

CUSTOMER'S SATISFACTION AND LOW COST AIRLINES IN INDIA

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ABSTRACT

Consumer feedback is one of the most important tools in the market to evaluate their sales activities. Retailers are keen to take into account their customers' perceptions of service quality, product quality, pricing, packaging and marketing promotion activities. In this competitive world, all organizations strive to create a positive image in the minds of their customers. The transportation industry is no different. Airplanes, Trains, Roadways & Waterways are the routes to get to our destination. Although they are more expensive than other modes of travel, the travel time taken to get to our destination is limited, which is one of the main reasons travelers choose this mode of travel. Also, in case of an emergency, Airways is the best. The aviation industry has always been known for its ongoing struggle: cost reduction, demand flexibility, compliance with strict quality requirements while striving to maintain high quality services and satisfy the needs of various customer groups. Customer satisfaction has been at a very low level for decades. However, demand for air travel has stabilized and despite the current economic crisis. The aviation industry is currently facing customer satisfaction challenges to improve organizational performance. The purpose of this study was to analyze service quality, corporate image, pricing, and aviation safety as customer satisfaction incentives and your impact on product reliability.

KEYWORDS: *Consumer Feedback, Transportation Industry, Marketing Promotion Activities.*

Introduction

Consumer feedback is one of the most important tools in the market to evaluate their sales activities. Retailers are keen to take into account their customers' perceptions of service quality, product quality, pricing, packaging and marketing promotion activities. In this competitive world, all organizations strive to create a positive image in the minds of their customers. Unless the consumer sees that the product / service has reached a certain level and is satisfied, business is not possible and organizational survival is not possible in the market. The transportation industry is no different. Airplanes, Trains, Roadways & Waterways are the routes to get to our destination.

It is well-known that trains, railways, and waterways often take longer to reach their destination, but travel costs are lower compared to airways, travelers have chosen this mode of travel. Also, in case of an emergency, Airways is the best.

The aviation industry has always been known for its ongoing struggle: cost reduction, demand flexibility, compliance with strict quality requirements while striving to maintain high quality services and satisfy the needs of various customer groups. Customer satisfaction has been at an all-time low for decades, and e.g. According to the American Customer Satisfaction Index, the aviation industry received the lowest prices in 47 other industries (CNN.com, Airlines received the lowest score on customer satisfaction, 2011). However, the demand for air transport was stable and despite the current economic crisis and events such as September 11, growth reached 7.8% in 2011 (Datamonitor, 2011).

In the competitive aviation market, due to the emergence of domestic airlines, organizations should also reconsider their services offered to passengers and the level of service delivery. The aviation industry has advanced in the freedom of ownership of airlines, power distribution, and price control and market access leading to greater competition between airlines. The Open Sky Policy is being followed by a growing number of countries. Flight unions are being formed.

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expanding network and coding networks between airports has become commonplace with easy access, exit and free airfare, local operators compete with airlines Airports without providing a wide range of airlines, entertainment hotels, conference centers, free shopping malls, free shopping malls with cars - rentals and various other facilities.

Home Carriers

Domestic carriers are the ones that provide services in their country. It is also called home carrier. Domestic carriers do not have customary and immigration regulations. These air carriers usually have long flight paths at domestic airports that are sufficient to handle short / medium and regional flights. These carriers offer only one or two modes of travel to passenger economy class, business class or a combination of both classes. Many countries have state-owned airline companies that operate and operate them. Fully flying airlines are subject to a number of federal, political, and security laws. For example, governments often intervene to stop air traffic control actions to prevent the free movement of passengers, communications, and goods between different regions without compromising security.

Global Network Companies

An international airline is a commercial airliner of domestic airlines where departures take place in various countries. An important difference between international and domestic flights is that, before boarding a passenger, passengers must set immigration rules and, upon arrival at their destination airport, must face foreign and cultural entry. Airports serving international airports are known as international airports. International airlines have four categories of travel economy categories, premium category, business or club category and first class. Most trips start and end at the commercial airport. Standard entry procedures, border controls, airport security baggage and passenger checks prior to gate entry, boarding, flight, and cargo and limited international flights are other border controls at the host country border.

