

RESEARCH AND ANALYSIS OF INDIAN AIRLINE INDUSTRY WITH PRICES AND SERVICES AS THE MAIN CRITERIA

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ABSTRACT

Indian aviation industry has changed to a more open and investment friendly sector. It plays a greater role in the development of the Indian economy. The increase in the income of people, entry of low cost carriers (LCC), FDI, new government policies, growth in other business, globalization etc. are reasons for the growth of the Indian aviation industry. The aviation sector in India is expected to have a bright future. The report gives information on different aspects of the Indian aviation industry. For simplicity it is divided into two parts i.e. prices and services. Pricing and service quality are the key variables that decide the brand equity of each player in the airline industry. Existing literature suggests that measurement and management of service quality is the key for survival of airline companies. This research paper examines the service quality delivered by major airlines in India on the backdrop of stiff competition in the airline service sector. Through this paper, we have drawn certain conclusions through imperative study from the consumer's point of view of how consumers react towards the change in airfares and the services offered by different airlines such as luggage facilities. Moreover, airlines being an important aspect and a useful resource to the economy, what changes does the rise and fall of airfares and change in facilities cause to the economy and its people is the other focus of this research paper. Furthermore, this paper highlights all the factors and the consumer reactions based upon the demand for different airline companies under different economic moods and circumstances.

KEYWORDS: Airlines, Consumers, Price, Services, Economy, Aviation Industry, Competition, Airfares.

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INTRODUCTION

A nation's service sector plays an integral role in the growth and development of an economy, specifically transportation and communication. According to the —Indian Aerospace Industry Analysis report, in terms of passenger traffic, India is currently ranked as the ninth largest aviation market in the world.

Indian aviation industry is one of the fastest growing sectors in the world. With regards to air cargo tonnage, India leads the South Asian region consisting of Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka. Currently, India has 128 airports -including 15 international airports. Till 1991, the only the transportation sector in India has enjoyed monopoly in its operations and businesses and therefore could dictate and lay down its own terms and conditions to its passengers who had no other choice but to accept whatever has been made available to them irrespective of the factors such as quality of service, pricing, hospitality and comfort.

Now days, passengers have become very selective and choosy about where they spend their hard-earned money or Income. If they decided to take a trip- be it any destination in the world, they want it to be a great experience for them and consequently the airlines have to get with the program and look at the entire thing from the passengers 'perspective. Different consumers have different needs and so are their preferences. Most of the consumers in India want to travel at cheap airfares while the rest seek to have a comfortable journey through having and experiencing good and healthy food, calming ambiances, quality service and management.

It is very evident that where there is competition, there is a race for being the best among rest and to get an edge over others. In this context, often the airline companies use cheap cost strategies to attract the customers. Indigo is the king of the market in Indian airlines industry however it started its company in the year 2006. Now these days spice- jet is also using pricing strategy to boost its sales. Spice Jet has announced yet another discounted scheme that offers 10 lakh tickets at prices as low as Rs 999. These are certain tactics that are used by the airline companies to attract consumers and in order to attain a very huge market share. On the other hand there are many airlines like Lufthansa, Emirates and Etihad which are truly dedicated and focused towards their services. They provide many services to attract customers like:

- Passenger Handling
- Ramp Handling
- Cargo Handling & Warehousing
- Technical Assistance
- Engineering /Allied Services
- Ease of ticketing.

These all services and price factors hugely affect consumer preference for choosing an airline as they happen to occupy a major portion of consumer satisfaction as far as preference for airlines is in the limelight.

This study has been undertaken to find out the passengers' perception regarding the service quality and their reactions towards fluctuation in airfares. Also, to dawn upon the other main reasons beside the pricing and service factors that happen to influence the consumers the most. Moreover, the intention to carry out this research is to gain thorough knowledge and idea about the Indian Aviation Industry, airline strategies towards improving services and price fixation and the consequent effects on the consumers.

OBJECTIVES OF THE STUDY

The objectives of this study includes the following bases:

- 1) To examine the satisfaction of passengers on price and service of different airlines.
- 2) To critically evaluate how the Indian aviation Industry has contributed to the development of the Indian Economy.
- 3) To determine the factors which enable a passenger to choose a particular airlines besides the airfare and services offered by the airlines.
- 4) To study the reactions of non-airline passengers towards the change in the airfares, service parameters and other important aspects of the aviation sector of India.
- 5) To review the customer choices and preferences which they demand from the aviation industry.

