

A COMPARATIVE STUDY OF CUSTOMER SATISFACTION ON PRICE AND QUALITY SERVICES PROVIDED BY TWO MAIN AIRLINES IN MALAYSIA – AIR ASIA AND MALAYSIA AIRLINES (MAS)

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ABSTRACT

There are two main airlines in Malaysia which are Malaysia Airline and Air Asia. The demand of air transport is increasing nowadays. This paper would carry a comparative study of customer satisfaction on price and quality services provided by the two main airlines in Malaysia – Air Asia and Malaysia Airlines (MAS). Researchers might know how efficient of these two airlines operate, what makes them successfully approach their business target. Firstly, researchers need to identify the problem faced in the airline industry. The result whether the pricing level and services quality provided would affect their customer satisfaction would be concluded.

Keywords

Air Asia, Malaysia Airline, customer satisfaction, price, service quality

1.0 INTRODUCTION

In Malaysia the aviation industry is controlled by two airlines which are Malaysia Airline and Air Asia. The demand of air transport services is getting increase year by year. Air Asia play as low cost carriers (LCC) while MAS play as full services carriers. Both of the airlines are always competing with each other to attract more customers. In this research, researchers might study the customers' satisfaction on pricing and services provided by the Air Asia and Malaysia Airlines (MAS). Researchers could compare the different in pricing and core services of both airlines.

In add, researchers purposely want to know how efficient of these two airlines operate so that to approach their business target successfully. Researchers could know the strategy taken by both airlines to overcome the weakness. Besides, researchers could compare the price and services provided between Air Asia and MAS which will affect their customer satisfaction.

2.0 LITERATURE REVIEW

2.1 Introduction

According to Wong and Musa (2011), the recent world economic downturn in 2008/2009 has had a great impact on aviation industry, particularly to the market of business travel. Wong and Musa also found the result in an increasing popularity of the low cost airlines in aviation industry.

2.2 Background of Study

2.2.1 Background review on the reputation of Air Asia

Air Asia is the Malaysia local airlines. The first air carrier that provided affordable air fares for the Malaysian public. Air Asia enters the airline industry with the tagline of "Now Everyone Can Fly", most of Malaysian prefers to use that airline.

Based on Air Asia (2012), Air Asia had grown tremendously over the past 17 years, and currently Air Asia flies to 20 different countries. The 20 different countries including Australia, Bangladesh, Brunei, Cambodia, China, Hong Kong, India, Indonesia, Laos, Macau, Malaysia, Myanmar, Philippines, Singapore, Sri Lanka, Taiwan, Thailand, United Arab Emirates, United Kingdom, and Vietnam; with 69 different locations and used close to 200 various routes (Air Asia Annual Report 2008, 2009, as cited in Thiruchelvam, 2011).

2.2.2 Background review on the reputation of Malaysia Airlines (MAS)

Malaysian Airline System Berhad is one of the fastest growing airlines in Asia and has become holding company for Malaysia's national airlines carrier. MAS have two airline subsidiaries which is Firefly MASwings. Firefly will operate its schedule flight from its two home bases Penang International Airport and Subang International Airport. MAS also used several types of aircraft which are craft Airbus A330-200 and A330-300, Boeing 737-400,800 and 400/400. Starting from a small air service, MAS has become award-winning airline industry with more than 1000 aircrafts, servicing more than 110 destinations across six continents.

2.3 Relationship Between Current Problems And Research Variables

2.3.1 Customer satisfaction

Satisfaction also is based on the customer's experience of both contact with the organization (Munusamy & Chelliah, 2011). Fecikova (2004) cited by Munusamy and Chelliah (2011) stated that to be competitive and survive, firms need to produce products and services of very good quality that yield highly satisfied customers. According to Hansemark and Albinsson (2004), Mittal et al. (2001) cited by Munusamy and Chelliah (2011) mentioned that maintaining customer satisfaction is the key to retaining customers and profitability.

