

A Study of Factors Influencing Customer Loyalty towards B Air in Nepal

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Abstract

The purpose of the study is to determine the key aspects that influence the customer loyalty towards B Air, a private airlines in Nepal. Customer Loyalty is a key factor for of any airlines and depends highly on airline service quality in the industry. The conceptual framework has been derived from four other theoretical framework with adjustments. Additionally, this study is connected to linking customer loyalty to profitability as customers are valued as lifeline for any business and hence has been reviewed to propose a conceptual framework for building and sustaining customer loyalty and thus maximize profits. The research was carried out with sample data (n=405) collected from three major airports in Nepal by utilizing self-administered questionnaire to the Nepalese citizens. The researcher used convenience and judgment sampling method to select the respondents. After the information was collected from the respondents, the data was analyzed and processed on SPSS program. The result shows that perceived value had the greatest influence on customer loyalty for B Air. In addition, in terms of customer satisfaction, the airline image influences most and is more important than airline tangibles, personnel quality and empathy. The contribution of this paper is to analyze the factors that influence customers' loyalty, and thereby help domestic airlines in Nepal improve their customer loyalty effectively. With this research the airlines industry management can move away from the traditional technique of management can use more appropriate methods to attract and retain customers.

Keywords : *Customer Satisfaction, Customer loyalty, Perceived Value.*

1. INTRODUCTION

In this fast-paced business world with an intense rivalry, service-oriented entities strive to be foremost in the market by offering quality services, and the airline industry is no exception to this. Owing to huge rivalry between airlines with huge operating costs, close profit margins, airlines are reliant on their capacity to retain their customers and attract new ones as well (Min.,2010). To continue to be the leader in this business, one needs to provide superior service quality (SQ), which is an important factor to differentiate itself from the competitors so as to gain their loyalty (Kandampully and Suhartanto ,2000; Chow and Luk,2005). Customer loyalty is seen as a crucial factor in this case.

With the introduction of the "Open Sky Policy" in 1990, this industry has been thriving with more than 20,000 employees at work which had less than 200 people when it was first established. Since the introduction of the policy, more than 15 private companies have come into operation with more than 100 serviceable aircraft, and during this period, B Air was established in April 1996. With most aircraft, B Air currently leads the domestic market in Nepal while serving more than a million passengers in a year.

Customer Loyalty can be recognized as an assurance to repurchase or support a preferred product or service constantly in the future, causing the customer to be loyal to the same brand despite other influences such as marketing and other factors that cause to switch brands (Oliver, 1997). Customer loyalty is viewed as the force of the connection between individual relative attitude repeat patronage. Air service quality, customer satisfaction and perceived value play an important role in a service industry such as the airline industry. Likewise, according to (Khan and Z. Rahman 2014), the quality of service in the airline industry in Pakistan has a substantial effect on customer behavior towards repurchasing tickets or using services from any airline company. This inclines the customer's decision significantly to choose from various airplanes, thus affecting the income of the business.

2. LITERATURE REVIEW

2.1 Airline Service Quality

According to Rhoades et al. (2008), service quality in the airline industry is the ability of the airline providers to transport passengers to their required destinations while providing an excellent standard of service. In addition, Gursoy et al. (2005) construed that the service must be provided during the various interaction amongst passengers and airline providers with anything that drives passenger's perception such as image of the airline to intrigue the highest level of satisfaction. Service quality conditions influences a firm's competitive advantage by retaining customer patronage, and with this comes market share, and ultimately profitability (Morash and Ozment, 1994).

2.2 Airline Tangibles

The appearance of the physical assets, surroundings and facilities such as cleanliness of airplane interior toilets, quality of the catering and air- conditioning, comfort level of the plane seats and design of the aircraft is defined to be as airline tangibles (Bahia and J.Nantel, 2000). Zeithaml et al. (2006) explained that hospitality services should highlight the tangibles in their service strategies. Tangibles cover the appearance of physical facilities; equipment and communication materials, and all are physical evidence of the service. Parasuraman et al. (1988) initially defined tangible as the physical surroundings representing objects such as interior designing and subjects such as the appearance of employees.

2.3 Personnel Quality

Rhoades et al. (2008) defined personnel quality as the ability of the personnel to provide a different level of service standards. (Bobinaitė, V., & Motiejūnienė, R. (2009). (Sambasivan

et al., 2009) (Malhi, 2009) said personnel quality is the point to which an individual expresses positive personal attributes, practices good human relations and exhibits superior work performance, and it is the bedrock of organizational quality. Personnel quality must be stressed to assure quality service before establishing any quality edge in the workplace as it should always begin with people, or else it is hard to achieve any success in the long run.