LITERATURE REVIEW

- 1) Dennett, Ineson, Stone, and Colgate (2000) suggest that as competition created by deregulation has become more intense, service quality in the airline industry has also received more attention.
- 2) Airline companies also attempted to differentiate their services through the use of computerized reservation systems which were also designed to create customer loyalty in the distribution channels (Lee and Cunningham, 1996).
- 3) Efforts to differentiate their services, an extensive survey of frequent fliers conducted by Ott (1993) revealed that consumers did not perceive any difference from one carrier to another.
- 4) Cronin and Taylor (1992) originate empirical provision for the idea that perceived service quality led to satisfaction and argued that service quality was actually an antecedent of consumer satisfaction.
- 5) Bitner and Hubbert (1994) determined that service encounter satisfaction was quite distinct from overall satisfaction and perceived quality. Service quality will vary; the definitions are all formulated from the customer perspective: that is, what customers perceive are important dimensions of quality.
- 6) Gronroos (1982) and Parasuraman, Zeithaml and Berry (1988) were the pioneers in the conceptualization of the service quality construct, these authors maintained that the overall perception of quality was a disconfirmation of a customer's expectation and evaluation of a services delivered.
- 7) Saha and Theingi (2009) pointed out that the emergence of low cost airlines has raised concerns on how satisfied are the customers with the services provided.
- 8) Doyle and Wong (1998) originate that successful companies have a differential advantage in overall company reputation and communicate it as quality to their customers
- 9) It is found that the most important criterion for customers selecting a bank is reputation (Boyd et al., 1994; Darby, 1999) while Roberson (1983) stated that good reputation could increase an organization's sales, attract more customers, and reduce customer departures.

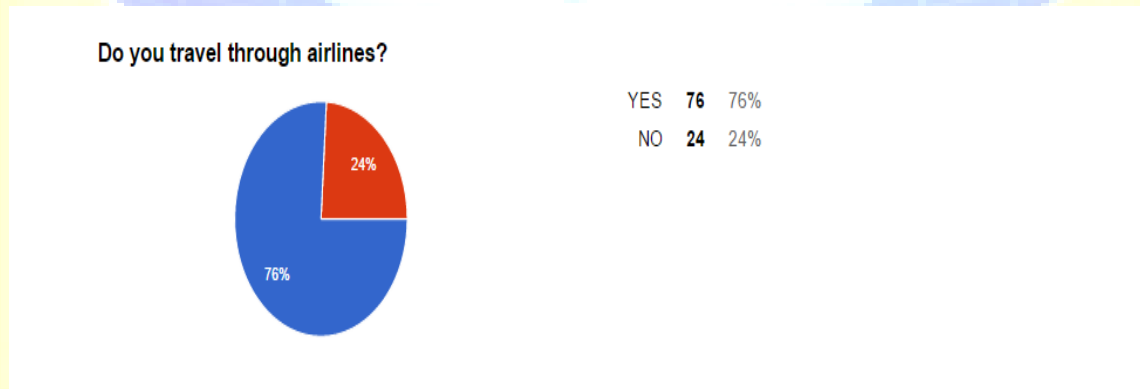
- 10) Maintaining quality are the main concerns of business today. Providing quality is not a concern of manufacturing companies alone. The delivery of high-quality service becomes a marketing requirement among air carriers as a result of competitive pressure (Ostrowski et al., 1993).
- 11) Chang and Keller (2002) argue that quality in airline service is difficult to describe and measure due to its heterogeneity, intangibility, and inseparability, and only the customer can truly define service quality in the airline industry
- 12) Previous airline service studies are concentrated in modeling the effect of perceived service quality at the aggregate construct level, though examining the effects of individual dimensions of service attributes has potentially great utility for airline managers(Patterson & Spreng, 1997).
- 13) The perceptions of airline service quality are quite diverse and do not seem to fit any single existing quality model such as the service quality (Haynes & Percy, 1994).
- 14) Davidson (1978), discussed in his research the importance of managing customer contacts specifically in the service industries. The reason that was provided for managing the contacts was to increase customer loyalty, promote repeat purchase of the services as well as to create a position for the company in the market specific to the perceptions of the customers about the company and its service quality standards.
- 15) Research by Oyewole in 2002 also highlighted that moods and quality of life can also greatly influence the satisfaction level of the customer. The moods of the customer as well as the quality of life “tend to have significant influence on the level of satisfaction with services in the airline industry. However, some elementary services tend to be more influenced than others by these affective states of the consumer.” As a result the airlines, specifically Singapore Airlines tries to improve the mood of the customers with specially designed in flight facilities and services.
- 16) The aviation industry has been identified as one of the more intangible service industries (Clemes, Gan, Kao and Choong, 2008) and plays an important role in the global economy (Tiernan, Rhoades and Waguespack, 2008).
- 17) Service quality is considered as a critical dimension of competitiveness (Lewis, 1989). Providing excellent service quality and high customer satisfaction is the important issue and challenge facing the contemporary service industry (Hung et al., 2003).

