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**An Expectation-Experience Analysis of Service Quality of Business Travelers in Low-Cost Airlines**

A number of low-cost airlines (LCA) are repositioning their brand strategy to attract business travelers. This requires first understanding and then meeting business traveler's service quality expectations. Unfortunately, most studies on service quality attributes of LCAs have focused on leisure travelers. This formed the motivation of this study, which aims to examine the gap that exists between expectations and (actual) experience with the services received across the various dimensions of service quality (SERVQUAL) among international business travelers. A total of 142 responses from business travelers were collected using a structured questionnaire comprising 23 SERVQUAL items. An expectation-experience analysis (EEA) was then performed on the survey data to categorize each item in the EEA grid as 1) High priority (high expectation but low experience) 2) Keep up the good work (high expectation and high experience) 3) Low priority (low expectation and low experience) and 4) Possible overkill (low expectation but high experience). The results show that the LCAs should focus more on the 'reliability' factor as most of its items emerged in the high priority grid while low priority should be given to 'empathy'. Overall, an all-around improvement is required to narrow the service quality gap, given that none of the service quality attributes have met or exceeded business travelers' expectations. The results are useful for practitioners to prioritize service quality improvements and develop tailor-made marketing and branding strategies.

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Keywords: Business travelers, Low-cost airlines, Dubai, SERVQUAL, Expectations – Experience Analysis

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## **Introduction**

Low-cost Airlines (LCAs) are no-frills, discount, or budget airlines that generally offer lower fares than full-service or traditional airlines (El Haddad, 2019). The general features of low-cost carriers include the elimination of business or first-class, reduced in-flight service, or charging additionally for any such service (Chen and Wu, 2009). Traditionally, the primary target segment of LCAs are price-sensitive leisure travelers and operate at a lower cost structure than traditional airlines (Grigolon et al., 2012). However, due to the additional revenue and high-profit potential of business travelers, several LCAs are repositioning their brand strategy to tap into this lucrative segment. For instance, business travelers contribute to 75% of full-service airline profit, although they only account for 12% of the total passengers (Trondent, 2020). Also, the criticality of business travelers for business sustainability of LCAs is even more given the outbreak of the COVID-19 pandemic, which had an adverse impact on the airline sector due to the closing of international borders and restrictions imposed on air travel by different countries (Budd et al., 2020). Hence, one of the long-term recovery strategies of LCAs post-COVID-19 is attracting and retaining business travelers. However, this requires first understanding business travelers' expectations of service (which could be different from traditional leisure travelers) and then meet or exceed their expectations.

Service quality is an important factor in differentiating service and gaining sustainable competitive advantage for airlines, including low-cost ones (Padkil and Aydin, 2007; El Haddad, 2019). It is the measure of how well a customer perceives the actual service they received (experience) matches their expectations (Parasuraman et al., 1988). Unfortunately, only limited studies on LCAs have focused on understanding business travelers' expectations and their experience flying with the airline. This formed the motivation of this study, which aims to examine

the gap that exists between expectations and experience in service quality (SERVQUAL) of business travelers in LCAs.

## **Literature Review**

Service quality is the conformance to consumer specification and is often understood by examining the gap between experience and expectations of the services received. For airline companies, delivering high service quality has become a marketing requisite as competitive pressures increase (Doganis, 2006). Evidence from the literature shows that among the competitive variables for airlines such as fares, frequency, equipment, market access, and advertising, it is the service quality given to customers the most highly emphasized competitive variable that differentiates an airline among its competitors, determine market share, and ultimately profitability (Aksoy et al., 2003; Martin et al., 2008; Ahn and Lee, 2011). The highly competitive market conditions in the budget airline sector are putting pressure on LCAs to deliver high-quality services at an affordable cost. This is evident from the growing number of studies on service quality in LCAs (Pakdil and Aydin, 2007; Leong, 2008; El Haddad, 2019). For instance, a critical review of extant literature by Hasan et al. (2019) on service quality in LCAs found more than 50 studies in which SERVQUAL remains the most popular service quality measurement instrument, and the key dimensions (factors) are tangibility, reliability, assurance, empathy, and responsiveness. This is largely due to its ease of adaptability and high predictive validity (Carrillat et al., 2007).