2.4 Empathy

Parasuraman et al. (1998) defined empathy as caring, personalized attention the firm delivers to its customers. The base of empathy is conveying that customers are unique and special and that their needs are understood through personalized or customized service. Suki N. (2013) defined empathy as to how a company cares and provides personalized attention to their customers to make them feel valued and special. It is also denoted as a deep emotional understanding of another's feelings or problems. Empathy is considered as an additional plus that the trust and confidence of the customers and at the same time increase the loyalty. The compassionate employee reacts to the customer's requirements and changes his/her attitude and behavior following the wants and desires of the customer (Umasuthan et al., 2017).

2.5 Airline Image

Keller (2013) defined airline image as the insight about an aircraft as reflected by the brand affiliations held in a client's memory. In general, the image of any company is formed by giving consistent prices with given service. The higher a brand's standing, the more probable it is that clients will undoubtedly be locked in with the brand. Low and Lamb (2000) defined airline image as the reasoned or emotional perceptions consumers associate to a specific airline, which may be concerned about good service quality, good reputation brand leader, and so forth. De Matos et al. (2008) show that the greater the brand's reputation, the more clients will be locked in with the brand indefinitely. Lee et al. (2009) defined that "brand association easily helps customer's process information and recovers when they make the purchasing decision because it recalls positive feelings and attitudes towards that product or services." Company image can influence customer's perception of services offered and customer's choice of company (Andreassen and Lindestad, 1998).

2.6 Customer Satisfaction

Customer Satisfaction also acts like an obstacle for customers to move to another firm and retain within the firm (Amin et al., 2013; Liang and Zhang, 2012).

Oliver (1997) defined customer satisfaction as a reaction that surfaces when customers experience a lovely degree of utilization-related satisfaction while assessing an item or service. Customer satisfaction has been defined as a feeling of the post-consumption experienced by the customers (Westbrook and Oliver, 1991; Um et al., 2006). Customers tend to mention a bad customer service experience twice as much as a good service experience. Customers who are pleased with the business's service by delivering excellent service will undoubtedly be more loyal to the brand (Van Doorn et al., 2010). Shin et al. (2001) contended that customer satisfaction is a vital issue for any business to be successful and profitable as it is a given accepted philosophy. Customer satisfaction has been defined as

a feeling of the post-consumption experienced by the customers (Westbrook and Oliver, 1991; Um et al., 2006).

2.7 Perceived Value

Swaddling and Miller (2002) defined perceived value as the "possible customers assessment of all the benefits and all the charges of an offering as compared to that customers perceived substitutions." A suggestion made by Tam (2004) mentions that if the obtained value of service by a customer surpasses the costs of it, high satisfaction exists and leads to loyalty. Perceived value is the diversity between customers' evaluation of all the benefits and all the costs of an offering and the perceived alternatives as defined by Kotler and Keller (2012). Zeithaml et al. (2013) defined perceived value as the comparison between the cost (time, money and energy) given and the benefits received by the customers. Woodruff (1997) described perceived value as what the customers suppose they will get from buying and consuming a product or service, and not to what companies imagine their customer's value.

