

A Comparative Study of Service Quality:

A Case of Thai Budget Airlines versus Foreign Budget Airlines

Sanpet Panusbordee^a, Supa Panusbordee^b

Abstract— The purposes of this research were to measure and compare the service quality perceptions of Thai and foreign budget airlines that were affected by country image. Four hundred and twenty seven questionnaires were answered by customers in Bangkok. Statistical instruments such as mean, standard deviation, t-test, and One-Way-ANOVA with the significant level at 0.05 were selected to complete the process of data analysis. The results revealed that the highest service quality ranking was the airlines from the Thailand, Singapore, South Korea, Malaysia, Philippines, Indonesia and China respectively. However, the service quality of these airlines was not significantly different in hypothesis test. Also the study found that the service quality of the budget airlines for Thailand and foreign countries had no significant differences either.

Keywords— Budget Airline, Country image, SERVQUAL, Thailand.

I. Introduction

According to OAG (Official Aviation Guide of The Airways) data, budget airlines were taking up more and more the world market share steadily compared with premium airlines. The fastest growing for budget airlines was Asian market [1]. In Thailand, the budget airlines also dominated airline industry. According to CAPA (Centre for Asia Pacific Aviation) Centre for Aviation, Thai Airways which is the national airline of Thailand has been losing its domestic market share to budget airlines, Air Asia and Nok Air, since 2011 as shown in table 1 [2].

TABLE I
MARKET SHARE BETWEEN PREMIUM AND BUDGET AIRLINES IN THAILAND

| Year | Thai Airways (Premium) | Air Asia (Budget) | Nok Air (Budget) |
|------|------------------------|-------------------|------------------|
| 2011 | 35.6 % | 23.5 % | 19.7 % |
| 2012 | 33.7 % | 25.5 % | 22.3 % |
| 2013 | 29.3 % | 27.8 % | 27.2 % |

^aSanpet Panusbordee

Management Department, School of Business Administration
Bangkok University, Rangsit Campus, Thailand

^bSupa Panusbordee

Broadcasting Department, School of Communication Arts
Bangkok University, Rangsit Campus, Thailand

The growth of budget airlines was actually a good economic phenomenon since it helped more customers be able to travel with a smaller budget. And because most of budget airlines in Thailand focused more on domestic flight, it supported the growth of tourism in Thailand [3].

According to the previous studies about the budget airline industry in Thailand, the growth of Thai budget airlines heavily relied on local Thai tourists and one of the main factors that affected Thai tourists to choose a budget airline was service quality [4].

Since 2003, Air Asia, the largest budget airline in Southeast Asia originally from Malaysia, started its operation in Thailand [5]. The other foreign budget airlines have gradually entered into Thai market. Today there are over 20 budget airlines flying over Thailand and the competition is intense. In recent years, Nok Air which was considered to be the Thai biggest budget airline has experienced loss while Air Asia, the largest foreign budget airlines, got profit as shown in table 2 [6] [7].

TABLE II
AIRLINES' PROFIT AND LOSS OF INCOME IN THAILAND

| Year | Thai Airways (mill. of USD) | Nok Air (mill. of USD) | Air Asia (mill. of USD) |
|------|-----------------------------|------------------------|-------------------------|
| 2013 | -365.1 | +43.9 | +59.0 |
| 2014 | -479.0 | -13.7 | +5.6 |
| 2015 | -666.67 | -22.2 | +32.67 |

The loss of Thai budget airlines was partly explained by the fierce competition from foreign competitor [7]. In addition, in 2015, Nok Air reported to have an internal problem causing concern of the airline safety standard [8]. According to the previous studies, safety was the one of primary concerns for Thai tourists to choose an airline [4]. Moreover, in the same year, all Thai airlines were degraded in safety standard of ICAO (International Civil Aviation Organization), consequently Thai airlines was partially banned to fly in some countries such as China, Japan, and South Korea [9]. This raised a question that whether the Thai tourists still be confident to choose Thai airlines among foreign competitors. Did it lower down a part of service quality? Therefore, this study would reveal whether the fall of Thai budget airlines

was caused by having lower service quality than those of foreign competitors which might be the decision key for customers to select an airline.

II. Literature Review

A. Country Image

Nagashima (1970) was the very first person who defined country image as “the picture, the reputation, and the stereotype that businessmen and consumers attach to products of a specific country. This image was created by such variables as representative products, national characteristics, economic and political background, history, and traditions” [10].