- 18) Service quality is an important subject in both the public and private sectors, in business and service industries (Zahari et al., 2008). It is the extent to which a service meets or exceeds customer needs and expectations. During the past two decades, service quality has become a major area of attention to practitioners, managers and researchers because of its strong impact on business performance, lower costs, and return on investment, customer satisfaction, customer loyalty and gaining higher profit
- 19) The rapid development and competition of service quality, in both developed and developing countries has made it important for companies to measure and evaluate the quality of service encounters (Brown and Bitner, 2007).
- 20) Several conceptual models have been developed by different researchers for measuring service quality. It is envisaged that conceptual models in service quality enable management to identify quality problems and thus help in planning for the launch of a quality improvement program, thereby improving the efficiency, profitability and overall performance (Seth and Deshmukh, 2005). There are two main aspects that describe and affect both service quality; the actual service customers expected (expected service) and services perceived (perceived service).
- 21) Dr. Sherry Robert (2007), in his research paper Liberalization of the Indian aviation Industry, discussed that India's airline passengers began enjoying the benefit of choice because Indian carriers quadrupled in number. As if that was not enough, the country recorded a twenty two percent increase in passenger traffic.
- 22) Cronin and Taylor (1992) originate empirical provision for the idea that perceived service quality led to satisfaction and argued that service quality was actually an antecedent of customer satisfaction.
- 23) The perceptions of airline service quality are quite diverse and do not seem to fit any single existing quality model such as the service quality (Haynes & Percy, 1994).
- 24) According to the study (Monday, Jul 23, 2007) India Flies to the Top League in Aviation by, Mr. V. JAYANTH, most of the Airlines in India placed orders for Airbus of different models. To meet their current market demand, most airlines have taken aircraft on lease. At the time when mergers and acquisitions have become the market, trend even in the aviation sector, Air India and Indian Airlines integrate to become potentially one of the largest airlines in the world.

- 25) Understanding, building, and maintaining quality is the main concerns of businesses today. Providing quality is not a concern of manufacturing companies alone. Delivering quality service is also important for many service firms (Akan, 1995).
- 26) Escobari and Gan (2007) studied price dispersion where capacity costs are higher with uncertain demand. They used United States (US) airline data and observed that the second degree price discrimination is applicable when offering advanced discounts on purchase.
- 27) Air transport punctuality, along with scheduling, food quality, cost, frequency, baggage delivery, cabin service, and membership of airline alliances are usually seem as the main elements of customer service (Weber and Sparks, 2004).
- 28) Understanding what consumers expect from a service organization is important because expectations provide a standard of comparison against which consumers judge an organization's performance (Jin and Julie, 2000). To do this, carriers introduced the concept of low cost carriers.

RESULT AND ANALYSIS

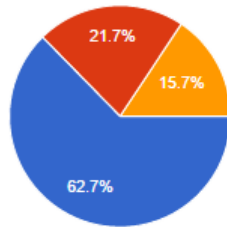
FIGURE: 1



Out of the total respondents, there are 76% of people who commute via airlines whereas 24% of the people do not.

FIGURE: 2

If your answer to the previous question is yes, then which class you travel in?