However, there is a clear gap in the literature regarding understanding the expectations and actual experience of the service received by business travelers, as most studies have focused on leisure travelers. Limited studies on service quality perceptions of business travelers have focused on full-service airlines (Ostrowski et al., 1994; Jiang and Zhang, 2016). Unfortunately, we have not come across any study that had explicitly examined the perceived service quality of business

travelers in LCAs. The lack of effort to understand the service quality of business travelers is surprising, given that several low-cost airlines (LCA) are repositioning their brand strategy to attract business travelers (Allied Market Research, 2018). Evidence from the literature suggests that during the time of recession or global economic downturn, LCAs are likely to attract business travelers because of the shrinking corporate travel budgets resulting in reduced upper limits on travel fares forcing business travelers to look for cheaper flights (Berry and Jia, 2010; Baker, 2013). In any case, a focused study on business travelers is warranted given that their expectations and experience of service quality is likely to differ from leisure travelers (Ostrowski et al., 1994; Ahn and Lee, 2011).

The Importance-Performance Analysis (IPA) proposed by Martilla and James (1977) can be used for identifying the expectation-experience gap in LCAs. Although simple, IPA technique is a valid and powerful technique for identifying service quality areas that require remedial strategic actions (Chu and Choi, 2000). Previous studies such as Leong (2008) have used the IPA technique to evaluate airline service quality. The IPA technique's underlying assumption is that customers' level of satisfaction with the attributes is mainly derived from their expectations from a service provider (the importance given to attributes) and perception of the actual services received (performance). It requires capturing respondents' expectations of the service encounter and their experience with the actual services received. Figure 1 shows the expectation-experience analysis (EEA) grid adapted from Chu and Choi (2000).