2.3.2 Price

Price is the sum of value that a consumer is willing to pay or give in exchange for the benefits gained from the purchase of a product or service (Yeoh & Kim, 2011).

In the research, researchers would compare the price between Malaysia Airlines (MAS) and Air Asia. As Air Asia is a low cost carrier, therefore the price that provided to customers would be cheaper compare to MAS (full service carrier).

2.3.3 Relationship between price and customer satisfaction

In this research, researchers would investigate the relationship between price and customer satisfaction to both airlines. Authors such as O'Connell and Williams (2005) and Saha and Theingi (2009) cited by Wong and Musa (2011) all argued that passengers are aware that the low fare of the low cost airlines is the results of operation efficiency rather than lower service standards. In the service industry, price promotion is often used to induce demand for unsold inventory during low season due to the perishable nature of service (Yeoh & Kim, 2011). Therefore, the literature reviews shows that the price of air fare is one of the key factors that are very sensitive in influence their customer satisfaction.

2.3.4 Services quality

LeBlanc and Nguyen (1996, as cited in Wong and Musa, 2011) described core service as the main reason for customer to choose a services organization over the others. The elements used in evaluating airline service quality such as on-time departure and arrival, cleanliness of cabin and washroom, comfort and spaciousness of seats for the whole journey, food services, online services, online booking tickets and so on. Performance of service delivery is of utmost important to attain customer satisfaction (Yeoh & Kim, 2011).

2.3.5 Relationship between core services and customer satisfaction

According to Wirtz and Johnston (2003) cited by Munusamy and Chelliah (2011), in-flight services has impact on customer satisfaction. A good quality of services could be created in the relationship between customers, employees and partners. Core services also including the facilities provided by the airlines. Facilities provided is one of the elements which reflecting the reputation of the airlines. For example, a comfortable interior environment of the aircraft would bring a better reputation to their customers. Therefore, core services have impact on customer satisfaction.

3.0 RESEARCH METHODOLOGY

In this chapter, there will be more detail on the explanation of methodology that would be used to complete this study. To carry this study, researchers use two dimensions in independent variables, which is pricing and service quality. The dependent variable is customer satisfaction.

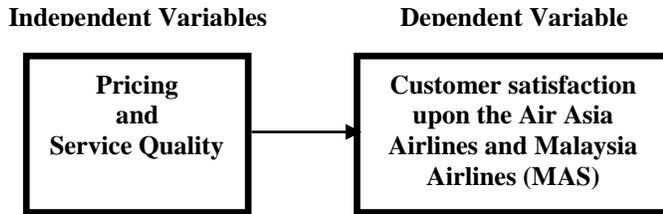


Figure 1: Research Model Framework

From the figure above, secondary data is the data collection method used in this study. The secondary data that being used include obtain the information through journal, article, research paper, author books, and online research.

The research method would be most appropriate with qualitative method. Qualitative method is a research method that would much more focus on the collection of data through case studies. In the study, researchers would likely use case study analysis. The information could obtain through some journals or articles which titles are related to the pricing and core service of Air Asia and Malaysia Airlines. Besides, the information could be obtained through internet, books, research reports and newspapers as well. Figure 2 shows the data collection method.

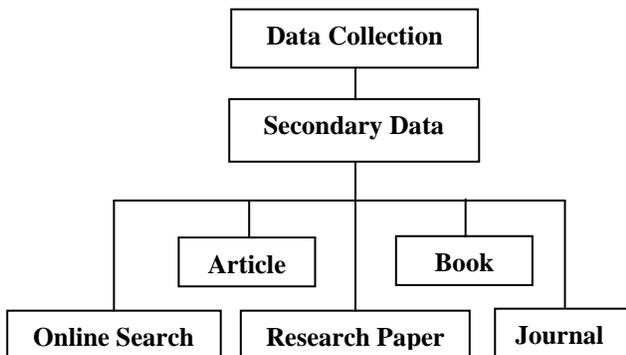


Figure 2: Methods of Data Collection

After gathering the information, researchers would interpret it and come out with a result. Researchers would finally do the discussion and conclusion.