In the field of international business, country image could function as brand image. Thus, it was considered to be a country's asset because the better country image could generate higher sales for products or services [11] [12]. In macro point of view, country image could refer to the economic stage and technological advancement of the country. For this reason, customers in developing countries were likely to purchase products and services from developed countries as they believed in knowhow of those products or services were produced [13].

B. SERVQUAL

SERVQUAL was a quality framework developed during 1980's to measure service quality by measuring the gap between customers' expectations and the service delivery, not directly from service itself [14]. Generally speaking, if the delivered service is less than what customers expected, the service quality is inferior. If the delivered service is met with what customers expected, the service quality is fine. Finally, if the delivered service exceeds from what customers expected, the service quality is superior.

Since SERVQUAL was defined as the degree of discrepancy between customers' expectations and their perceptions of service performance, the measurement of this discrepancy was broken down into five dimensions [14] [15]. Based on this model, five dimensions were reliability, tangibility, empathy, assurance, and responsiveness. However, these five dimensions had to be applied to a specific service sector, an airline service in this case. Therefore, reliability could be defined as the confidence of the passengers that the flight could be made on schedule without any error. Tangibility was measured by physical facilities, equipment, and tools of the airlines such as conditions of carriers, comfortable seats, the look and design of the passenger room, and the technology used by the airlines. Empathy was friendly relationship, helpfulness, and compassion of all service staffs.

Assurance was the flight's safety from pilots' expertise. Finally, responsiveness was the fast reaction and quick problem-solving for their customers.

C. The Effects of Country Image on Perceived Quality

The previous studies showed that when intrinsic clues of the products such as size, color, flavor, or aroma were difficult to evaluate, country image was the important factor that affected customers' purchasing decision [16] [17]. Peters (2013) found that this country image's effect could also apply to services as well [18]. Wright (1975) and Wall et al. (1991) stated that customers usually used an extrinsic clue such as country image rather than product or service attribute information because it was an easy way to judge a product or service [19] [20] [21]. The effect of country image had even greater influence especially in the case of foreign products or services competing with local made. In some cases, most were in developed countries, customers' preferred to buy products or services made from their own countries due to ethnocentrism [22]. In the other cases, customers in developing countries preferred to buy products or services from developed countries due to the belief in economic and technological advancement of those countries.

Several studies in the past seemed to focus the research of country image's effect on products. However, services such as airlines, banking, insurance companies, and parcel delivery couriers are gaining popularity in this field recently. The studies had considered the influences of country image of the service providers [23]. It also had the consequence of customer loyalty to airlines' nationality [24].

III. Research Hypotheses

According to the literature review mentioned in the earlier part, the hypotheses of this research could be written as the followings;

- H₁ The perceived service quality of budget airlines from different countries is different.
- H₂ The perceived service quality of budget airlines from Thailand and those from foreign countries are different.

IV. Methodology

A. Research Design

This research used questionnaires as a tool to collect data and analyzed by using Statistical Package for the Social

Sciences (SPSS) software. The population of this research was the regular customers travelling more than four times a year in Bangkok. According to the statistic data from National Statistical Office, Bangkok population was about 6 million people [25]. From the Yamane sampling table at 95 % confidential level with ± 5 % error, the sampling size was 400 units [26]. The data were collected by purposive sampling. Four hundred and fifty questionnaires were distributed and 427 completed questionnaires were obtained in return. The respondents were informed first that what airlines were from which countries, and then respondents were asked to fill out the questionnaires. The respondents could only choose one country airline that they were most familiar with for obtaining the best result.

B. Survey Instrument

The questionnaire was tested for its reliability and gave the result of 0.916 reliability of Cronbach's alpha. Also, the questionnaire had been approved by experts in the related field before using it as the means to collect the data. Based-on the top 50 favorite airlines for Thai travellers and focused only on budget airlines with short-range flying around East Asia and South East Asia [27], the questionnaires gathered information about the attitude toward service quality of budget airlines from 7 countries which were 1) Thailand (Nok Air and Thai Smile), 2) Singapore (Scoot, TigerAir, and JetStar Asia Airways), 3) South Korea (Eastar Jet, Jeju Air, Jin Air, and T'way Airlines), 4) Malaysia (AirAsia, AirAsia X, and Firefly), 5) Philippines (Cebu Pacific), 6) Indonesia (Lion Air), and 7) China (Spring Airlines, Shenzhen Airlines, and Hong Kong Express). All the rated questions were measured on a five-point Likert's scale by given 1 as the most disagreement and 5 as the most agreement.