Low Carriers - Cost

The concept of low cost carriers and their performance has taken its Tomentum in recent years at a time when a large number of network carriers have shown severe signs of stress and some have completely failed due to changes n climate markets and economic climate. The term is derived from the aviation industry which refers to aircraft with a lower cost structure than its competitors. 'Flight services' or frills 'are one area of the original low cost model that has changed significantly over the years. It is probably the unwritten rule that all Low Cost Carriers use one class service (Economy / Business) on all flight schedules. With the entry of these low-cost airlines, India's domestic aviation industry is currently facing its second phase of independence. The spirit of competition has changed the rules of the game. Due to the decline in flights, an increasing number of middle-class travelers are choosing to fly. In fact, domestic flights increased by 68% during the period July - December '2012. To make up for lost money with reduced ticket prices, an airline can charge a lot of money such as food, boarding, seating, and supplies etc. Airlines often offer a simple boarding scheme, such as charging for one-half wet tickets.. Typically fares increase as the plane fills up, which rewards early reservations. Low-cost carriers are intended to be low-cost, so in many cases employees work multiple roles. The following are the attributes of Low-Cost Carriers:

- Narrow seating.
- Higher plane utilization.
- Lower staff costs due to greater productivity, generally lower wages and less number of staffs.
- No sales commission due to web sales.
- Lower airport tax at secondary airports and at smaller cities.
- Low station costs due to simpler handling and more efficient process
- High number of passengers to be handled

Low-Cost Carriers have reshaped competitive environment within liberalised markets and made a significant impact in the world's domestic passenger market which was previously been largely controlled by full service network carriers (O'Connell & Williams, 2005). As the number of Low - Cost airlines have grown, and many airline companies have begun to compete with one another in addition to the few service airlines.

Leading players in the Indian aviation industry includes

- Air India Express
- Jet Airways (Jet Lite)
- Jet Konnect
- Kingfisher Red (Air Deccan)
- Spice Jet Airways
- Paramount Airways
- Indigo Airlines
- Go Air Airways

While the growth rate of civil aviation sector has slowed in the grown - up international markets, it is increasing at a vigorous rate in India. This growth is fuelled by the liberalisation of this industry, increase in investments, emergence of Low Cost Carriers, positive impetus by regulatory authorities and improvement in the standards of living in the region. The growth of these airlines recently shows that "in following a strategy of no - frills, low airfare, alternative, they can successfully compete with the full service carrier particularly in the price-sensitive leisure market (Hunter, 2006)

Objectives of the Study

- To identify the determinants of service quality of the low cost domestic airlines.
- To assess the outcome of service quality provided by the low - cost airlines to the passengers.
- To determine the factors influencing the selection of low - cost airlines.

Customers Satisfaction

It seems obvious that companies should try to satisfy their customers. Satisfied customers often return and buy more, tell other people about their experience, and may pay a premium with the right to do business with a supplier they trust. The figures are tied to estimates suggesting that the cost of retaining a customer is only one-tenth of a new win. Therefore, when we are a successful customer, we have to stick to it. Conducting customer satisfaction surveys is a great way to start measuring your position based on customer loyalty. Customer satisfaction plays an important role in building businesses. All organizations will implement various customer satisfaction programs. The Six-Step Process for Customer Satisfaction Studies Who should be interviewed?

- What should be measured?
- How should the interview be carried out?
- How should satisfaction be measured?
- What do the measurements mean?
- How to use a customer satisfaction study to greatest effect?