4.0 FINDINGS

Price and service quality is the important dimensions in aviation industry which could lead to success. A set of affordable price and good service provided would automatically increase the service demand and customer satisfaction. Mok and Justine (2005) pointed out that Air Asia using point to point routing model so that could save the time and the money of passengers. Besides, Mok and Justine had made the comparison of the performance of Air Asia with that of Malaysia Airlines, with respect to operating and financial results over the period of 2001 to 2003. From the study that had done by Mok and Justine, the totals of number of passengers carried by both Air Asia and Malaysia Airlines have gone in opposite directions. These show that the lower ticket price provided by Air Asia would increase their total passengers, and thus it would threaten the business of Malaysia Airlines. The figure 1 showed below is get from the research study of Mok and Justine.

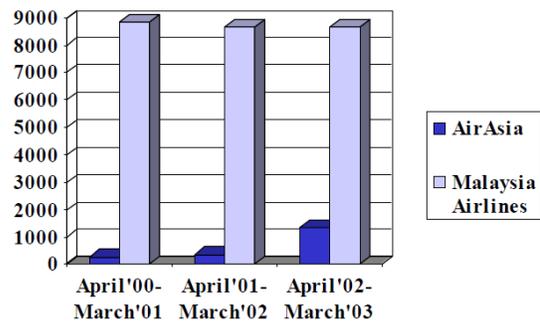


Figure 3: Number of passengers, 2001-2003

The figure 3 showed that the number of passengers carried by Air Asia and Malaysia Airlines (MAS) from year 2001 to year 2003. Total passengers of MAS decreased year by year. While it opposed to Air Asia, the figure showed the number of Air Asia passengers has increased year by year. It is because the low cost ticket launched by Air Asia and thus attracts more customers. This could be proved by the Table 1, which drawn by McNamara and Troftgruben:

Table 1: Competitor Comparisons

Company	Revenue 2010 (Million USD)	Revenue 2009 (Million USD)	% Change	Operating Profit 2010 (Million USD)	Operating Profit 2009 (Million USD)	% Change	Net Profit 2010 (Million USD)	Net Profit 2009 (Million USD)	% Change
AirAsia	\$1230.9	\$976.9	26	\$332.6	284.4	16.9	\$330.9	\$157.8	209.6
Malaysia Airline	4,022.6	4,033.8	14.5	(106.4)	(272.6)	39	72.7	105.4	54.9
Ryanair Holdings	4,223.4	4,156.9	1.6	568.3	130.9	434.1	431.5	(239.1)	
Southwest Airlines	12,104	10,354.4	16.9	988	262	377	459	99	463.6
Thai Airways Intl	5,652.4	5060.4	11.7	301.8	263.3	14.6	480.4	229.8	209

Table 1 shows that the increasing revenue (\$976.9 million USD - \$ 1230.9 million USD) and net profit (\$157.8 million USD - \$330.9 million USD) of Air Asia from year 2009 to 2010. While the revenue (\$4603.8 million USD – \$4022.6 million USD) and net profit (\$105.4 million USD - \$72.7 million USD) of Malaysia Airlines (MAS) was decreasing from year 2009 to 2010. This meant that the total passenger of Air Asia is increasing while it opposite to Malaysia Airlines (MAS).

