SERVICE QUALITY AS THE BASIS FOR CUSTOMER SEGMENTATION IN THE INTERNATIONAL AIRLINE INDUSTRY

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ABSTRACT

The services marketing literature focuses on the measurement of service quality and its impact and consequences on businesses. This is important as service quality affects behavioural outcomes such as repeat purchases and loyalty. Research in this respect has been concentrated in the banking, financial, insurance and health care sectors. We examine how service quality can be effectively used as a basis for customer segmentation in the international airline industry, which is facing huge competition. Customers of a large international airline were segmented based on their travel behaviour, i.e. frequency, class, loyalty status and purpose of travel. Results of the segmentation analysis revealed that different groups of respondents perceived the service quality of the same airline differently. These results would allow international airlines to identify and have better access to its customers through the use of target marketing. The differences in perceptions of service quality between segments indicate that airlines today cannot apply a single service strategy to its entire customer base. To stay competitive they would need to consider more specific customer-focused strategies to meet the needs of the different identified market segments.

INTRODUCTION

The objectives of this study are threefold, i.e to:
- segment international airline travellers on the basis of their travel behaviour.
- investigate whether significant differences exist in the service quality perceptions of the different identifiable segments of airline travellers.
- examine the managerial implications of the findings for international airlines.

METHOD

Three focus group interviews with persons who had recently travelled with XYZ, a well-known international airline, were conducted. The groups discussed elements of airline service that they felt were important and essential to delivering quality service and the attributes they felt that a good airline must possess. Additionally indepth interviews were conducted with ten individual travellers at the Singapore's Changi International airport to gain further insights into the service quality attributes of airlines. As a result of the focus groups and individual interviews seventy items relating to the service quality of airlines were identified which then constituted the customised scale.Each of the seventy items was rated on a 9 point Likert scale (1= "strongly disagree" and 9 = "strongly agree"). Respondents were required to rate their perceptions of service quality on all the items of the customised scale. Overall service quality was also measured on a 9-point scale, where responses ranged from "Very Poor" to "Excellent". The use of a single statement was patterned after past works such as Bojanic (1996).

Data was collected using a non-probability sampling method, i.e. convenience sampling. It was a requirement that respondents had travelled at least once with XYZ airline in the past one year. A total of 350 questionnaires were distributed, out of which 205 were returned. Five of the returned questionnaires were discarded due to incompleteness, which resulted in a final response rate of approximately 57%.

Factor analysis was performed on the seventy items of the customised scale. The Kaiser-Meyer-Olkin (KMO) value obtained was 0.89, which is considered 'meritorious' for a factor analysis model (Kaiser 1974). Considering the large number of items, Cattell's scree test was used to extract four factors. These factors were named Service Personnel, In-flight Comfort, Operational Features and Flexibility. Following a varimax rotation, the resulting customised scale retained twenty items explaining 65.77 percent of the total variance.

RESULTS

Frequency Of Travel

Respondents were classified into three categories based on their frequency of travel. Those who had travelled less than three times on average per year were placed in the 'Low' category. Those who had travelled between three to five times per year on average were placed in the 'Moderate' category. The remaining respondents who had travelled more than five times per year on average were placed in the 'High' category. The frequency count of respondents in the low, moderate and high categories were 37%, 18% and 45% respectively. The results supported the hypothesis that frequent travellers attach higher performance ratings to the service quality of XYZ airline compared to infrequent travellers.

Class Of Travel

Respondents were divided into two distinct categories, i.e. those who had no experience travelling on first/business class (63% of respondents) and those who had some experience travelling on first/business class (37% of respondents). One-tailed independent t-tests revealed that there were significant differences in the perception ratings of the two groups in areas of overall service quality, service personnel, in-flight comfort and flexibility.

Loyalty Status Towards Xyz Airline

Using their loyalty status towards XYZ airline, respondents were placed in High, Moderate and Low categories. 46% of respondents who took more than 50% of their international flights with XYZ were placed in the 'High' category. 37% of respondents who travelled with XYZ for less than 30% of the time were placed in the 'Low' category. The remaining 17% who travelled with XYZ between 31% and 50% of the time were placed in the 'Moderate' category. The three loyalty status groups showed significant differences in terms of their perceptions of overall service quality and operational features.

Purpose Of Travel

Respondents were divided into business (those who travelled on business purposes for more than 50% of the time) and non-business categories. 61% of respondents were placed in the non-business category and 39% in the business category. The mean perception ratings given by respondents who tend to travel for business purposes are higher than those given by non-business travellers. The data also indicated that

there were significant differences in the way these two categories of respondents rated the overall service quality, 'Service Personnel' and 'In-flight Comfort'.

DISCUSSION AND IMPLICATIONS

The travel behaviour of respondents, i.e. frequency, class, loyalty status and purpose of travel were found to be significant discriminators of service quality. Results from the segmentation analysis have shown that different groups of respondents perceived the service quality of a well-known international airline differently when segmented. This method of segmentation will allow international airlines to identify and have better access to their customers through the use of target marketing. They can make use of these responses and evaluate the needs and wants of each segment more accurately and position themselves appropriately. For example the analysis revealed that first/business class respondents placed significantly higher perception ratings than non-first/business class travellers to overall service quality, service personnel, in-flight comfort and flexibility. However this only presents a broad overview. An indepth analysis of one of the factors, say in-flight comfort revealed that non-business respondents gave significantly lower ratings for two out of the four items. These items were 'clean toilets with adequate supplies' and 'tasty food'. Hence XYZ airline can perform a thorough investigation and seek appropriate remedial action to improve the perception ratings on those items given by the non-business segment. Similarly, indepth analysis can be performed on the other factors and items of concern can be effectively addressed. Essentially, the differences in perception ratings between the identified segments indicate that it is no longer adequate for international airlines to simply implement and apply a single service strategy to its entire customer base. The segmentation analysis has shown that consumer perceptions vary and therefore more specific customer focused strategies are necessary to adapt to each market segment.

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