

The impact of service quality on customer loyalty of SriLankan Airlines

Shashithangane Weerawansa*

Department of Economics, University of Colombo, Sri Lanka.

Arumugam Rakesh

Imperial Institute of Higher Education, Colombo, Sri Lanka.

**Corresponding author: econlecturer@gmail.com*

Introduction

The aviation sector has become a key segment in economic development of a nation. It plays a vital role in moving people or products from one place to another, be it domestic or international, especially when the distances involved are far. Running an airline profitably has always been a great challenge (Doganis, 2006). In addition to intense competition diminishing airlines' profits, airlines are exposed to market volatility, legal regulations restricting operations, and a disadvantageous cost structure with high fixed costs (Albers et al., 2017, p. 12). A successful organization reputation is based on its long-term relationship with customers, which are possible only if the customers remain loyal to the airlines; According to Khatib (1998), customer service has become a major area of interest for both practitioners and academics. The managerial press extols the critical role of providing quality service, and academics are struggling with the problems of measuring and understanding how customers form service evaluations. Airline companies need to evaluate their service quality, customer satisfaction and customer loyalty for long term sustenance.

SriLankan, being a service providing company, is required to provide an excellent service. Service quality has become the significant strategic value adding/enhancing driver in achieving a genuine and sustainable competitive advantage in a global marketplace. Currently, the SriLankan Airlines is graded as a '3 star' airline by the Skytrax. Sri Lanka has failed to maintain a quality service it was known for. Considering this focus and the expected faster growth rate of air transportation in developing countries, it appears that the sector has been given relatively less research attention. Therefore, this research aims to ascertain and identify the relationship between service quality and customer satisfaction and its effect on customer loyalty in Sri Lanka's airline industry.

Methodology

The study follows a deductive reasoning method and top down approach, that the study was developed based on the thorough literature survey. Based on the findings, set of hypotheses was developed and the constructs were identified to

find out the impact of service quality on customer loyalty. Literature suggests that service quality and customer satisfaction as antecedent of customer loyalty. Therefore, the researchers developed the following conceptual framework (Figure 1) to identify, the impact of service quality on customer satisfaction and customer loyalty in the industry.

As shown in Figure 1 the conceptual framework has one independent variable (Service Quality), which consists of five dimensions, one mediating variable which is customer satisfaction and the dependent variable is customer loyalty. The following variables were taken into consideration through a literature survey and identifying the experts view on the study.

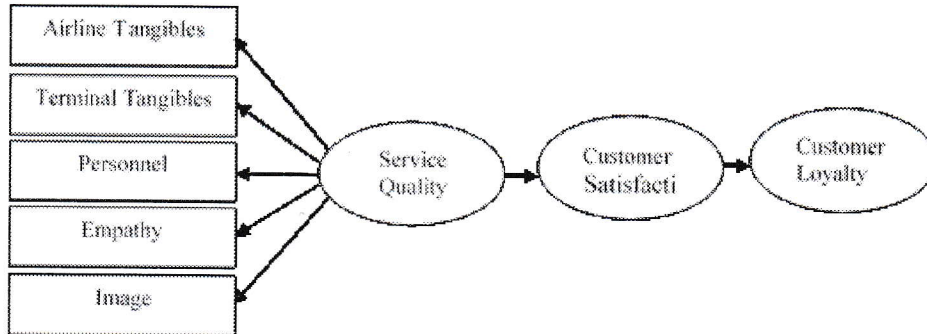


Figure 1 Conceptual framework

A convenient sample of 200 passengers, who have travelled on SriLankan during the past one year, was used to obtain data. Data were analyzed using the software; the statistical package for social sciences (SPSS) 17.0 version.

Results and discussion

To examine the relationship between service quality and customer loyalty, 18 indicators divided among 5 dimensions were used in correlation analysis. The results indicated that all the dimensions of service quality, airline tangible, terminal tangible, personnel, empathy, image, had a significant positive relationship with customer loyalty (See Table 1).

Table 1 Result of correlation analysis

	Customer Loyalty	Remarks
Airline Tangible	0.558	Significant
Terminal Tangible	0.443	Significant
Personnel	0.601	Significant
Empathy	0.450	Significant
Image	0.498	Significant

To identify the mediating effect of customer satisfaction on the relationship between service quality and customer loyalty the Sobel test was used. The

mediation effect of customer satisfaction on each relationship between dimension of service quality and customer loyalty has been tested.

The regression coefficients and standard errors data were used for the Sobel test calculation. The regression coefficient of the relationship between the independent variable and Mediating variable was used against the regression coefficient of the relationship between the Mediating variable and Dependent variable for each test. The following table (Table 2) was constructed with the output of SPSS.

Table 2 Regression coefficients and standard errors of variables

Independent Variables	Regression Coefficient	Standard Error
Airline Tangible and Customer Satisfaction	0.551	0.060
Terminal Tangible and Customer Satisfaction	0.515	0.064
Personnel and Customer Satisfaction	0.656	0.050
Empathy and Customer Satisfaction	0.405	0.056
Image and Customer Satisfaction	0.543	0.057

Table 3 shows the results for the mediation effect of customer satisfaction between Service Quality and Customer Loyalty. The results were obtained through the Sobel test. It was identified that all the independent variables are to be significant at 0.05 significant level. As a result it was proven that Customer Satisfaction mediates the relationship between Service Quality and Customer Loyalty.

Table 3 Results of Sobel test

	Sobel Test		Remarks
	Statistics	p-value	
Mediation effect of Customer Satisfaction on Airline tangible and Customer Loyalty	7.517	0.000	Significant
Mediation effect of Customer Satisfaction on Terminal tangible and Customer Loyalty	7.050	0.000	Significant
Mediation effect of Customer Satisfaction on Personnel and Customer Loyalty	8.660	0.000	Significant
Mediation effect of Customer Satisfaction on Empathy and Customer Loyalty	6.497	0.000	Significant
Mediation effect of Customer Satisfaction on Image and Customer Loyalty	7.810	0.000	Significant

Conclusion

The objectives of the study was to examine the effect of perceived service quality on customer loyalty in SriLankan Airlines. By conducting a complete literature review on the research topic which had a very limited research, the researchers were able to identify the service quality dimensions that influence customer loyalty in the Airline industry, these dimensions were identified through

the AIRQUAL model which was developed to measure airline service quality. From the study it was identified all the service quality dimension had a significant impact on customer loyalty. It was also identified that customer satisfaction mediates the relationship between service quality and customer loyalty. Finally, the study proved that in SriLankan Airlines service quality has an impact on customer loyalty with the mediation effect of customer satisfaction.

Keywords: *Customer loyalty, customer satisfaction, service quality, SriLankan Airlines.*

References

- Albers, S., Baum, H., Auerbach, S., & Delfmann, W. (Eds.). (2017). *Strategic Management in the Aviation Industry*. Taylor & Francis.
- Doganis, R. (2006). *The Airline Business*. 2nd ed. [ebook] Available at: <https://meishka.files.wordpress.com/2011/12/the-airline-business-2006.pdf> [Accessed 31 May 2017].
- Khatib, S. F. (1998). *An Investigation of Airline Service Quality, Passenger Satisfaction and Loyalty: The Case of Royal Jordanian Airline*. Degree of Doctor of Philosophy (Ph. D). Sheffield University.