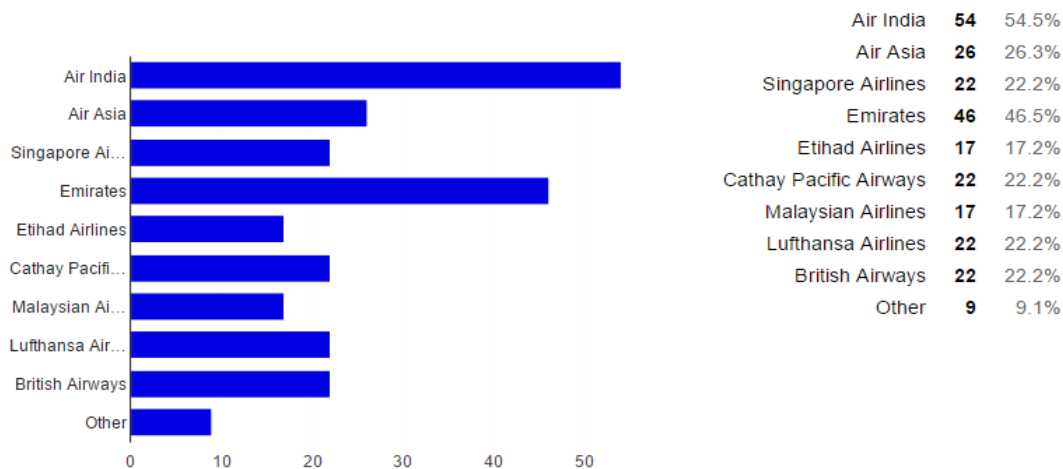


Economy Class	52	62.7%
Business Class	18	21.7%
First Class	13	15.7%

With a major proportion, 62.7% of the airline passengers travel through Economy Class followed by 21.7% who opt for Business Class. There are 15.7% of the passengers who travel through the First Class.

FIGURE:

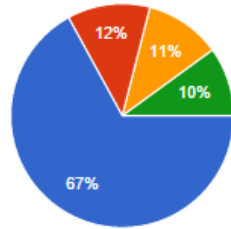
Which airline according to you is the best among the rest? (Select any 3)



As far as the airline choice is concerned, with 54.5% of the votes Air India is the most preferred one followed by Emirates with 46.5% votes and Air Asia with 26.3% votes. There are four airline companies with same votes of 22.2% which are Singapore Airlines, Lufthansa Airlines, British Airways and Cathay Pacific Airways. Both Etihad Airlines and Malaysian Airlines constitute of 17.2% votes and preference.

FIGURE: 4

What is your main purpose of travel?

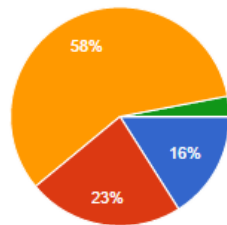


Vacation/Leisure	67	67%
Business Trips	12	12%
Study Trips	11	11%
Short Breaks	10	10%

The main purpose of travelling includes Vacation/Leisure with 67% votes followed by 12% of the passengers who travel for Business Trips. While 11% of passengers travel through airlines for study trips, there are only 10% of passengers who travel for short breaks.

FIGURE: 5

On what basis do you prefer an airline?

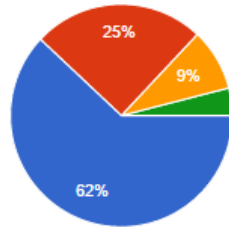


Prices	16	16%
Services	23	23%
Both Prices and Services	58	58%
None of the above	3	3%

There are 23% of the airline passengers who prefer an airline depending upon the quality of service it offers followed by 16% passengers who get highly affected by the prices or airfares of the airlines which consequently affects the choice of airline too. Moreover, there are 58% of the passengers who prefer a decent combination of both Prices and Services followed by 3% who aren't affected at all.

FIGURE: 6

Choose a range of airfare you would opt for/ usually travel in. (Budget of a round-way trip)

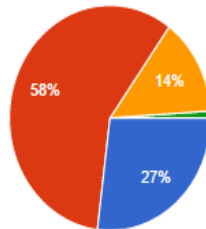


Rs.20,000- Rs.50,000	62	62%
Rs.50,000- Rs,1,00,000	25	25%
Rs.1,00,000- Rs.1,50,000	9	9%
Rs.1,50,000- Rs.2,00,000	4	4%

As far as the budget is in the limelight, 62% of the passengers spend around Rs 20,000- Rs 50,000 for a round-way trip whereas the category of Rs 50,000- Rs 1,00,000 is preferred by 25% of the passengers. The proportion keeps on declining as the budget increases as only 9% of the passengers opt for a budget of Rs 1,00,000- Rs 1,50,000 whereas only 4% choose the category of Rs 1,50,000- Rs 2,00,00.

FIGURE: 7

By which means do you book your air tickets?