Based on the research of Kurniawan (2010), the responses of respondents on service quality variable shown in Table 2 as below:

Table 2: The Service Quality Variable Frequency

No	Questions	Responses	Mean N=200	Frequency	
				Absolute	Relatives
1	AirAsia's facilities, equipment, personnel, and communication materials are visible.	1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree	3.15	3 51 37 92 17	1.5 25.5 18.5 46 8.5
2	Knowledge, courtesy and ability of employee convey my trust and confidence	1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree	3.65	41 35 78 46	20.5 17.5 39.0 23.0
3	AirAsia able to perform the promised service dependably and accurately.	1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree	3.63	48 39 52 61	24.0 19.5 26.0 30.5
4	AirAsia's crew or employee willingness to help customers and provide prompt service.	1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree	3.56	1 45 33 82 39	0.5 22.5 16.5 41.0 19.5
5	The firm provides care and individualized attention to the customers.	1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree	3.26	3 53 47 82 15	1.5 26.5 23.5 41.0 7.5
Total			3.45		

Source: Primary data, made base on Appendix II (4.9)

Kurniawan stated that majority of response from the respondent satisfied with the items of service quality. The respondents agree with the quality service provided by Air Asia. The result obtained is based on the Table 2, the responses mean of respondents for those questions are all above the 3.0 and the total mean is 3.45.

According to Wong and Musa (2011), they had done a research for the comparison of expectation, perception, and satisfaction of the services provided by Malaysia Airlines (MAS) and Air Asia. The result has shown in figure 4 below.

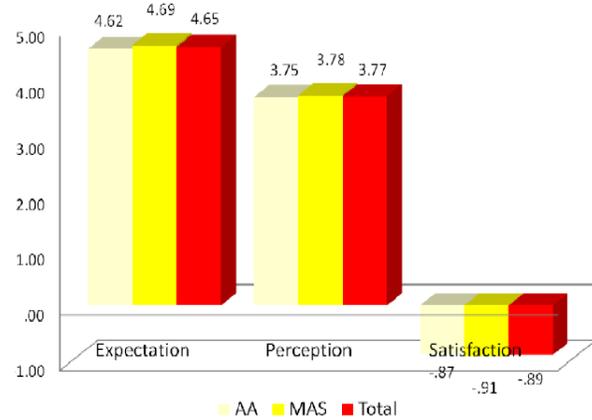


Figure 4: Summary of total means comparison between Malaysia Airlines and Air Asia.

Wong and Musa stated that as presented in Figure 4, it was found that respondents have a higher total expectation on the services branding of Malaysia Airlines (Mean = 4.6864) compared with Air Asia (Mean = 4.6170). Wong and Musa said most people do expect less from a low cost airline because Air Asia offers lower airfare than Malaysia Airlines and its brand target is towards lower end customers. Besides, Wong and Musa also found that the perception of services branding on Malaysia Airlines (Mean = 3.7809) is slightly higher than Air Asia (Mean = 3.7497), the means difference between Malaysia Airlines and Air Asia in total perception is only about 0.0312 compared to the difference in total expectation means of about 0.0694. Thus, in the overall result based on Wong and Musa, they found that the respondents are more dissatisfied with Malaysia Airlines than Air Asia.

As shown in Table 3, Wong and Musa studied the comparison of expectation, perception, and satisfaction of Malaysia Airlines and Air Asia in seven services branding's dimensions. The services branding's dimensions including tangibles, price, core service, reputation, publicity, WOM and employee. The result has shown in Table 3 below.

Table 3: Summary of expectation, perception, and satisfaction means comparison between MAS and Air Asia.

Airline		Tangibles			Price			Core Service			Reputation		
		E	P	S	E	P	S	E	P	S	E	P	
AA	Mean	4.7964	3.9014	-0.8950	5.2267	3.8095	-1.4171	5.1486	3.6043	-1.5443	4.8914	4.0419	-0.84
	N	175	175	175	175	175	175	175	175	175	175	175	17
	Std. Dev.	0.68353	0.58746	0.85284	0.78949	0.98483	1.27830	0.73407	0.80152	1.07102	0.76666	0.78281	0.941
MAS	Mean	4.9236	4.0036	-0.9200	5.2229	3.3790	-1.8438	5.3171	4.1786	-1.1386	5.1486	4.1886	-0.96
	N	175	175	175	175	175	175	175	175	175	175	175	17
	Std. Dev.	0.66816	0.59819	0.80900	0.86391	0.92666	1.31004	0.72674	0.76792	0.94520	0.79399	0.83696	0.901
Total	Mean	4.8600	3.9525	-0.9075	5.2248	3.5943	-1.6305	5.2329	3.8914	-1.3414	5.0200	4.1152	-0.90
	N	350	350	350	350	350	350	350	350	350	350	350	35
	Std. Dev.	0.67792	0.59421	0.83011	0.82635	0.97884	1.30995	0.73424	0.83486	1.02888	0.78699	0.80297	0.938