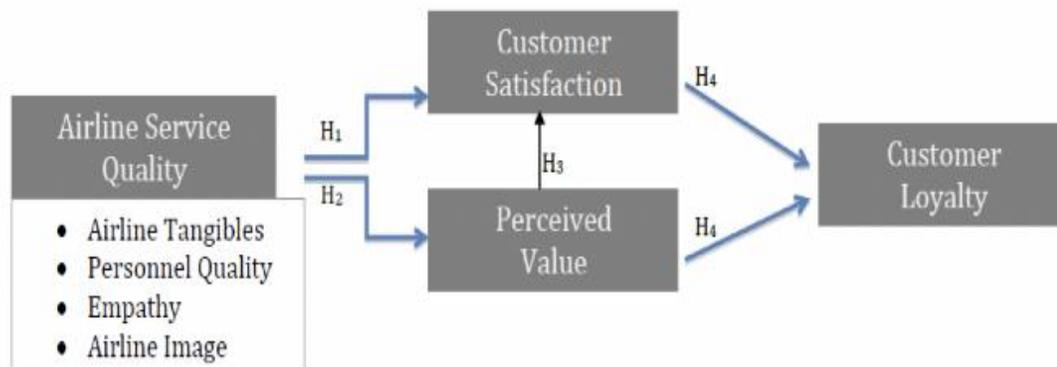
2.8 Customer Loyalty

Loyalty is one of the chief competitive advantages of a business under a highly competitive and dynamic market. Özer (2005) defined customer loyalty as repurchasing motive by the customers who are also willing to continue with the same brand and suggest other people use that brand. Dean (2007) defined customer loyalty as the degree to which a customer recommends and expresses a preference for future use of a particular company. Customer loyalty is characterized by intention to repurchase, avoiding switching to competitors and willingness to recommend the service to others (Aydin et al., 2005). Dick and Basu (1994) stated that loyalty is truly influenced by the overall strength of the connection among approach and conduct. Dimitriades (2006) stated that loyal customers positively view an organization, endorse an organization to others, and would engage in repurchase. The association between loyalty and competition further extends as competition increases, particularly in service industries, categorized with widely existing choices and unique services (Steven, 2000).

3. RESEARCH OBJECTIVE

With this research, the airline industry management can move away from the traditional management technique and use more appropriate methods to attract and retain customers.

4. RESEARCH FRAMEWORK



The theoretical framework was developed to investigate the impact of each variables airline tangibles, personnel quality, airline image, empathy, customer satisfaction and perceived value towards customer loyalty of B air in Nepal.

The literature review has directed to the development of the following hypothesis:

H1: Airlines tangible, personnel quality, empathy and airline image has significantly influenced customer satisfaction

H2: Airlines tangible, personnel quality, empathy and airline image has significantly influenced perceived value.

H3: Perceived Value has significantly influenced customer satisfaction.

H4a: Customer satisfaction has significantly influenced customer loyalty.

H4b: Perceived value has significantly influenced customer loyalty.

5. RESEARCH METHODOLOGY

Quantitative approach has been used to examine the hypothesis with an objective to compute the information from the sampling. To gather the primary data the researcher used survey research technique using questionnaire. Sample survey questionnaire was applied by distributing questionnaires in three different major airport in Nepal. Judgement sampling and Quota sampling were used to calculate the sample size. Further, the Likert scale model is used in the questionnaire. This research applied 5 Likert scale which rank from “Strongly disagree (1) to “Strangely Agree”(5).

5.1 Population and Sample

The target respondents of this survey were Nepalese people who have traveled with B Airlines at least once in their lifetime. The convenience sampling method was to distribute 420 questionnaires in three major airports at the B Airlines check-in counter.

5.2 Reliability Test

A Reliability test was carried out when the number of target respondent reached 67 and Cronbach's Alpha Coefficient. If the Cronbach's alpha value is equal to or more than 0.6, then the survey variables are considered a reliable research instrument as according to Saekaran (1992).

Table 1: Reliability Analysis Result

Variables	Alpha (a-test)
a) Airline service quality	
- Airline tangible	0.872
- Personnel quality	0.882
- Empathy	0.899
- Airline image	0.938
b) Perceived quality	0.945
c) Passenger satisfaction	0.938
d) Passenger loyalty	0.958

6. RESULT AND DISCUSSION

6.1 Data Analysis

Statistics- software program was used to analyze the data collected. Both descriptive and inferential analysis were used for the statistical treatment (Simple Linear Regression and Multiple Linear Regression).

Table 2: Summary of Demographic factors by using Frequency and Percentage

Variables	Frequency (f)	Percentage (%)
Gender		
Male	192	47.4
Female	213	52.6

Age Levels		
Under 20 years	28	6.9
21-30 years	189	46.7
31-40 years	116	28.6
41-50 years	65	16
Above 50 years	7	1.8
Income per month		
Below Rs. 20,000	69	17
Rs. 20,001- 50,000	110	27
Rs. 50,001- 100,000	164	40.6
Rs. 100,001 or above	62	15.4
Purpose of visit		
Business	54	13.3
Education	76	18.8
Visiting friends and family	72	17.8
Medical	50	12.3
Travelling	148	36.5
Other, please specify	5	1.3
Total	405	100

Descriptive analysis is conducted to describe the data sampling collected from 420 respondents. Table 2 shows the demographic information. According to the survey all the respondents are Nepalese citizens who have flown in Buddha Air at-least once in their lifetime.

Firstly the gender demonstrated that Male 47.4% and Female 52.6%. Secondly, age under 20 years was 6.9%, 21-30 years 46.7%, 31-40 years 28.6%, 41-50 years 16% and above 50 years 1.8%. Income per month below Rs. 20,000 (17%), Rs.20,001- 50,000 (27%), Rs.50,001-100,000 (40.6%) and Rs. 100,001 or above (15.4%). Lastly the purpose of visit consisted of business (13.3%), Education (18.8%), Visiting friends and family (17.8%), Medical (12.3%), Travelling (36.5) and others (1.3%).