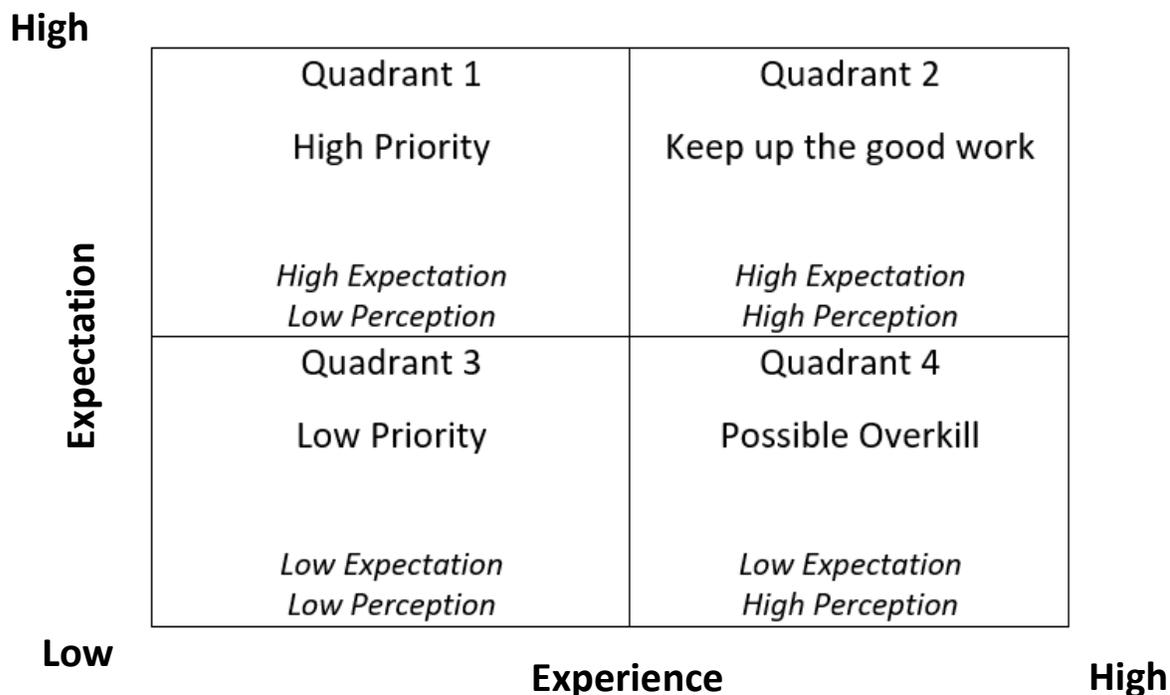


Figure 1: Expectations –Experience Analysis Grid

### Methodology

A survey methodology was adopted in this study. The survey instrument was developed based on the original dimensions of SERVQUAL, the most widely used model for service quality (Parasuraman et al., 1988), and then contextualizing the instrument to the airline industry based on a review of extant literature, holding expert interviews with twelve senior executives of LCAs and eight exploratory interviews and one focus group with passengers. The survey questionnaire was designed to capture both customer expectations and experience and consisted of 23 items covering the service quality dimensions of tangibility, reliability, assurance, empathy, and responsiveness. For example, to capture expectations, the question was constructed as "LCA should maintain a required level of hygiene in the aircraft during its flights," while the statement "This LCA maintains a required level of hygiene in the aircraft during its flights" was used to measure the actual experience. The survey employed a 5-point Likert scale ranging from strongly

agree (5) to strongly disagree (1) to gather LCA business passengers' expectations and experience. The data for the study was collected from business passengers who used an LCA to travel to or from the Dubai Airport Terminal 2, one of the world's busiest airports by international passenger traffic and a leading hub for LCA. The survey received a total of 142 usable responses from business travelers from over 30 countries traveling in 12 LCAs. The demographic details of the survey participants are provided in Table 1.

*Table 1 Demographic Profile of Business Travelers*

<b>Respondents' characteristics</b>	<b>Frequency</b>	<b>Percent</b>
<b>Gender</b>		
Male	119	83.80%
Female	23	16.20%
<b>Age</b>		
18-24	23	16.20%
25-34	52	36.60%
35-44	37	26.10%
45-54	17	12.00%
55 and above	13	9.20%
<b>Annual Income in AED</b>		
Less than 15,000	22	15.50%
15,001-25,000	19	13.40%
25,001-35,000	12	8.50%
35,001-45,000	20	14.10%
45,001 or above	69	48.60%

## **Analysis and Findings**

Due to the self-administered nature of the data collection method used in the study, before proceeding with the main analysis, it was required to check the Common Method Bias (CMB) in the study. CMB is a problem that occurs when one respondent answers all of the self-reported questionnaires involving multiple constructs (Al Ahababi et al., 2019). The famous Harman's one-factor exploratory factor analysis, wherein all the 23 factors were forcibly loaded into one-factor, was used in this study (Podsakoff et al., 2003). The one-factor solution only explained 40.8% and 40.7% of the total variance for expectations and experience, respectively, which is well less than the 50% upper limit threshold, thereby indicating that common method bias was not a concern in this study.

Next, we assessed the structural validity of the 5-factor model and reliability of the constructs separately for expectations and experience using confirmatory factor analysis (CFA) and determination of Cronbach's alpha coefficient ( $\alpha$ ) (see Table 2). The model fit statistics in the acceptance range (Bagozzi and Yi, 1988) suggested that the data fit the measurement model reasonably well for both expectations ( $\chi^2/df=1.907$ , GFI=0.86; CFI=0.88; TLI=0.87; RMSEA=0.08) and experience ( $\chi^2/df=1.546$ , GFI=0.88; CFI=0.93; TLI=0.91; RMSEA=0.07). As seen in Table 2, the confirmatory factor loadings for all the items were above the recommended threshold of 0.5 and significant at  $p < 0.001$ , demonstrating strong convergent validity (Anderson and Gerbing, 1988). Finally, as seen in Table 2, the Cronbach's alpha was significantly greater than the 0.7, indicating good reliability of constructs (Nunnally and Bernstein, 1994).

