TO FLY OR NOT TO FLY–FACTORS INFLUENCING CUSTOMER PURCHASE INTENTION AND SWITCHING INTENTION IN THE AIRLINE INDUSTRY

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ABSTRACT

This research aimed to understand customers' purchase intention and switching intention in the airline industry. 17 in-depth qualitative interviews were carried out. The customers were categorized into two groups: business and leisure travelers. The main factors playing an important part in purchase and repurchase decisions were loyalty programs, frequency of flights, safety, baggage handling, customer service, timeliness, and price. It was found that timeliness primarily affected business travelers' purchase decision. In contrast, leisure travelers considered price as the key determinant of their airline choice. Airlines can utilize these findings to design effective customer retention strategies to increase their profitability.

Keywords: *Customer Purchase Intention, Customer Switching Intention, Customer Service, Business Traveler, Leisure Traveler, Airline Industry, Australia*

Background of the Study

Relationship marketing theory advocates that it is advantageous for a service provider to preserve and develop long-term relationships with customers as compared with merely acquiring new ones (Rafiq, Fulford, & Lu, 2013; Thaichon, Lobo, & Mitsis, 2014). Customers who are engaged in long-term relationships are likely to be less price sensitive and they make more frequent purchases (El-Manstrly & Harrison, 2013). They are also more likely to spread positive word of mouth about the service provider, which ultimately results in decreased acquisition costs and a higher customer retention rate (El-Manstrly & Harrison, 2013). Customers who stay with a service provider become emotionally involved and attached to the company (Rafiq et al., 2013). This is a key success factor, especially during periods of economic turbulence and intense competition (El-Manstrly & Harrison, 2013).

The retention of existing customers is critical for all businesses (Thaichon et al., 2012), and in this respect, businesses that provide high-tech services, such as airlines, are no exception. Australian transportation for the year 2013 grew by 8% from 2012; the airline industry made a major contribution to this growth (Euromonitor, 2014). In 2013 the total revenue from the airline industry was $25,607 million AUD out of a total of $27,636 million from the transportation industry, that is, 92.65% (Euromonitor, 2014). Business travelers have become more parsimonious, with corporate travelers downgrading themselves from business class to premium economy class and in some instances from Qantas – which has been the market leader in the business travel market – to Virgin Australia. Low-cost carriers have continued to be the strongest performers, with the number of passengers growing by 14% in 2013 and value growing by 15% (Euromonitor, 2014).

Furthermore, as a rule of thumb, obtaining new customers costs around five times more than retaining current customers (Christodoulides & Michaelidou, 2010). Spiller, Vlasic, and Yetton (2007) claim that a 1% increase in the customer retention rate could add approximately 5% profit to a company, as well as easing the stress of finding and acquiring new customers. In addition, a 2% increase in the customer retention rate is equivalent to a 10% decrease in the cost of customer acquisition (Han, Lu, & Leung, 2012). This knowledge can maintain and even improve a company's market share through a better-serviced customer base. This scenario provides an opportunity for airlines in Australia and other countries to evaluate the determinants that influence customer retention, which, in turn, can be employed to nurture long-term profitability. Therefore, this research aims to understand customers' purchase intention and switching intention in the airline industry.

Literature Review

Some of the factors that the previous literature identifies as dimensions of the customer repurchase intention in services and the airline industry are presented below.

Price

Price is defined as the monetary compensation that users pay in exchange for the benefits derived from a product or service (Lovelock & Wirtz, 2007). Service firms are relatively undifferentiated with respect to their offerings, but a need still exists to be aware of the competitors' prices and charge accordingly (Noor, 2005). If the difference between the services offered by the company and those being offered in the market is perceived to be small/ negligible or absent, then customers' might end up selecting the one that offers the cheapest price (Lovelock & Wirtz, 2007). Therefore, price can be seen to be an essential influencer on demand. It also conveys a message as buyers tend to use it as an indicator of both service costs and service quality (Zeithaml, Berry, & Parasuraman, 2009).