C. Data Analysis

The attitudes toward service quality from both Thai and foreign budget airlines were summarized as mean and standard deviation. Then the perceived quality levels from each country image would be ranked. After that, the service quality of budget airlines from Thailand, Singapore, South Korea, Malaysia, Philippines, Indonesia, and China were compared the differences by using One-Way-ANOVA and applied the Scheffe's method for pair-wise differences. Finally, the perceived service quality of Thai and foreign budget airlines were compared the differences by using t-test.

v. Results

The service quality levels of budget airlines from both Thailand and foreign countries were calculated as mean and standard deviation and illustrated in table 3.

TABLE III
THE SERVICE QUALITY LEVELS OF BUDGET AIRLINES IN THAILAND

| | N | Reliability | | Tangibility | | Empathy | | Assurance | | Responsive | | Average | |
|----|----|-------------|-------|-------------|-------|---------|-------|-----------|-------|------------|-------|---------|-------|
| | | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| TH | 62 | 3.50 | 1.036 | 3.61 | 0.797 | 3.66 | 0.904 | 3.71 | 0.894 | 3.47 | 0.844 | 3.59 | 0.743 |
| SG | 64 | 3.47 | 0.872 | 3.59 | 0.771 | 3.59 | 0.830 | 3.56 | 0.906 | 3.52 | 0.816 | 3.55 | 0.732 |
| KR | 59 | 3.47 | 0.838 | 3.59 | 0.931 | 3.59 | 0.931 | 3.47 | 0.971 | 3.56 | 0.896 | 3.54 | 0.781 |
| MY | 74 | 3.43 | 0.994 | 3.49 | 0.848 | 3.53 | 0.895 | 3.55 | 0.894 | 3.42 | 0.922 | 3.48 | 0.806 |
| PH | 48 | 3.42 | 0.871 | 3.44 | 0.741 | 3.46 | 0.922 | 3.52 | 0.825 | 3.44 | 0.873 | 3.45 | 0.697 |
| ID | 60 | 3.45 | 0.872 | 3.30 | 0.926 | 3.35 | 0.917 | 3.48 | 0.965 | 3.35 | 0.820 | 3.39 | 0.717 |
| CN | 60 | 3.37 | 0.882 | 3.32 | 0.676 | 3.32 | 0.854 | 3.38 | 0.940 | 3.17 | 0.806 | 3.31 | 0.728 |

* Significant at 0.05 level

From table 3, the ranking of service quality of budget airlines from the highest level were the countries of Thailand, Singapore, South Korea, Malaysia, Philippines, Indonesia, and China respectively.

When service quality levels of each country were compared using One-Way-ANOVA, no significant difference was found as shown in table 4.

TABLE IV
THE MULTIPLE COMPARISONS IN ONE-WAY-ANOVA TEST

| | | Sum of Squares | df | Mean Square | F | Sig. |
|-------------|---------------|----------------|---------|-------------|-------|-------|
| Reliability | Btw. Groups | 0.695 | 6.000 | 0.116 | 0.138 | 0.991 |
| | Within Groups | 352.762 | 420.000 | 0.840 | | |
| | Total | 353.457 | 426 | | | |
| Tangibility | Btw. Groups | 6.314 | 6.000 | 1.052 | 1.566 | 0.156 |
| | Within Groups | 282.267 | 420.000 | 0.672 | | |
| | Total | 288.581 | 426.000 | | | |
| Empathy | Btw. Groups | 6.187 | 6.000 | 1.031 | 1.294 | 0.258 |
| | Within Groups | 334.558 | 420.000 | 0.797 | | |
| | Total | 340.745 | 426.000 | | | |
| Assurance | Btw. Groups | 3.718 | 6.000 | 0.620 | 0.738 | 0.619 |
| | Within Groups | 352.666 | 420.000 | 0.840 | | |
| | Total | 356.384 | 426.000 | | | |
| Responsive | Btw. Groups | 6.027 | 6.000 | 1.005 | 1.371 | 0.225 |
| | Within Groups | 307.772 | 420.000 | 0.733 | | |
| | Total | 313.799 | 426.000 | | | |
| Average | Btw. Groups | 3.525 | 6.000 | 0.587 | 1.051 | 0.391 |
| | Within Groups | 234.717 | 420.000 | 0.559 | | |
| | Total | 238.242 | 426.000 | | | |

* Significant at 0.05 level

Finally, when all foreign budget airlines were combined into a single group and then compared the service quality differences with those from Thailand, the result was shown in table 5.