*Table 2: Confirmatory Factor Loadings and Reliability*

Factors and Items	Expectations		Experience	
	Factor Loading	Cronbach's Alpha ( $\alpha$ )	Factor Loading	Cronbach's Alpha ( $\alpha$ )
<b><u>Tangibility</u></b>				
T1	LCAs should have modern aircrafts	0.566	0.501	
T2	The physical facilities inside the aircraft should be good	0.577	0.649	
T3	LCAs should give clear information to its passengers regarding policies, timings, offers, and any changes made	0.580	0.640	0.797
T4	LCAs should pay careful attention to the safety of the aircraft	0.732	0.771	
T5	LCA should maintain a required level of hygiene (cleanliness) in the aircraft	0.546	0.676	
T6	Employees should all appear professionally dressed	0.556	0.669	
<b><u>Reliability</u></b>				
R1	LCA's should keep up to their promise	0.704	0.672	
R2	The passengers should feel safe and secure when dealing with the airline and its staff	0.677	0.673	
R3	LCA should give priority to on-time performance	0.652	0.606	0.804
R4	The staff of the airline should perform their tasks correctly	0.782	0.661	
R5	The website of the airline should provide accurate information	0.686	0.670	
R6	The luggage should be received on time without any delays	0.689	0.581	
<b><u>Assurance</u></b>				
A1	Employees should be friendly and accessible to assist customers	0.818	0.772	
A2	The employees of the airline should inspire confidence in the customers	0.818	0.753	0.814
A3	The employees should be polite and courteous at all times	0.785	0.790	
<b><u>Empathy</u></b>				
E1	LCA should frequently communicate with passengers in case of any problems or delays	0.588	0.709	
E2	The employees should develop trust in their passengers	0.686	0.750	
E3	The staff should have a positive attitude towards their customers	0.751	0.799	0.876
E4	The employees should give personal attention to each of their passengers	0.681	0.801	
E5	Employees should know what the needs of their individual customers are	0.681	0.784	
<b><u>Responsiveness</u></b>				
RES1	LCA should show a sincere effort in solving customer problem or complaint	0.749	0.784	
RES2	LCA employees should possess the required skill and knowledge to answer customer questions	0.799	0.808	0.752
RES3	The crew on board should provide timely inflight services to passengers	0.618	0.559	

*All factor loadings are significant at  $p < 0.001$*

## **Service Quality Expectations and Experience of LCA Business Travelers**

Mean scores were computed both at the factor and at the item level to assess the expectations and experience of business travelers on all the five dimensions of quality. Table 3 shows the factor and item level means scores for expectations and experience.

As seen in Table 3, in terms of expectations, "reliability" had the highest mean score (4.60) and emerged as the most important dimension of service quality. Among the items of reliability dimension, "The passengers should feel safe and secure when dealing with the airline and its staff" (4.67) had the highest expectation mean followed by LCAs should keep up their promise (4.65). The quality dimension that received the next highest mean in terms of traveler expectation is "tangibility" (4.54). The statement "LCAs should pay careful attention to the safety of the aircraft" had the highest mean (4.74) not only in the "tangibility" dimension but also across all the 23 items. This shows that customers regard safety as the most important aspect while choosing an LCA. The other items of "tangibility" that received importance were cleanliness inside aircraft (4.68) and the use of modern aircraft (4.67). "Assurance" covering aspects such as staff friendliness, accessibility, and courteousness emerged as the third important factor (4.51). Although "empathy" was only rated the fourth important factor (4.28), the item 'LCA should frequently communicate with passengers in case of any problems or delays' received relatively high importance (4.54). Finally, the quality dimension of "responsiveness" (4.24) covering staff skill, knowledge, and effort emerged as the least important factor. Surprisingly, business travelers are least concerned about the timely inflight services (3.80), the lowest among all the items.

In terms of customer experience with the actual services received, the "assurance" factor received the highest mean score (4.05), of which employees are polite and courteous received the highest score at the item level (4.09). The experience of business travelers on the "tangibility"

dimension received the second-highest score (4.02), in which travelers are relatively happy with the aircraft safety (4.23) and its modern features (4.22). Experience of business travelers on the "reliability" dimension was relatively lower (3.93), especially on on-time performance (3.77), keeping up their promise (3.81), and information on the website (3.87), though they are relatively satisfied with the way staff performed their duties (4.10), and in dealing with them (4.13). Experience on "empathy" and "responsiveness" received the least rating with a mean score of 3.76 and 3.63, respectively. Within these, at the item level, LCA's ability to understand the needs of individual customers (3.65) and provide timely inflight services (3.51) received the lowest rating for the experience.