In the airline industry, pricing is deployed as a strategy to maximize profits (Suzuki, 2007). This is achieved by targeting different market segments, such as business travelers, vacationers, and group operators. Suzuki (2007) identifies the price of the airfare as one of the most significant factors affecting flyers' decision when choosing the airline with which to fly. Besides, leisure travelers consider the ticket price and availability of discounts to be the two major factors involved in choosing an airline (Dolnicar, Grabler, Grün, & Kulnig, 2011; Espino, Martin, & Román, 2008). Additionally, price-sensitive customers check the airfare and compare it with the utility and benefits derived from the service. This is the basis of compatibility, which is an underlying rule for most industries wherein the customer compares the price with the utility derived from the item; if the price exceeds expectations, then it results in dissatisfaction, whereas an expectation that meets the set price level leads to customer satisfaction and one that exceeds the price causes customer delight (Thaichon et al., 2014). If an airline offers a compatible price, it is more likely that its customers will have a positive perception, thereby creating a sense of satisfaction and purchase intention among flyers.

Frequent-Flyer Programs

A frequent-flyer program is a loyalty program offered by many airlines. Typically, airline customers who are enrolled in the program accumulate frequent-flyer miles (kilometers, points, segments) corresponding to the distance flown with that airline or its partners. Suzuki (2007) suggests that frequent-flyer membership status plays a significant role in influencing flyers' airline choice. A key factor affecting customers' choice of or loyalty to an airline is frequent-flyer programs (Espino et al., 2008; Hess, Adler, & Polak, 2007; Nako, 1992). Such programs are highly utilized and beneficial for frequent flyers, who receive free miles that can be redeemed in the future (Suzuki, 2007). In the case of business travelers, frequent-flyer program membership constitutes one of the most significant factors (Dolnicar et al., 2011). According to the studies conducted by Espino et al. (2008), Hess (2007), and Suzuki (2007), the behavioral loyalty of business travelers and frequent flyers is greatly affected by frequent-flyer programs. However, the loyalty of casual and leisure travelers is not affected by these programs (Espino et al., 2008). Hess (2007) and Suzuki (2007) state similar patterns.

Service Quality

In the context of a service industry such as the airline industry, service quality has an important role to play in influencing consumers' decision to fly with a particular airline (Suhartanto & Noor, 2012). Service quality consists of the reliability, responsiveness, empathy, assurance, and tangibility dimensions and is known as SERVQUAL (Zeithaml et al., 1996).

Furthermore, the look of the aircraft is considered to be the basic factor determining the safety and comfort of the flight in consumers' minds (Rhoades & Waguespack, 2008). Airlines compete in this domain to obtain the best, latest, and most sophisticated aircraft. However, physical evidence is a driving factor of consumer behavior, but it is not the significant factor in customer satisfaction for low-cost airlines (Noor, 2005). Therefore, the use of old aircraft will not affect customer satisfaction with low-cost airlines. In terms of time management, Suzuki (2007) suggests that the frequency of flight services provided to the required destination also plays an imperative role in flyers' choice of airline. A study conducted by Nako (1992) finds that the number of flights has the most significant impact on customers' decision to fly with a particular carrier. As the frequency of flights increases, the customer satisfaction levels increase (Tolpa, 2012). In addition, direct connectivity or the routes followed affect passengers' decision to fly (Nako, 1992).The flight duration is also found to be one of the factors that contribute to the decision-making process of travelers (Nako, 1992). Moreover, on-time arrival and departure are considered to be important by passengers (Tolpa, 2012).These are also critical for business flyers (Nako, 1992).

Employees are the face of the airlines, from check-in to on-board staff, so it is vital for the employees to have a positive attitude that will make the customer believe that the flight is safe (Babbar & Koufteros, 2008). Employees' attitude matters greatly to airline companies as they have the ability and willingness to help create consumer confidence in the industry. Beyond their attitude, how well the employees provide the service is relevant to the satisfaction of the customers (Thaichon et al., 2014). Factors such as the pre-flight services, a well-maintained baggage system, timeliness, the cabin environment, and the in-flight services could greatly influence customer satisfaction. If an airline is successful in providing these, then its customers tend to be satisfied (Munusamy, Chelliah, & Pandian, 2011). In fact, for full-service airlines this attitude is more important than for just service companies, because full-service customers expect additional services, such as in-flight entertainment, food, and comfort (Lawton, 2002). Etherington and Var (1984) conducted interviews with travel agents and found that schedules, handling at the airport, in-flight service, and airline employees exert an impact on customer satisfaction and intention to purchase.