TABLE V
THE SERVICE QUALITY DIFFERENCES BETWEEN THAI AND FOREIGN
BUDGET AIRLINES

| | Thailand | | Foreign | | Sig. |
|----------------|----------|-------|---------|-------|-------|
| | Mean | S.D. | Mean | S.D. | |
| Reliability | 3.50 | 1.036 | 3.44 | 0.889 | 0.607 |
| Tangibility | 3.61 | 0.797 | 3.46 | 0.826 | 0.170 |
| Empathy | 3.66 | 0.904 | 3.48 | 0.891 | 0.133 |
| Assurance | 3.71 | 0.894 | 3.50 | 0.916 | 0.093 |
| Responsiveness | 3.47 | 0.844 | 3.41 | 0.862 | 0.614 |
| Average | 3.59 | 0.743 | 3.46 | 0.748 | 0.189 |

* Significant at 0.05 level

From all 62 samples of Thai budget airlines and all 365 samples of foreign budget airlines, no significant difference was found in any quality dimension. It meant that the service of Thai local budget airlines was equivalent to those of foreign competitors.

VI. Conclusion

The results from this study revealed that the budget airlines from Thailand had quite similar service quality level to those of foreign competitors. In fact, the service quality level of Thai budget airline was even higher than its competitors from foreign countries, but not to the level of statistical significance. In addition, the study showed that when the ranking of average quality was high, it was likely to have the high quality level in every dimension. This implied that the quality perception ranking was consistent throughout every quality dimension. Therefore, the quality perception might be a general perception of a specific country to a specific product or service.

However, when each quality dimension was carefully inspected, the results showed that the weakest part of service quality of Thai budget airlines was in responsiveness dimension, the fast response to customers' problems. This result could bring the room for an improvement of Thai budget airlines to compete better with foreign competitors.

Even though, some previous studies found that the more advanced countries might have advantages over country image due to country's technology and know-how advancement [22], it could not apply to this case. Perhaps the customers of budget airlines did not have a high quality expectation at the first place, the downgrade of Thai airline safety by ICAO [9] and internal company's problem of NOK Air [8] did not have any effect on quality perception. Since SERVQUAL measures service quality by the gap of what customers expected and what customers got, the low expectation of Thai tourist customers over budget airlines was easily met and therefore,

those kinds of incidents did not have any effect to service quality at all.

Price which was one of the important factors when customer made a buying decision was not a key factor in this case either. Since all budget airlines had already dumped their price down to the unbearable level, the prices of budget airlines were relatively not different. By the same reason, airline royalty might not be an important issue either when most of budget airline's customers were price sensitive. They were willing to change to any airline that offered a better deal.

The reasons that could explain the loss of Thai budget airlines while they still had a good service quality were airline's promotions and its internal problem. Thai budget airline might not have a competitive marketing strategy and perhaps an interesting promotion to attract Thai tourists. At the same time, Thai budget airlines could have internal problem of cost management. Consequently, Thai airlines were losing their competitive edge over their foreign competitors.

The most interesting finding from this study was that in budget airline industry, customers might view it more like a convenient product, a product that customers did not seriously consider and took much time when they purchased. Since the budget airlines in this study focused only on short range distance, the ticket price and flying duration were minimal. The customers of budget airlines could feel that services were very much quite similar and thus country image was not an important factor.