### **Expectation-Experience Gap Analysis**

To understand the gap in the service quality expectations and experience at the factor and item level, a paired sample t-test was conducted. The results of the paired sample t-tests are given in Table 3. As seen in Table 3, the findings show that traveler experience is significantly lower than their expectations across all factors and items. At the factor level, the highest gap was received for "reliability" ( $\delta=0.67$ ,  $p<0.001$ ) followed by "responsiveness" ( $\delta=0.61$ ,  $p<0.001$ ). At the item level, the largest gap was seen for the item 'sincere effort in solving a customer problem or complaint' ( $\delta=0.88$ ,  $p<0.001$ ); 'keep up their promise' ( $\delta=0.84$ ,  $p<0.001$ ); and 'on-time service' ( $\delta=0.81$ ,  $p<0.001$ ). EEA was then used to identify service quality attributes at the item level that needs attention by transferring the expectation and experience results at the item-level to the EEA grid, as shown in Figure 2. The X-axis represents the business travelers' experience with LCAs, while the y-axis shows business travelers' expectations regarding the service quality of LCAs. The four quadrants of the EEA grid were constructed using the highest, lowest, and average mean scores for business travelers' expectations and experience at the item level.

*Table 3: Mean Rating on the Expectations and Perceptions of Business Travellers*

Factors and Items		Expectations		Experience		Mean Difference ( $\delta$ )	
		Mean	SD	Mean	SD	$\delta$	t-value
<b><u>Tangibility</u></b>		<b>4.54</b>	<b>0.65</b>	<b>4.02</b>	<b>0.80</b>	<b>0.52</b>	<b>8.844***</b>
T1	LCAs should have modern aircrafts	4.67	0.56	4.22	0.69	0.45	6.831***
T2	The physical facilities inside the aircraft should be good	4.21	0.65	3.63	0.80	0.58	7.631***
T3	LCAs should give clear information to its passengers regarding policies, timings, offers, and any changes made.	4.52	0.73	3.81	0.97	0.71	7.318***
T4	LCAs should pay careful attention to the safety of the aircraft.	4.73	0.57	4.23	0.72	0.50	6.606***
T5	LCA should maintain a required level of hygiene (cleanliness) in the aircraft	4.68	0.61	4.02	0.87	0.66	8.705***
T6	Employees should all appear professionally dressed	4.43	0.76	4.20	0.77	0.23	2.557*
<b><u>Reliability</u></b>		<b>4.60</b>	<b>0.60</b>	<b>3.93</b>	<b>0.85</b>	<b>0.67</b>	<b>11.527***</b>
R1	LCA's should keep up to their promise	4.65	0.61	3.81	0.83	0.84	10.800***
R2	The passengers should feel safe and secure when dealing with the airline and its staff	4.67	0.57	4.13	0.71	0.54	7.862***
R3	LCA should give priority to on-time performance.	4.58	0.61	3.77	0.95	0.81	9.277***
R4	The staff of the airline should perform their tasks correctly.	4.51	0.59	4.10	0.74	0.41	5.771***
R5	The website of the airline should provide accurate information	4.61	0.58	3.87	0.97	0.74	8.237***
R6	The luggage should be received on time without any delays	4.57	0.63	3.89	0.88	0.68	8.453***
<b><u>Assurance</u></b>		<b>4.51</b>	<b>0.64</b>	<b>4.05</b>	<b>0.74</b>	<b>0.46</b>	<b>7.493***</b>
A1	Employees should be friendly and accessible to assist customers.	4.52	0.60	4.05	0.75	0.47	6.566***
A2	The employees of the airline should inspire confidence in the customers.	4.46	0.71	4.01	0.71	0.45	6.219***
A3	The employees should be polite and courteous at all times.	4.56	0.61	4.09	0.76	0.47	6.566***
<b><u>Empathy</u></b>		<b>4.28</b>	<b>0.79</b>	<b>3.76</b>	<b>0.80</b>	<b>0.52</b>	<b>6.494***</b>
E1	LCA should frequently communicate with passengers in case of any problems or delays.	4.54	0.67	3.72	0.85	0.82	9.564***
E2	The employees should develop trust in their passengers.	4.27	0.82	3.82	0.72	0.45	5.484***
E3	The staff should have a positive attitude towards their customers.	4.46	0.65	3.89	0.80	0.57	6.914***
E4	The employees should give personal attention to each of their passengers.	4.11	0.90	3.70	0.78	0.41	4.764***
E5	Employees should know what the needs of their individual customers are.	4.03	0.90	3.65	0.84	0.38	4.431***
<b><u>Responsiveness</u></b>		<b>4.24</b>	<b>0.78</b>	<b>3.63</b>	<b>0.84</b>	<b>0.61</b>	<b>9.169***</b>
RES1	LCA should show a sincere effort in solving customer problem or complaint	4.49	0.66	3.61	0.87	0.88	10.138***
RES2	LCA employees should possess the required skill and knowledge to answer customer questions	4.42	0.64	3.76	0.80	0.66	8.222***
RES3	The crew on board should provide timely inflight services to passengers	3.80	1.05	3.51	0.84	0.29	3.035**