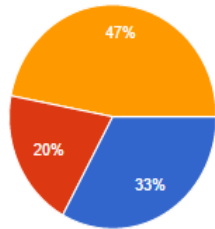


Travel Agent	27	27%
Online travel company sites	58	58%
Airline Company	14	14%
Airline Carrier	1	1%

The survey says that 58% of the passengers book their air tickets through online travel company sites like makemytrip.com and yatra.com while 27% of the passengers hire a travel agent for the same. Also, 14% of the air passengers book their tickets through the concerned airline company and a negligible proportion of 1% book through the airline carrier.

FIGURE: 8

If airfare of a particular airline you prefer the most increases, will you still book that particular airline?

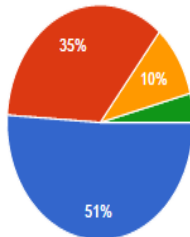


Yes	33	33%
No	20	20%
May Be	47	47%

Talking of brand loyalty, 33% of passengers stick to the brand they prefer the most always even if its airfare increases while 20% are not at all brand loyal. With a large proportion, 47% of the passengers may or may not book the same airline if its airfare increases.

FIGURE: 9

What are the on-board services you look up the most for?

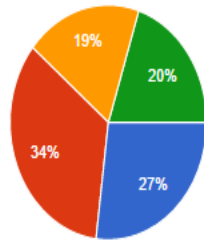


Staff Behavior and Assistance	51	51%
Food and Beverages	35	35%
Specific Facilities (Blanket, Magazine, Cushion)	10	10%
Other	4	4%

As far as the onboard services are concerned, 51% of the passengers are highly affected by the Staff Behavior and Assistance while on the other hand, 35% of the passengers opt for the quality of Food and Beverages. Specific Facilities (like Blanket, Magazine, and Cushion) and other facilities are chosen up by the 10% and 4% of the passengers respectively.

FIGURE: 10

What are the off-board services you look up the most for?

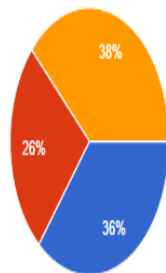


Check-in facilities	27	27%
Luggage facilities	34	34%
Confirmation Calls and Emails	19	19%
Queries and Customer care services	20	20%

Talking about Off-board services, with 34% the Luggage Facilities become the most preferred type of service followed by Check-in facilities with 27% of votes. Further, with 20% of the votes, Queries and Customer care services are also looked up the most while 19% votes constitute to the Confirmation Calls and Emails.

FIGURE: 11

What extra services you expect the aviation sector to include under their operation?

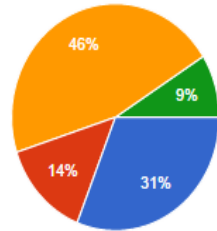


Cleanliness and Hygiene in flight and airport area	36	36%
More helpful air staff	26	26%
Management of Waiting Time of the passengers who are all ready to board the flight	38	38%
Other	0	0%

With cleanliness and hygiene becoming an emerging concern for all, 36% support and demand for a clean and hygiene area in and around the flight and airport while 38% expect the Indian Aviation to manage the waiting time of the passengers who are ready to board the flight. On the other hand, 26% seek for a better and more helpful air staff.

FIGURE: 12

Considering all other factors as equal, which in-flight communication facility is more important to you?

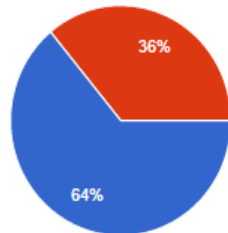


Broadband Internet Access	31	31%
In-flight Mobile Telephone	14	14%
Both	46	46%
Neither	9	9%

For the in-flight communication facility, 31% of the passengers opt for Broadband Internet Access while 14% of the passengers vote for In-flight Mobile Telephone. With a major proportion, 46% seek for a combination of both the facilities while 9% do not want either of them.

FIGURE: 13

Are you ready to pay extra price for better or extra service provided by the airline?

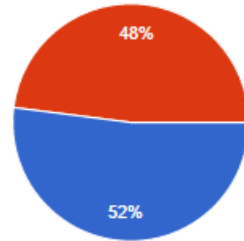


Yes	64	64%
No	36	36%

To acquire an extra service by the airlines, 64% of the passengers are ready to pay extra amount for the same while 36% of the passengers are not ready to pay extra.

FIGURE: 14

Do you think lowering its airfares, an airline can sustain for long?