Research Methodology

In-depth personal interviews were conducted as the primary method of data collection as they enabled a focus on capturing the experiences of flyers. Open-ended interviews were conducted with 17 participants to obtain first-hand information on the factors that influence their purchase decisions. All the interviews were audio-taped and transcribed for analysis and interpretation. The raw data were organized, on the basis of which several conceptual schemes were developed. An intra-text strategy was deployed in which the interview data from each respondent were read and coded. This was followed by an inter-text strategy whereby the data received from all the interviewees were analyzed to identify any similarities and differences.

The sample mostly comprised business travelers, with a ratio of business to leisure travelers of 10:7 (Table 1). Almost all the working professionals traveled for business purposes, as their company required them to do so. It is to be noted that such travelers were reimbursed by their organization for their ticket price and in some cases for their baggage and meals too. It is interesting to note that those traveling for leisure purposes had no specific preference for airlines. The implications of this will be discussed later.

Findings

Price

It was observed that most of the business travelers did not mind paying extra for a better and on-time service.

QR: For business purposes I won't consider price at all as the company pays for me! But when I'm traveling for leisure purposes I will consider the airlines offering a reasonable price given that they fly me on time!

ST: I don’t get too interested in price at all. I’d rather look at the services being provided by them. I think there exists no vast difference in terms of price; almost all of them come under the same price category.

Table 1: Characteristics of the Sample

Participant Identification	Gender	Age	Occupation Status	Type of Traveler
AB	M	Late 30s	Working Professional	Business
CD	M	Early 30s	Working Professional	Leisure
EF	M	Early 40s	Working Professional	Business
GH	M	Early 20s	College Student	Leisure
IJ	F	Mid 20s	College Student	Leisure
KL	M	Late 30s	College Student	Leisure
MN	M	Early 30s	Working Professional	Business
OP	F	Early 30s	Working Professional	Leisure
QR	M	Late 30s	Working Professional	Business
ST	F	Late 30s	Working Professional	Business
UV	M	Early 40s	Working Professional	Business
WX	M	Late 40s	Working Professional	Leisure
YZ	F	Mid 20s	College Student	Leisure
Ab	M	Late 20s	Working Professional	Business
Cd	F	Early 30s	Working Professional	Business
PT	M	Mid 30s	Working Professional	Business
Ef	F	Late 20s	Working Professional	Business

Some customers stated that they do not mind paying extra when their company compensates them for their ticket. However, they will be mindful if they have to purchase the ticket by themselves.

AB: When I have to consider price I do; when I don’t have to consider price I don’t. So, if I’m governed by budgetary constraints or company policy, or something like that where price is a consideration, then surely I do look at price, but if I’m in a situation where I can afford to go business class, then I will go; I’ll pay and I won’t mind.

PT: I don’t really care about the price if my company is paying for it, but I do care if I have to pay from my own pocket.

Contrastingly, many of the leisure travelers were found to be majorly governed by the price that they pay.

WX: Of course, ticket cost always matters! It is one of the main factors that influence my decision.

KL: I always choose the airline offering me the cheapest airfare.

YZ: Whichever offers me cheaper I will go for that; as I mostly do leisure travel I have a limited budget as my whole family travels with me.

Safety

Overall, we can say that safety was found to be an important criterion on which flyers base their decision. This holds true for both leisure and business travelers.

MN: The reason for me choosing Qantas over Virgin is the fact that Qantas is considered to more safe; it was declared two–three years ago that Qantas is the safest airline and has not had any record of crashing.

QR: Safety is obviously the biggest factor for me, for which I judge the airline history from the news and media.

YZ: Safety record is very important for me.

In fact, some customers named safety as the first factor that they consider whilst choosing an airline.

AB: So even if prices are really cheap or even if an airline provides me with a more direct route than Air Siberia, I wouldn't take it because it doesn't have a particularly good reputation when it comes to safety.