Airline		Publicity			WOM			Employee		
		E	P	S	E	P	S	E	P	S
AA	Mean	3.7571	3.5986	-0.1586	3.3657	3.3257	-0.0400	5.1333	3.9962	-1.1371
	N	175	175	175	175	175	175	175	175	175
	Std. Dev.	1.14703	1.06182	0.91845	1.12978	1.13824	0.76082	0.74792	0.66666	1.00900
MAS	Mean	3.7314	3.4829	-0.2485	3.2171	3.1743	-0.0429	5.2438	4.0590	-1.1848
	N	175	175	175	175	175	175	175	175	175
	Std. Dev.	1.15986	1.03237	1.02255	1.22533	1.14705	0.93750	0.75994	0.73653	1.0035
Total	Mean	3.7443	3.5257	-0.2186	3.2914	3.2500	-0.0414	5.1886	4.0276	-1.1611
	N	350	350	350	350	350	350	350	350	350
	Std. Dev.	1.15163	1.04658	0.97097	1.17918	1.14353	0.85252	0.75490	0.70216	1.0051

E = Expectation; P = Perception; S = Satisfaction
 E = Expectation; P = Perception; S = Satisfaction

From Table 3, Wong and Musa noticed that respondents have a higher expectation means for Air Asia in price (at 5.2267) compared to Malaysia Airlines. Through the authors, Air Asia performed better than Malaysia Airlines in price. While Malaysia Airlines is able to provide better reliable, safe, warmth, and pleasant flight experience to the passengers compared to Air Asia as these are the items in the dimension of core service (Wong and Musa, 2011). Therefore, the service quality and price of ticket would affect customer satisfaction. Malaysia Airlines could meet the customer satisfaction with improving their service quality whereas Air Asia would need to maintain their low cost services.

5.0 DISCUSSION & CONCLUSION

This study is to carry the comparative study of customer satisfaction on price and quality services provided by the two main airlines in Malaysia – Air Asia and Malaysia Airlines (MAS). Air Asia provides only the single class service to their customers. Different with Malaysia Airlines (MAS), they serve few classes of customers, which depend on the price that customer willing to pay. The service of Malaysia Airlines could be classified into economic class, business class and first class.

From the information being collected, researchers found that there are relationship between price, service quality and customer satisfaction. Wong and Musa (2011) found that respondents have a higher total expectation on the services branding of Malaysia

Airlines compared with Air Asia. Most of the customers response that Malaysia Airlines (MAS) provides better core service compare to Air Asia. On the other hand, Air Asia has provided the affordable ticket price to their customers. Based on Pitt and Brown (2001) cited by Wong and Musa (2011) stated that low cost airlines would offer a cheaper product design in order to offer low price to compete with full service airlines. Customer would like to choose Air Asia (low cost carrier) as the affordable price. But some of them would like to choose Malaysia Airlines (full service carrier) as the quality of service provided. Through the research, it shows the price and service quality are positively related to customer satisfaction in the aviation industry. Passengers satisfy with the price offered by Air Asia although the services of Air Asia are not as well as the service provided by Malaysia Airlines. Air Asia could meet customer satisfaction because of the price paid. Opposed to Malaysia Airlines, they provided quality services to their customers but the price offered is higher than Air Asia. Therefore, it shows a lower customer satisfaction upon MAS. Air Asia needs to improve their service attitude whereas Malaysia Airlines need to restructure and come out with a affordable ticket price so that both airlines could meet a higher customer satisfaction and growth further in the future.

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