

Enhancing Service Quality & Reviving Competitiveness of Pakistan International Airline

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Abstract

The underlying aim of this research article is to gain insights into prevailing level of the service quality of Pakistan International Airline (PIA). Service Quality of any airline is an established forerunner of passenger satisfaction and passenger loyalty. Passengers' and front line employees' perceptions on various dimensions of the service quality were obtained through self-administered questionnaires and the factors antecedents to passenger loyalty were determined. The key findings of the research confirm that PIA service quality is near to average which shows a waning state of its passenger satisfaction and loyalty. The Research not only enriches the existing literature in services marketing and consumer behavior rather it also contributes in facilitating PIA administration in their efforts to rebuild their customer relationship thereby repositioning airline in its strategic group.

Keywords: Service Quality, Competitiveness, Pakistan international airline

A glance over the performance pattern of the world airline industry reveals that it operates in a pattern of perpetual cyclicity that depicts spells of strong demand and high profits followed by periods of weak demand and weak return and vice versa. Airlines having focused on passenger satisfaction have considerably achieved profitable growth (Accenture, 2013). However, air lines with sustained growth are those who keep their customer satisfaction top priority and profitable growth is followed automatically. The customer focused industry's competitiveness helped customers to find new ways of booking their flights, remaining digital and updated about the route map even while in the air. The innovative solutions have helped airlines increase industry

differentiation; affect variable costs; upgrade capabilities; enhance operational effectiveness and improve customer centricity through managing sophisticated customer data models and analytics. These innovative solutions using digital technology create better tools to reduce sales cycles and gather real time customer insights at the time of their purchase decisions thereby helped airlines improve performance, increase differentiation, strengthen relationships with customers, and improve profitability and competitive position.

In 2003, Accenture (2003) after examining performance of more than 6,000 companies along five performance key dimensions; profitability, growth, positioning for the future, longevity and consistency found that common competitive essence of the top companies was made up of three building blocks of high performance: Market focus and position, Distinctive capabilities, and Performance anatomy. High-performance businesses know when and where to compete and how to build customer loyalty through customer relationship to enhance competitiveness. In Through the airline industry, this means proving market dominance in two key ways—by generating more revenue and by penetrating markets more successfully than competitors. According to Erick Henckels (2010) in the global air industry market 2000 Airlines were operating more than 23,000 aircrafts, providing service to over 3700 airports and carried over 2 billion passengers. Such a huge number of competitors operating in hyper competitive environment represent a red ocean that is eating up weaker air lines and swelling the profit volume of strong air lines. Here the surviving fittest company is the one that is able to retain its customers on one hand and attract others passengers on the other. The sustained performance hinges beyond the notion of customer attraction rather customer satisfaction to customer loyalty.

Today the old notion of transporting passengers to their destinations safely and serving food and beverages along the way is not all about the customer relationship rather there is much more needed to generate customer loyalty. The today airlines industry

marked with stiffer competitive environment in a global economic downturn, the recipe for competitive advantage passes through prudent customer-centric investments in marketing, sales and distribution channels, understanding passengers' needs and preferences along the entire value chain of travelling—from pre-book planning to services upon arrival. Therefore, the ultimate challenge for airlines is selling the most tickets at the highest price and targeting the right consumers, leading to price discrimination where passengers pay different prices for the exact same route and service. Airlines face additional pressure to fill seats because empty seats are considered perishable goods, with the aircraft flying even when seats are still available.

Pakistan International Airline (PIA), Pakistan's flag carrier which was founded over the wreckage of few piston engines of a tiny Orient Airways in 1954 and surfaced at international arena as a fast growing airline with highly skilled and competitive spirit organization. Its success stories includes; the first Asian Airline in 1960 that operated a pure jet passenger aircraft Boeing 707 on the Karachi-London sector, the first non-communist airline operating a flight to China and Moscow, having rated as the leading and the most efficient airline for the year 1981 Hajj operation. Despite of all the years of glories and success, the late 1990s saw decline in its growing trend and high rise in operating cost with shrinking returns. Since 2000 the air line's dismal performance has brought it nearly at a stage of bankruptcy. Over the year's successive governments have issued bailout packages through number of financial injections which were doled out to meet the over staffed employees' salaries and managerial pearls and packages but nothing has been done to improve its operational worthiness and revive the passengers trust and satisfaction.

An insight into its recorded performance of the PIA in its annual reports 200 to 2013 and related literature defines the organization with; world highest employees-aircraft ratio, sagging aircrafts with high maintenance cost and rising rate of accidents,

frequent delays and cancellations of flight. Above all, poor service quality and operational ineffectiveness have affected the passengers' confidence and loyalty with the airline. The rising frequency of PIA flights delay and cancellations, norm rather than the exception, is turning passengers' away from the national carrier on one hand and eroding company's image and competitiveness on the other. PIA being a service organization seems to over look the proven relationship between the service quality and customer satisfaction ((Baker-Prewitt, 2000; Kuo, 2003; Gera, 2011) and significance of service quality in attaining and maintaining market share and enhancing return on investment. (Anderson & Zeithaml 1984; Philips, Change & Buzzel, 1983). The relationship between the customer and the service provider holds keys to build organizational image and passengers' loyalty towards it (Brown and Swartz 1989; Crosby 1991; and Crosby and Stephens 1987) therefore, front line employees delivering passengers are rightly called "corporate ambassadors". (Church and Stum, 1990). Hence, there is a dire need from the urgency of situation that PIA shall investigate and analyse prevailing standards of its service quality vis-à-vis passengers' expectations and take measures to fill the gap and build back its dwindling customers trust on immediate footings without any delay.