PT: Safety comes first.

Meals and Entertainment

Meals and entertainment definitely add to the whole flying experience for passengers.

OP: Although I don't choose an airline on the basis of the meals and entertainment provided, somehow at times I feel that the food is not according to my preference. I'd rather stay hungry than eating a meal on a flight!

PT: I like to travel with Thai Airways as they have a very good reputation for serving good food.

AB: The quality of their in-flight entertainment provided, particularly on their Airbus A380 Super Jumbo, is fantastic; maybe I don't think about this while purchasing an airline ticket but this definitely adds to the experience!

Baggage Handling

It was observed that many business flyers travel for the purpose of convenience; hence, they want a hassle-free baggage-handling experience, whereby they do not have to drag their bags from one terminal to another or worry about the safety of their baggage while they are flying. Therefore, in the case of business travelers, this factor was considered to be essential.

EF: Qantas makes it more convenient for me in terms of baggage handling as for connecting flights I don't have to drag my bag from one terminal to the other. Whereas, for other airlines, the same wasn't true. This is one of the reasons for me to choose Qantas over the rest.

PT: I prefer those airlines that help me with my bags. I mean I do not want to drag my bags from one terminal to the other. This will be the case if I have to travel to Hobart via Sydney airport.

Comfort

Going by the majority, this factor was not considered to be the factor primarily determining flyers' choice of airline.

UV: I don't think there's much difference with regard to this factor. All airlines I have traveled by so far follow a standard seating space. So that doesn't affect my decision as such.

Cd: Comfort doesn't matter in choosing which airlines to travel.

On the other hand, Ab gave an extreme opinion by saying that most of the airlines today do not provide enough leg room and this may be not be good for passengers' health as proper blood circulation is restricted on long-haul flights.

Frequent-Flyer Programs (FFPs)

It was noted that if a passenger was a member of a frequent-flyer program with a particular airline, they were highly likely to travel with the same airline repeatedly. As flyers receive added benefits from such programs, they prefer to travel with their airline only. This was especially true in the case of business travelers, for whom it was observed that their companies had made them register with a loyalty program of a particular airline.

AB: Even if I have to pay a higher price, I fly by Virgin as I already have their loyalty card.

ST: My favorite airline differs from the one I usually travel with. This is wholly because I have the frequent-flyer program with Qantas.

Flight Duration

It can be said that the shorter the journey, the more likely it is that passengers will choose a particular airline.

PT: If I could choose, I will choose the shorter one.

AB: I am someone who flies and likes to get to my destination as quickly as possible, so if an airline offers a more direct route I will probably take it.

Ef: My time is precious and when I'm traveling for business purposes that's the only thing that I am guided by; hence, I select the airline offering the most direct route.

It was noticed that many of the participants would not mind paying extra if they had a shorter flight duration; as most of them traveled for business purposes, it made sense for them to save time rather than money.

Punctuality

Timely take-off and landing and no cancellations or delays were preferred by all the passengers and their perceived image of airlines helped them to decide on an airline. This was regarded as one of the key factors encouraging flyers to choose an airline.

QR: Their record and reputation in terms of their on-time arrival and departure matter a lot to me.

AB: The best thing about Qantas is that there is no delay from their end. I have been traveling regularly with Qantas (13-14times) and their maximum delay has been for 15 minutes. I do not quite like being delayed; this is one thing that I don't appreciate at all! If an airline can't stick to their mentioned schedule I will fly with another airline.

Ef: Some airlines are not particular about their timings, which I don't quite like. But Virgin seems to be very accurate when it comes to punctuality, which I like very much. This makes them much more reliable for me.

Availability of Seats

It is unnecessary to say that if seats are not available, passengers will be forced to choose another airline. Hence, airlines must allocate due weight to this factor by managing the traffic to certain destinations effectively, perhaps by increasing the number of flights on routes with a higher demand. This is a factor that is certain to make customers switch.

UV: I love traveling by Virgin, but if I have to go to a conference in say Mexico and Virgin doesn't take me there, then I'd be forced to choose some other airline.