The full range of implications is covered in the following table:

Perceived Value Offering(Pre-purchase expectations)	Impact on New Customers	Perceived Value Received(Post-purchase assessment)	Impact on Existing Customers
High	Due to consumers perceiving a HIGH level of value, a good number of new customers will be generated	High	If HIGH value is also delivered, then customers will be satisfied and will be LIKELY repeat purchasers
		Medium or low	If LESSER value is actually delivered, customers will be dissatisfied and be LESS LIKELY repeat purchasers

Low	Due to consumers perceiving a LOW level of value, new customers will be hard to acquire	Low	Even if LOW value is delivered, as this was expected customers will still be satisfied and be LIKELY repeat purchasers
		Medium or High	If BETTER value is delivered, customers will be very satisfied and be VERY LIKELY to be repeat purchasers

Customer satisfaction and lower cost Airline

The aviation industry is currently facing customer satisfaction challenges to improve organizational performance. The purpose of this study was to analyze service quality, corporate image, pricing, and aviation safety as customer satisfaction incentives and your impact on product reliability.

Slightly airlines have become increasingly important in moving people or products from one place to another, whether domestic or international, nowadays the days when one can easily access airlines from their airports. In a highly competitive environment providing high quality passenger services is a key competitive advantage of aircraft profit and continuous growth. Over the past decade, as the airline market has become a major challenge, many airlines have shifted their focus to air quality services to increase passenger satisfaction. Good passenger satisfaction is one of the biggest assets of the air business in today's competitive environment. There are many factors that can help an airport build its customers, and passenger service and satisfaction can be a determining factor in the success of all operations. Low-cost carriers have transformed the aviation industry into a competitive environment within free markets and created major impacts on global domestic passenger markets, previously largely controlled by full service network carriers. So in the face of increasing information availability and strong competition, the customer will be more demanding of high quality and professional service, which will enable them to compare faster and more accurately. It is important for the Service Company to measure and monitor service quality and satisfaction in order to influence the ethical objectives of their customers. However, much of the research conducted by previous investigators has focused on measuring customer satisfaction on national and fully operational flights and is rarely found in a low-cost airline manager. In addition, previous research has failed to use a clear measure of service quality related to assessing customer satisfaction in the low aviation industry.

Problems Facing the Aviation Sector

- High operational costs.
- High cost of aviation turbine fuel.
- High service tax and other charges.
- Shortage of maintenance facilities.
- High foreign exchange rate.
- Competition from foreign airlines.
- Congestion at airports.
- Lack of qualified pilots and technical manpower etc.

Challenges Faced by Indian Aviation Industry

Airline industry is suffering from huge debt burden. The industry has a debt of \$15.83 billion (live mint, 2014). Airline industry is not able to generate profits and is suffering from losses. The industry has lost about \$10.6 billion from 2007-2014 (live mint, 2014). According to the Centre for Asia Pacific Aviation, the industry is expected to record losses of \$1.4 billion in financial year 204-15.

- **High airport charges:** Airport charges contribute 20% for long distance and 30% for short distance air tickets (Gopinath, 2014).
- **High engineering charges for maintenance:** The maintenance repair and overhaul (MRO) charges are high, so airlines prefer to go to Abu Dhabi, Jordan, Singapore for MRO. The increased MRO charge is passed on to passengers.

