

CHAPTER TWO

REVIEW OF LITERATURE

This chapter reviews the literature in 5 main areas along with a summary: (1) the concept of service quality, (2) the concept of service quality measurement, (3) The concept of Satisfaction and Chain Reaction of Customer Satisfaction, (4) The concept of Customer Retention and Loyalty, and (5) relevant and previous studies then summary.

2.1 CONCEPT OF SERVICE QUALITY

Satisfaction of customers with services provided by airlines is unable to be measured directly. We understand satisfaction through service quality. (Myers, 1999) So, it is the first step to understand service quality which leads to customer satisfaction. According to Wikipedia (*Service*, 2006) service means a process to create benefit by facilitating any change in customers, a change in their physical possessions, or a change in their intangible assets. Scheuing & Christopher (1993) defined that quality means having the right features, the correct documentation, error – free invoices, on time delivery, friendly and accurate technical support, and no failures. The concept of service quality proposed by Valarie A. Zeithaml, Parasuraman, and Berry (1990) and was explained as the factors of how customers evaluate a business' quality. In order to provide the best services to the customer, the service provider should possess 5 dimensions:

1. Tangible: Appearance of physical facilities, equipment, personal, and written materials.
2. Reliability: Ability to perform the promised service dependably and accurately.
3. Responsiveness: Willing to help customers and provide prompt service.
4. Assurance: Employees' knowledge and courtesy and their ability to inspire trust and confidence.
5. Empathy: Caring individualized attention given to customers.

From those 5 dimensions, the work force operates within the company to provide quality service. Moreover, the company should set clear goals and objectives, the means to measure performance, and ways to adjust performance within the system. The operation staff work together with the management level to continuously improve the systems and processes such as check-in, baggage process etc. to remove faults and to create even higher levels of performance which eventually create a customer satisfaction and loyalty.

2.2 CONCEPT OF SERVICE QUALITY MEASUREMENT

To measure the quality of services provided, SERVQUAL instrument (Service Quality Model) which has been studied by many theorists, is used to measure the quality.

SERVQUAL Dimension and definition in Service Quality: Research Perspective by Scheinder and White (2004, pp.33-34) explained six dimensions of Service Quality which is adapted from Christian Gronroos

2.2.1 Professionalism and Skills

This dimension is used to measure if the human capital, physical resources, and operational function of the organization possess sufficient knowledge and skills to serve customer requirements in a professional way.

2.2.2 Attitude and Behaviors

This dimension is used to measure if the customer service staff show the sympathy and interest to help customers. Moreover, this dimension is also used to measure if the staff react to customers in a friendly and impulsive way.

2.2.3 Accessibility and Flexibility

This dimension is used to find out if the service provider (eg. Its location, operating hours, employees, operational systems) designed for customers to access the service easily and the providers offer the service in flexible ways.

2.2.4 Recovery

This dimension is used to find out if the customers realize the reliability of their service providers when unpredictable things occur. This dimension also used to find out if the customer realizes that the service provider can find effective, appropriate, and acceptable solutions.

2.2.5 Reputation and Creditability

This dimension is used to measure if customers believe that the operations of the service provided can be trusted and give adequate value for money, and that it stands for good performance and values.

2.2.6 Reliability and Trustworthiness

This dimension is to measure if the customers realize that their service provider is reliable and provides professional service.

2.3 CONCEPT OF CUSTOMER SATISFACTION AND CHAIN REACTION OF CUSTOMER SATISFACTION

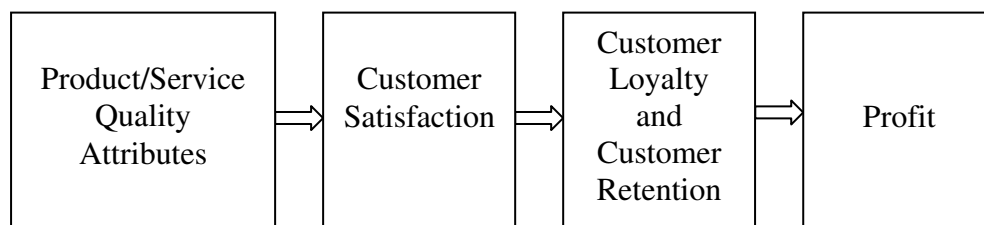
There are several researchers who have tried to define the meaning of "Satisfaction". Oliver (1980), Liu (2000) described satisfaction as a feeling of pleasure that a person gained from comparing his perception on performance of a product to his prior expectations. While McDougall (2000) mentioned that satisfaction involves how service delivery is recognized in relation to customer experiences, expectations, and requirements. A customer will be satisfied if they get what they want. When a customer's satisfaction is measured, the company's performance and/or product are measured with regard to customer experiences, expectations and requirements.