Ef: Virgin is my first choice. But as Virgin is becoming popular, sometimes their flights are full, so I'll straightaway go to Qantas!

QR: If it's an important meeting that must be attended, I have to get where I want, irrespective of the airline I travel with or the price that I pay.

Customer Service

This refers to the friendliness, responsiveness, adaptability, assistance quality, and so on of the ground and in-flight staff or crew. It was found to be a driving factor leading customers to choose an airline.

EF: Virgin offers genuine customer service, generally more friendly and customer-centric and probably a bit more modern. It definitely adds to the experience. … Unfortunately Qantas is not quite as friendly as Virgin; that's the reason for me choosing them repeatedly.

CD: Polite staff would affect my decision as I don't like to be treated badly. I would want prompt service.

PT: Many top airlines are well known for good customer service … like Singapore and Thai airlines. I tend to go with these companies as they have better food and service.

Discussion and Recommendations

The findings were found to be in line with the Kano Model. It classifies customer preferences into different categories (Table 2).

1. ***Performance*** is the main point of assessment and is often called "one-dimensional" because the better it is executed, the more satisfied the customers are.
2. ***Basic or must be*** qualities are the requirements that the customers expect and are taken for granted. If performed well, they do not affect customer satisfaction, but customer satisfaction is damaged if they are performed poorly.
3. ***Delighters*** are the requirements that are unexpected and pleasant innovations. They delight the customer when present but do not cause dissatisfaction if they are missing.
4. ***Not significant*** is the aspect that has very low or no impact to the customer.

Table 2: The Kano Model - Business and Leisure Travelers

Gender of customer	Delighters	Performance	Must Be	Not significant
Business travelers	Customer service	Loyalty programs	Punctuality	
	Price	Frequency of flights		
	Flight Duration	Safety		
	Availability of Seats	Baggage handling		
		Comfort		
		Meals and Entertainment		
Leisure travelers	Loyalty programs	Punctuality	Price	Frequency of flights
	Comfort	Safety		
	Meals and Entertainment	Customer service		
	Flight Duration	Baggage handling		
	Availability of Seats			

Overall, it was found that timeliness primarily affects business travelers' purchase decision, followed by loyalty programs and frequency of flights, safety, effectiveness at baggage handling, customer service, and price. Conversely, in the case of leisure travelers, price is the key determinant of airline choice, followed by safety, timeliness, effective customer service, and baggage handling. These factors affect the passengers' levels of intention to purchase.

Business Travelers

Despite Suzuki's (2007) conclusion that price is one of the most significant factors affecting flyers' choice of airline, it was observed that many of the business travelers do not mind paying extra for a better and on-time service. As stated by a customer, "I don't get too interested in price at all. I'd rather look at the services being provided by them. I think there exists no vast difference in terms of price; almost all of them come under the same price category." On the other hand, safety was found to be an important criterion on which flyers base their decision. This holds true for both leisure and business travelers. For instance, "The reason for me choosing Qantas over Virgin is the fact that Qantas is considered to more safe; it was declared two-three years ago that Qantas is the safest airline and has not had any record of crashing."

It was observed that many business flyers travel for the purpose of convenience; hence, they want a hassle-free baggage-handling experience in which they do not have to drag their bags from one terminal to another or worry about the safety of their baggage while they are flying. This finding is confirmed by Dolnicar et al. (2011), who note that frequent-flyer programs are one of the most significant factors that lead to the intention to purchase in the case of business travelers. Hence, in the case of business travelers, this factor is considered to be essential.

Additionally, it was noted that if a passenger is a member of a frequent-flyer program with a particular airline, then they are highly likely to travel with the same airline repeatedly. As flyers gain added benefits from such programs, they prefer to travel with their airline only. This is especially true in the case of business travelers, for whom it was observed that their companies had made them register with the loyalty program of a particular airline. For example, "Even if I have to pay a higher price, I fly by Virgin as I already have their loyalty card."