- **Policy paralysis:** The successive governments have failed to frame a policy with a long-term vision for airline industry. The airline industry has been left to fend for itself and serve the elite class in select metros. The airline industry can be developed to utilize the trained pool of technicians and engineers to create opportunities for manufacturing, MRO, cargo, training and many other allied activities. Airline industry should be viewed as a tool of economic growth and job creation.
- **Low customer base:** The customer base is not expanding rapidly to enhance the operational profits.
- **Poor regulation:** The industry does not provided level playing field for a new comer due to poor regulation. The monopoly of public sector companies has now been replaced by cartel formation of private companies. The procedures are complex and cumbersome. The DGCA is supposed to support the development of industry, provide supportive policy framework and look after the safety and concern of passengers. However, DGCA works with a traditional government servant mentality. The staff is untrained and demoralized (Gopinath, 2014).
- **Poor status of airports:** The government has not allowed competition in airports. Many international destinations have followed policy of more than one airport. London has five, New York has four, Hong Kong has four more international airports within 150 km radius. On the other hand, in India, Hyderabad and Bangalore airports have been closed. 75% of traffic comes from four major airports controlled by two firms (Gopinath, 2014).
- **Financial stress may affect the safety of passengers,** as airlines lower their maintenance budgets. The audit report of DDGCA has highlighted lack of spare parts as serious lacunae for maintenance of the aircrafts comprising the safety of the passengers. It has been that airlines are misusing category C defect, where an aircraft can fly with a defect for 10days. Ranganathan commented that the airlines remove the defective part on tenth day and put it in some other flight. The defective part is rolled over again to some other aircraft and this cycle continues (live mint, 2014).
- **High price of ATF as compared to prices at international level:** ATF prices in India are highest globally and 60-70% higher than neighbouring hub like Kuala Lumpur, Bangkok, Hong Kong and Singapore (Sinha, 2014). Value added tax on ATF significantly affects the operating profits. Rupee depreciation affects the airline industry badly.
- **Complex tax structure for ATF:** The pricing of ATF does not reflect the international crude oil prices. Oil marketing companies fix the price by adding many other charges. The public sector oil companies seem to have made a cartel to fix the rates for airline companies, by abusing their monopoly.

Recommendations

Rationalize tax structure for fuel.

Allow private oil companies to supply fuel to airline companies. The competition will benefit the airline industry and the operational cost will come down.

Enhance the responsiveness of the DGCA to industry needs by appointing experts and trained staff. Develop long-term policy to support development of the industry without ompromising safety of passengers.

- **Promote new tourist destination to foreign tourists.** The flow of foreign tourists has been restricted to only few well-known destinations. The state and central government should identify the new destination with potential to attract tourist and develop the infrastructure of these cities and connectivity by air and road to attract foreign tourists.
- **Reduce MRO charges and create competition.** This will not only lead to lower operational cost but also create job opportunities for engineers. The availability of skilled manpower can be used as a resource to project India as hub for MRO outsourcing for airlines globally.
- **Create low cost,** no frills airports to enhance the customer base and increase air Traffic. Allow competition in domestic and international flights by new players.

- **Strengthen the equity base of the airline companies.** The airlines should attract investors to enhance the equity base. Improve cost effectiveness. The wasteful expenditure of the airlines should be eliminated.
Encourage foreign direct investment (FDI) in aviation sector.
- **Better management of airlines.** The neglect of employees by the top management, wasteful expenditures, ignoring needs of pilots and crew members, high degree of leverage indicate that the government policies and tax structure is not the only reason for losses of airlines but poor management is also a cause of concern. Adopting financial discipline and treating employees with dignity and adopting proactive measures for improving cost efficiency and enhancing equity base will go a long way to make the airlines profitable.

Conclusion

The airlines sector is one of the most challenging sectors of the economy. The government must take progressive stand, rationalize the tax structure, and play supportive role to strengthen the competitiveness of the private players. The monopoly of public sector oil companies should be curtailed and private players should be allowed to supply fuel to airlines. Attracting foreign investment and alternative ways to infuse equity should be explored. The management efficiency and talent is one of the most important aspects of the airline sector. Indigo has shown that financial discipline and a dedicated team can turn out profits in challenging operating environment. Aviation Industry cannot always blame government for all the problems, the management should introspect and set its house in order. In the competitive aviation market as a result of the emergence of domestic airlines, the organisations have to reconsider their inflight services approach, and match it to the vision of service industry. The aviation industry has moved towards liberalisation in the ownership of national carriers, capacity sharing, price controls, code sharing and market access, leads to greater competition among airlines. As the number of low cost carriers has grown, many airlines have begun to compete with one another in addition to the full service airlines.

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