Kano (1984) also proposed A Customer Satisfaction Model and labeled three categories of quality attributes; basic factors, excitement factors, and performance factors. The basic factors is the minimum requirements which will cause dissatisfaction if they are not fulfilled, but do not cause satisfaction if they are fulfilled. Excitement Factor is the factor that increases customer satisfaction if delivered but do not cause dissatisfaction if they are not delivered. And, Performance Factors are the factors that cause satisfaction if the performance is high and cause dissatisfaction if the performance is low.

Although many businesses are interested in maximizing customer satisfaction, it is not because customer satisfaction is the ultimate objective in itself; The underlying motive is that satisfied customers yield greater profits. Companies with more satisfied customers will be more successful and more profitable for example, satisfied customers tend to be less price sensitive, more willing to buy additional

products and less influenced by competitors (Hansemark & Albinsson 2004). Therefore, rather than focusing on maximizing customer satisfaction alone, it is more important to understand the chain reaction of customer satisfaction and to aim for maximizing the impact of the entire chain.

Anderson and Mittal (2000) proposed the conceptual logic of relationships within the customer satisfaction chain: By improving product and service quality attributes, customer satisfaction should increase. The increase in customer satisfaction should lead to greater customer retention and loyalty. Then, the improvement in customer retention and loyalty will lead to greater profitability.



Chain Reaction of Customer Satisfaction

Regarding the relationship between satisfaction and retention, several studies (Anderson & Mittal, 2000; Zeithaml & Gremler, 2006) find that increasing overall customer satisfaction leads to greater repurchase intention, as well as actual repurchase behavior. Reichheld and Sasser (1990) also discuss the relationship between customer retention and company revenues. They suggest that the three relationships work in conjunction in such a way that a small improvement in customer retention can have a large effect on company revenues.

2.4 CONCEPT OF CUSTOMER RETENTION AND LOYALTY

There are some papers regarding customer loyalty, it is found that higher loyalty will Lower servicing costs, reduce marketing expenses, and increase business from current customers.

Customer loyalty and customer retention are two constructs that are discussed and used interchangeably in the literature of service quality and customer satisfaction. Although these two constructs seem to be similar and have a strong relationship, they

are in fact two different, unique variables. In contrast to customer loyalty, which contains both behavioral and attitudinal aspects, the construct of customer retention contains only behavioral aspects of the customer Henning-Thurau (1997). Customer retention is simply a measurement of the length of continuity of interaction of any customer with a focal company. Customer loyalty, in contrast, is a more useful concept since it allows a broader understanding of both customer's attitudinal and behavioral actions towards a firm. When measured through behavioral aspects, customer loyalty can be viewed as the long-term choice probability for a brand, or as a minimum need for switching. On the other hand, when measured as attitudinal aspects customer loyalty will mainly involve brand recommendations, resistance to superior products, repurchase intention and willingness to pay a price premium.

2.5 RELEVANT RESEARCH

According to the previous studies, the previous researchers explained about customer satisfaction in different businesses.

Thanyawee Chuanchuen (2007) studied "Satisfaction of passengers with services and facilities provided at the passenger terminal complex, Suvannabhumi International Airport." She showed in her findings that overall degrees of satisfaction with services and facilities provided at the Passengers Terminal Complex were satisfactory. Although there were many areas in which passengers needed to see further improvement including quiet zones, rest areas, check-in facilities, baggage screening, walking distance throughout the airport, food and drink prices, seating facilities, direction and signage, staff's language ability, Internet/Wifi connection, shower facilities, air condition problems and toilet facilities. Her study helped to identify which areas passengers were satisfied with and which areas they were dissatisfied with and which needed to be improved.

Anuwan Saengprasert (2003) conducted a research of customer satisfaction with the Work Permit application service. The objective of this research was to find out the degree of customers' satisfaction in three areas: service staff, service procedures and the office's location and facilities. From the survey, the findings revealed that the customers were most satisfied with the service procedures followed by service staff and facilities. They were extremely satisfied with the queuing system. On the other

hand, the aspect that rated the lowest score was the number of seats provided for waiting customers. The customers were neither satisfied nor dissatisfied with this aspect but they required the office to provide more seats.

As from previous studies, location and price is the most important factor affecting customer satisfaction. So, for this study the researcher focuses on location and staff.