References

- [1] Skift, "Low-cost airlines taking more market share globally; Asia's the fastest," Aug 8, 2012. Retrieved <https://skift.com/2012/08/08/low-cost-airlines-taking-more-market-share-globally-asias-the-fastest/>
- [2] CAPA Centre for Aviation, "Nok Air will continue its domestic focus as competition within Thailand intensifies," Apr 7, 2014. Retrieved <http://centreforaviation.com/analysis/nok-air-will-continue-its-domestic-focus-as-competition-within-thailand-intensifies-161486>
- [3] L. Olipra, "The impact of low-cost carriers on tourism development in less famous destinations," Referred Electronic Conference Proceeding, Perugia: Italy, Jun 13-14, 2012.
- [4] A. Tha-inta, "Factors of choosing budget airlines," A Research on Current Economic Problem, Class 751409, School of Economics, Chiang mai University, The 1st semester of 2012.
- [5] T. Fernandes, "Jump start Malaysia: The AirAsia definitive guide to Asia, truly Asia," Bloomberg, Jul 11, 2004.
- [6] Now26, "Nok Air got loss while the others got profit", Feb 26, 2016. Retrieved <http://www.now26.tv/view/70332>
- [7] A. Nguyen, "Thai Airways Sees 2015 Loss Before Returning to Profit on Revamp," Bloomberg, Mar 30, 2015.
- [8] L. Piantid, "Is low cost airline low safe?," Thairath, Feb 19, 2016.
- [9] L. Lucky, "Are Thailand's airlines unsafe?," Boarding Area, Mar 31, 2015.
- [10] A. Nagashima, "A comparison of Japanese and U.S. attitudes toward foreign products," Journal of Marketing, vol. 34, 1979, pp. 68-74.
- [11] D. A. Aaker, "Managing brand equity", New York: Free Press, 1991.
- [12] K. L. Keller, "Conceptualizing, measuring, and managing customer-based brand equity," Journal of Marketing, vol. 57 (1), 1993, pp. 1-22.

- [13] W.J. Belkey, and E. Nes, "Country of origin effects on product evaluations," *Journal of International Business Studies*, vol. 13, 1982, pp. 88-89.
- [14] A. Parasuraman, L. L. Berry, and V. A. Zeithaml, "A conceptual model of service quality and its implications for future research," *Journal of Marketing Research*, vol. 49 (4), 1985, pp. 41-48.
- [15] V. A. Zeithaml, A. Parasuraman, and L. L. Berry, "Delivering quality service: Balancing customer perceptions and expectations," New York: NY: Free Press, 1990.
- [16] A. Ahmed, and A. Astous, "Product country images in Canada and in the People's Republic of China," *Journal of International Consumer Marketing*, vol. 11 (1), 1999, pp. 5-17.
- [17] V. A. Zeithaml, "Consumer perceptions of price, quality, and value: A means-end model and synthesis of evidence," *Journal of Marketing*, vol. 52, 1988, pp. 2 -22.
- [18] N. Peters, "The country-of-origin affect on perception of services: Entry mode decisions as a determinant of usability," Grin Verlag GmbH, 2013, pp. 116.
- [19] P. L. Wright, "Consumer choice strategies: Simplifying versus optimizing," *Journal of Marketing Research*, vol. 11, 1975, pp. 60-67.
- [20] M. Wall, J. Liefeld, and L. A. Heslop, "Impact of country-of-origin clues on consumer judgments in multi-clue situations: A covariance analysis," *Journal of the Academy of Marketing Science*, vol. 19, 1991, pp.105-113.
- [21] W. O. Bearden, and T. A. Shimp, "The use of extrinsic clues to facilitate product adoption," *Journal of Marketing Research*, vol. 19 (5), 1982, pp. 229-39.
- [22] T. A. Shimp, and S. Sharma, "Consumer ethnocentrism: Construction and validation of the CETSCALE," *Journal of Marketing Research*, vol. 24 (8), 1987, pp. 280-289.
- [23] L. Harrison-Walker, Jean, "The relative effects of stereotype and advertising information on the selection of a service provider: An empirical study," *Journal of Services Marketing*, vol. 9(1), 1995, pp. 47-59.
- [24] R. Bruning, "Country of origin, national loyalty product choice; the case of international travel," *International Marketing Review*, vol. 14(1), 1997, pp. 59-74.
- [25] National Statistical Office, "The survey of population change in 2005 – 2006," 2007. Retrieved http://web.nso.go.th/en/survey/pop_character/pop_character.htm
- [26] T. Yamane, "Statistics: An introductory analysis," New York: Harper and Row, 1967.
- [27] E-Magazine, "Top 50 favorite airlines for Thai travellers," Apr 14, 2016. Retrieved <http://www.emagtravel.com/archive/top-50-airlines.html>