewhat and highly satisfied with overall experience of flying a low cost airline respectively (Table IV & Figure 1).To the questions whether they would travel by low cost airlines again and whether they would recommend travel to others by low cost airlines, there was greater disagreement by customers. As shown in Table V, Sixty-one percent of the respondents either definitely not or probably not travel again by a low cost airline. Twenty-five percent may or may not travel. Only an insignificant 2% responded with definitely yes and 13% with probably yes. Not surprisingly, a majority of people (61%) definitely not or probably not encourage others to travel by low cost airlines. A notable 20% are hesitant. However, sixteen percent would probably recommend and only meager 3% would definitely recommend travel to others.

CONCLUSIONS & SUGGESTIONS

Overall, a majority of respondents are dissatisfied with various factors involved while travelling a low cost airline. Understandably, the overall flying experience of the customers is also dissatisfactory. Considering previous experience as an important factor for customers, low cost carrier companies should focus their efforts in giving a memorable flying experience to customers by improving their overall operations. Otherwise, as the results indicate, the customers may not prefer to travel again or even recommend it to others even though they are highly satisfied with low fares. Studies report that low cost airlines will grow at the expense of surface transportation. Seen as a popular alternative to overcrowded trains, it is certain that many customers will be eager to travel more frequently, more impulsively to certain destinations served by LCCs. Considering the huge potential, LCC companies should inevitably turn to take up active overall customer satisfaction initiatives. The Indian budget airline industry has certainly taken off. But, for it to remain in the skies and soar further high, it needs to maintain low costs, continue to innovate, and provide memorable flying experience to the customer, to stay ahead.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

One of the main drawbacks of this study is the manifestation of cynicism that exists with regard to low cost airlines while filling up of the questionnaire. This may severely affect the results of the survey. Another limitation is the general apathy towards filling up of questionnaires. Moreover, the study was undertaken in one area and so the results need to be understood keeping that aspect in mind. In future, the study may be conducted in cross section of cities and towns that may reveal differences if any in respondent preferences. Nevertheless, the findings of this study may have several implications, which would undoubtedly be beneficial to companies in the low cost airline industry.

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