Table 3: Testing of Hypothesis 1

Hypothesis	Result	Significance level	Beta	Results
1	H1o: Airlines service quality in terms of airlines tangible, personnel quality, empathy and airlines image are not statistically influenced on customer satisfaction.			
	Airline Tangible	.557	0.020	Failed to reject H1
	Personnel Quality	.000	0.227	Reject H1
	Empathy	.000	0.252	Reject H1
	Airline Image	.000	0.348	Reject H1 _o

The results of the analyses show that the personnel quality, empathy, and airline image has influence on customer satisfaction.

Table 4: Testing of Hypothesis 2

Hypothesis	Result	Significance level	Beta	Results
2	H2o: Airlines service quality in terms of airlines tangible, personnel quality, empathy and airlines image are not statistically influenced on Perceived Value.			
	Airline Tangible	0.000	0.154	Reject H2o
	Personnel Quality	.000	0.312	Reject H2o
	Empathy	.000	0.33	Reject H2o
	Airline Image	.001	0.147	Reject H2o

The results of the analyses show that the airline tangibles, personnel quality, empathy, and airline image has influence on perceived values.

Table 4: Testing of Hypothesis 3

Hypothesis	Result	Significance level	Beta	Results
3	H3o: Perceived Value is not statistically influenced on Customer Satisfaction.			

	Perceived Value	0.000	0.656	Reject H3o
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The results show that the perceive value influence customer satisfaction.

Table 5: Testing of Hypothesis 4

Hypot hesis	Result	Significan ce level	Beta	Results
4	H4o: Customer satisfaction and perceived value is not statistically influenced on Customer Loyalty.			
	Customer Satisfaction	0.000	0.274	Reject H4o
	Perceived Value	0.000	0.516	Reject H4o

The results show that customer satisfaction and perceive value influence customer loyalty.

7. LIMITATION AND CONCLUSION

Domestic airlines in Nepal have witnessed immense competition in the last decade of this industry. This research was targeted to study the factors influencing customer loyalty in Buddha Air in Nepal by considering airlines' service quality (airline tangible, personnel quality, empathy and airline image), customer satisfaction, perceived value, and customer loyalty. Nonetheless, this research has a limitation and is generated from 7 variables that might not be the only factors influencing customer loyalty. It is also possible to take different factors that can affect customer loyalty. Moreover, the sample size is too small to represent the population of all Nepalese airline passengers. Either the data was collected at three main airports in Nepal, it would be more effective if the questionnaire were distributed in more airports.

However, the result of the research will help Buddha Airlines understand the factors that will influence customer loyalty and retain their loyal customers and hence maximizing their profits. The conceptual framework consists of independent variables (Airlines Tangible, Personnel Quality, Airlines Image and Empathy, Customer Satisfaction and Perceived Value) and dependent variables (Customer Loyalty). The analyses show that the personnel quality, empathy, and airline image have influence customer satisfaction. The hypothesis 2 result shows that the airline's tangible, personnel quality, empathy and airline image influence perceived value. Perceived value also influences customer satisfaction. The result proves that both customer satisfaction and perceive-value influence customer loyalty. Perceived value was the most influenced on customer loyalty at $b=0.516$.

8. RECOMMENDATION

This research aimed to examine how Buddha air can improve to achieve greater customer loyalty among Nepali citizens. To improve customer loyalty in Buddha Air within Nepalese citizens where perceived value seems to have a significant effect. They can go beyond offering mile points and frequent flyers by giving priority during check-in time and making their private lounge in major airports in Nepal, which may be an attraction during delays due to weather. They can also keep passengers' personal data to enhance their experience by giving personalized rewards as one should know retaining an older loyal customer is always cheaper than acquiring a new one. However, the technical and management measure to protect the customer data should be implemented based on the requirements of privacy laws. Peterson (2004) stated that perceived value is the main component of customer loyalty in e-commerce. Lai *et al.* (2009) and Yang *et al.* (2011) propose that extra consideration must be paid to perceived value by the organization as it greatly impacts customer loyalty. As domestic airlines have stiff competition, B Air must look at these factors and bring about the changes to continue to be a leader in this industry. In the future, it will face lots of challenges from its closest competitor and may face competition from new airlines coming into this industry with an aggressive strategy.

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