*Mean Scale: 1-5; \*Significant at  $p < 0.05$ ; \*\*Significant at  $p < 0.01$ ; \*\*\*Significant at  $p < 0.001$*

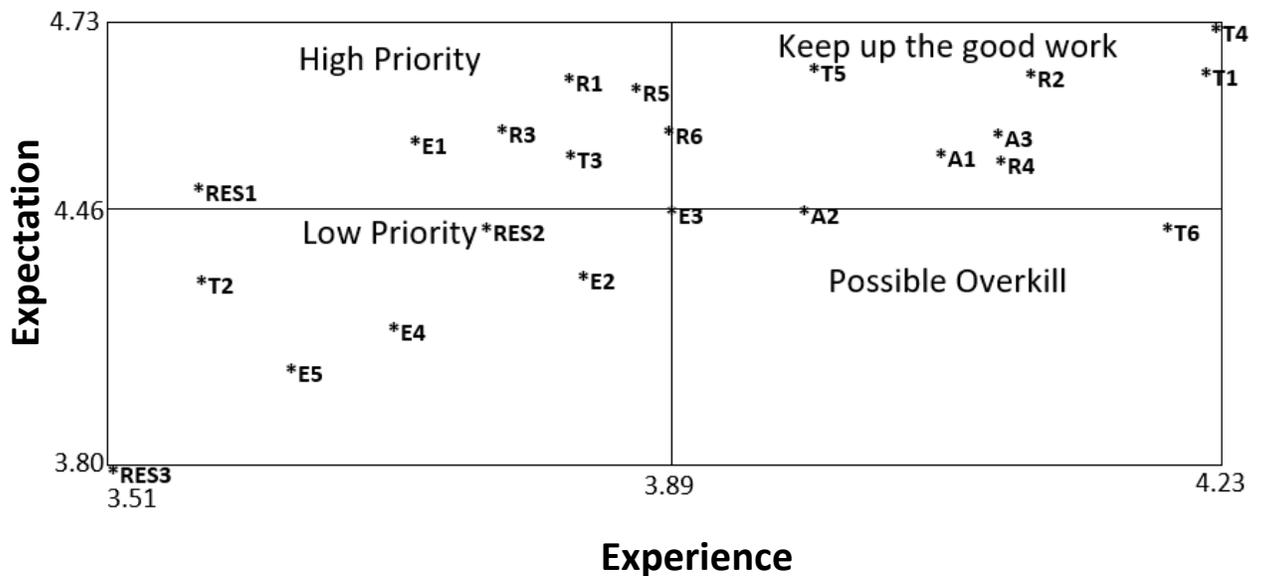
As seen in Figure 2, the first quadrant represents the "high priority" (high expectation and low experience) service quality factors that LCAs should focus on immediately to attract or retain business travelers. This includes several items of reliability dimension like on-time performance, and accuracy of the information and other items related to the clarity of information, frequency of communication, and putting efforts in resolving customer complaints. This sends a direct message that improvement efforts should prioritize these aspects.