Yes	52	52%
No	48	48%

Talking of the longevity and stability of an airline company in the market, 52% of the passengers say that if it keeps on lowering down its airfares it can sustain for long in the market while 48% of the passengers strictly oppose this thought.

LIMITATIONS

Although the present study took a positive approach in reviewing previous literature of perceived service quality for frill and no frill carriers and a comparative analysis of the relationship among them using advanced statistical tools, there are some limitations worth acknowledging. These include considering low cost and full cost airlines in general rather than taking particular cases of airlines. Future research may consider a comparative analysis of the two types of airlines taking case studies of airlines from the two categories. Researchers may also take up future research to analysis the difference in consumer's propensity to complain a service failure in the two types of carriers. It would be interesting to understand if the passengers of low cost airlines complains in case of service failure or is it a phenomenon popular in full service carriers alone?

The target group comprises young professionals, who have either recently entered to professional life or are about to graduate from universities and already have vast working experience. Their preferences may change over time and with the development of their careers. Further research can evaluate both expectations and perception of service quality and price strategy within a single airline, by measuring the importance of service attributes to customers and then customer Satisfaction of an airline performance of each attribute.

Another opportunity for further investigation is new services development in airline industry, briefly addressed in this study. Social media has offered new opportunities to involve the customer in creation of his or her own travel experience, and more research would help shaping better understanding on how those new services impact customer satisfaction.

This study attempted to introduce the process model of airline services, and this approach could be further improved and developed as well as applied to other industries.

CONCLUSION

The healthy competition of domestic airlines has set new trends in the quality of service. Previously in the monopolistic environment of Indian Airlines the quality and the desire to win over the constraints was totally dismal. Hence today it is a matter of great significance that the Indian Airlines staff now cares about the passenger comfort and takes pains to see that the flight is on time. The passengers have more concern towards staff behavior and their assistance

Also we get to know mostly people book their tickets online. In terms of longevity and stability customers perception is that the low cost carriers will see a drastic growth in aviation industry. other areas are to be investigated to find feasible solution so that customer loyalty can be won by the airline industry. Furthermore, it is important to bring forth that the overall dissatisfaction of the consumer is increasing by the year. It is now time that all the stakeholders of the airline industry not only from the U.S. and Europe but from all over the world sat together, not for the sake of sitting only, but to find out the practical solution for these problems. It is important if they really wish to continue to prosper. Although the future conditions for air travel are promising, there is no doubt that that if they problems faced by the consumers are also mounting by the year.

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ANNEXURE

Do you travel through airlines? *

- YES
- NO

If your answer to the previous question is yes, then which class you travel in?

- Economy Class
- Business Class
- First Class

Which airline according to you is the best among the rest? (Select any 3) *

- Air India
- Air Asia
- Singapore Airlines
- Emirates
- Etihad Airlines
- Cathay Pacific Airways
- Malaysian Airlines
- Lufthansa Airlines
- British Airways
- Other:

What is your main purpose of travel? *

- Vacation/Leisure
- Business Trips
- Study Trips
- Short Breaks

On what basis do you prefer an airline? *

- Prices
- Services
- Both Prices and Services
- None of the above

Choose a range of airfare you would opt for/ usually travel in. (Budget of a round-way trip) *

- Rs.20,000- Rs.50,000
- Rs.50,000- Rs.1,00,000
- Rs.1,00,000- Rs.1,50,000
- Rs.1,50,000- Rs.2,00,000

By which means do you book your air tickets? *

- Travel Agent
- Online travel company sites
- Airline Company
- Airline Carrier

If airfare of a particular airline you prefer the most increases, will you still book that particular airline? *

- Yes
- No
- May Be

What are the on-board services you look up the most for? *

- Staff Behavior and Assistance
- Food and Beverages
- Specific Facilities (Blanket, Magazine, Cushion)
- Other:

What are the off -board services you look up the most for? *

- Check-in facilities
- Luggage facilities
- Confirmation Calls and Emails
- Queries and Customer care services

What extra services you expect the aviation sector to include under their operation? *

- Cleanliness and Hygiene in flight and airport area
- More helpful air staff
- Management of Waiting Time of the passengers who are all ready to board the flight

- Other:

Considering all other factors as equal, which in-flight communication facility is more important to you? *

- Broadband Internet Access
- In-flight Mobile Telephone
- Both
- Neither

Are you ready to pay extra price for better or extra service provided by the airline? *

- Yes
- No

Do you think lowering its airfares, an airline can sustain for long? *

- Yes
- No