Many of the business customers would not mind paying extra if they have a shorter flight duration; as most of them travel for business purposes, it made sense for them to save time rather than money. As mentioned by AB, "I am someone who flies and likes to get to my destination as quickly as possible, so if an airline offers a more direct route I will probably take it."Nako (1992) and Tolpa (2012) support this outcome by stating that in-flight duration is one of the factors that contribute to the decision-making process of air travelers. In terms of customer service, this was found to be a driving factor leading customers to choose an airline. As stated by a customer, "Virgin offers genuine customer service, generally more friendly and customer centric and probably a bit more modern. It definitely adds to the experience. … Unfortunately Qantas is not quite as friendly as Virgin; that's the reason for me choosing them repeatedly."

Leisure Travelers

Many of the leisure travelers were found to be majorly governed by the price that they pay. For example, "I always choose the airline offering me the cheapest airfare."A similar finding by Dolnicar et al. (2011) states that leisure travelers consider the ticket price to be the major factor when choosing an airline. In terms of safety, leisure travelers value their safety, like business travelers. YZ mentioned that "Safety record is very important for me."

Meals, in-flight entertainment, and leg room, although considered to be factors influencing their decision, simply "add on" to the experience rather than causing flyers to choose an airline wholly on the basis of them and are least likely to make flyers switch from one brand to another. As stated by a customer, "The quality of their in-flight entertainment provided, particularly on their Airbus A380 Super Jumbo, is fantastic; maybe I don't think about this while purchasing an airline ticket but this definitely adds to the experience!"

It can be said that the shorter the duration, the more likely it is that passengers will choose a particular airline. Additionally, timely take-off and landing and no cancellations or delays are preferred by all passengers and their perceived image of an airline aids them in choosing an airline. This was regarded as one of the key factors encouraging flyers to choose an airline.

Implications for Airline Managers

Regarding loyalty, the sample can be considered to behave loyally, as the respondents repeatedly travel with a particular airline (repurchase), not necessarily due to superior services but because they are members of the frequent-flyer program, which gives them additional benefits. It was also noticed that if their preferred brand does not satisfy the aforementioned factors, then the customer is likely to "switch."

Some factors clearly emerged as being associated with high customer loyalty (i.e. behavioral). Hence, it is advisable to manage such factors proactively to induce high levels of behavioral loyalty among customers. If they are well managed, flyers will repeatedly choose a particular airline when they travel. For example:

EF: I probably wouldn't switch because by giving the same they aren't adding to my value, so they have to offer something beyond what I'm currently getting to switch. But I MAY consider it, if they offer something that appeals to me.

From the findings, we infer that business travelers are ready to pay a higher price if they save time and the airline is perceived to be safe. Even among leisure travelers, timeliness and safety rank highly. QR, on being asked about the one area that he would want the industry to improve upon, answered "Consistency in sticking to the flight times, being on-time, otherwise they do a pretty good job!" AB, when asked about the likelihood of switching to another airline if his brand commits an error, stated that "If there is some delay in the schedule then I would probably forgive them for the first time provided they give me the reasons for the delay or compensate for the same in some way or other. Because you know what, it happens in all airlines, and sometimes it is legitimately not their fault. But if they take the lead and they keep you informed or apologize then I won't switch."

In the light of the above findings, it is highly recommended that airlines today should adhere to their promised flight schedule as much as possible and have better connectivity of routes, thereby offering more direct and shorter flights; they should also have a proper safety management program in place, so that their brand image is not associated with any crashes or accidents. Moreover, if any glitches do occur, there should be a robust quality of service that should be meted out to passengers.

Future Research

This study leaves room for development on many grounds and thereby provides scope for further investigation by other researchers. The proposed model has been developed in the airline industry; a similar approach could be replicated to analyze consumer behavior in other service industries as well.

Furthermore, the validity of the findings could be increased by using an actual behavioral measure, rather than a stated measure, of behavioral loyalty. This, however, is currently impossible to achieve. It would require access to actual flight data for each individual. Such data could only partially be provided by airline alliances, given that not all airlines are members of an alliance. Finally, given the importance of membership of a frequent-flyer program for airline loyalty among business travelers, it will be of great interest to investigate in the future how passengers can be attracted to join a frequent-flyer program and how their membership can best be maintained over an extended period of time.

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