The second "keep up the good work" quadrant (high expectation and high experience) represents those factors where customer expectations are high, and the experience with the service they received are considered as satisfactorily met by LCAs. A total of eight items emerged in this quadrant, including aspects such as aircraft hygiene, safety, security, staff politeness, and friendliness. The message here for LCAs is to keep up the good work though there is still significant room for improvement

The third "low priority" (low expectation and low experience) represent factors where the airline experience is not exceptional, and passenger expectations are also low. Such factors identified from the study are personalized attention for passengers and staff knowledge to answer employee questions. These factors do not warrant immediate attention (vis-à-vis items in Quadrant I) on the part of the airlines as passengers, in any case, do not expect high quality in these areas. Hence, limited resources should be expended on this low priority quadrant. Such factors identified from the study are personalized attention for passengers and staff knowledge to answer customer questions.

Finally, the fourth "possible overkill" quadrant (low expectations but high experience) represents factors wherein the perceived expectations are relatively low, but experience levels are relatively high. The respondents are satisfied with the experience they received, but managers

should consider present efforts on these attributes as being over-utilized. Hence, LCAs could divert their attention from these factors and instead focus on improving performance in high priority factors. Only 3 of the 23 items were classified under this quadrant and included airline staff dressing, confidence, and positive attitude towards customers.



*T-Tangibility; R-Reliability; A-Assurance; E-Empathy; RES-Responsiveness*

*Figure 2: Expectations –Experience Analysis Grid of Business Travelers in LCA*

### Discussions and Conclusions

Airline companies will be better positioned to cater to the needs of different market segments if they have a clear understanding of their expectations and experience, and this study makes a clear contribution in that direction. The low-cost airline industry is highly competitive, and with the current scenario of airport closures and changes in the travel behavior induced by the pandemic, low-cost airlines should look beyond their traditional market of leisure travelers and forge strategies to attract business travelers. This study provides a clear indication of service quality attributes that LCAs should focus on to attract business travelers. The findings show a definite gap in service quality as none of the services offered by LCAs has met, let alone exceeded, business

traveler expectations. The EEA grid provided practitioners with critical insights on service quality attributes they should prioritize/reprioritize. The results indicate that the LCA's should focus more on the 'reliability' factor as most of its items emerged in the high priority grid while low priority should be given to 'empathy'. The high expectation for reliability is because business passengers mostly travel just in time to conduct meetings, conferences or other business-related tasks. Business travelers, therefore, expect on-time performance to avoid missing important engagements. Flight delays can thus lead to passengers missing important work-related opportunities, connecting flights, or even more serious problems. This is in line with previous studies, which highlighted that business travelers naturally value arrival and departure time as they travel early in the morning and prefer to return back in the evening from their meetings and other business-related tasks (Budd et al., 2016).

Overall, the study fills the gap in the literature in terms of understanding the service quality perceptions of business travelers in LCAs. The validated survey instrument used in this study can be applied to examine business travelers' service quality perceptions in other settings. The survey can also be deployed as a continuous improvement tool by LCAs to assess the changing business traveler expectations and experience with the actual services provided.

From a practitioner standpoint, the study is timely given that most firms are likely to reduce their budget (or upper limits on travel fares) for business travel due to financial distress imposed by COVID-19 and thereby to present an opportunity for LCA's to lure away a significant proportion of business travelers from full-service airlines. The findings have implications for managers of traditional full-service airlines and assess whether the services they provide need to be re-designed to protect their business traveler market share from LCAs.

However, the relatively smaller sample size is a limitation of this study. Future studies with a large sample size in different international settings could help identify universal attributes in the customer expectations and perceptions of LCCs to enhance the generalizability and transferability of the findings across different settings. Future studies could also compare the expectation-experience gap between business and leisure travelers to identify the similarities and differences in their service quality perception.

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