Foregoing background in view the research article intends to gain insights into relationship between Pakistan Airline (PIA) service quality, passenger satisfaction and passenger loyalty with a view to suggest a model of these three constructs that could help to revive the competitiveness of the airline. The research seeks to answers of the following questions:

- What are the main determinants of airline service quality and passengers loyalty?
- What is the prevailing level of PIA service quality and passenger satisfaction, passenger loyalty?
- What managerial implications towards maintenance and improvement of inner service quality can be inferred from the results of this study?

- How can PIA manage to revive back its passengers flow, rebuild their trust and satisfaction and ingrain passengers’ loyalty so as to improve its performance through service quality which has been dismal over the years?

Salient from Review of Related Literature

Table 1.

Quality / Service Quality –Dependent Variables

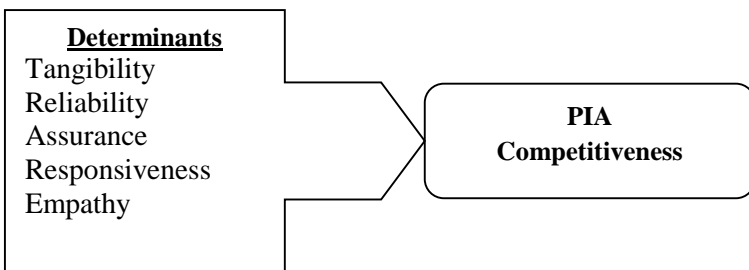
Definition	Author
Quality means best for certain customer conditions such as; the actual use and selling price of the product.	Feigenbaum, 1961
Quality consists of the capacity to satisfy wants.	Edwards, 1968
Quality is the degree to which a specific product satisfies the wants of a specific consumer; Quality is degree to which a specific product conforms to a design or specification.	Gilmore, 1974
Quality is fitness for use	Juran & Bingham, 1974
Quality is the degree of excellence at an acceptable price and the control value of variability at an acceptable cost	Broh 1982
Customers must define (and not the management or operational staff) what the company's quality standards shall be.	Parasuraman et al. 1985
Service quality is the extent of discrepancy between customers’ expectations and their perceptions of the service they actually received. Customer defined service quality standards must be translated into specific operational terms for employees throughout the company	Parasuraman et al. 1988)
Quality of conformance means producing a product to meet the specification.	Parasuraman et al. 1988)
Quality of conformance means producing a product to meet the specification.	Schroeder, 1989 Harris & Gonzalez 1981
Team work and employee participation are crucial to the success of service quality initiatives	Berry & Parasuraman, 1991
Hiring of right persons and appropriate training ensures success of any service quality program.	Hensel, 1990
Core and Peripheral services together combine to form the service package or bundle of customer benefits.	Levitt 1981; Gronroos 1990
Core services relate to the customer benefit received	Gronroos 1990

Table 2.

Service Quality Dimensions- Independent variables

Main Dimensions	Sub-Dimensions / sub factors	Author
Tangibility	Physical outlook/ infrastructure, facilities, equipment, and appearance of personal, elegance, internal and external infrastructure	Parasuraman et at. 1985; ,1988; Lovelock, 1983 ; Garvin 1987; Johnston et al. 1989; Le Blanc 1992
Reliability	Ability to perform the promised service dependably and accurately.	Garvin 1987; Johnston et at. 1989; Misterek et al. 1990; Mersha & Adalkha 1991
Responsiveness	Willingness to help customer and provide prompt service	Garvin 1987; Johnston et at. 1989; Selvestro & Johnston 1990; Le Blanc 1992; Mersha & Adalkha 1991
Assurance	Employees/ staff Knowledge and courtesy in dealing with different wants / desires of customers	Garvin 1987; Johnston et al. 1989; Misterek et al. 1990; Selvestro & Johnston, 1990; Le Blanc 1992; Mersha & Adalkha 1991
Empathy	Individualized / customized Sympathy, compassion, Care an airline provides to its customers.	Johnston et at. 1989; Selvestro & Johnston 1990; Le Blank 1992; Mersha and Adalkha 1991; Aukiran 1994

Theoretical Framework



Research Methodology

The research is descriptive and co-relational in its nature and employs combination of quantitative and qualitative in its approach. The underlying research question around which this research does resolves is to ascertain prevalent level of service quality of PIA as perceived by its passengers and its influence on perceived competitiveness. The research is based on this assumption that service quality results in to enhance degree of competitiveness. In other words this relationship constructs that the perceived airline service quality influences the competitiveness. Basing on the construct PIA service performance is used to measure airline service quality. Passengers were asked to evaluate and describe the level of quality of various services, along the spectrum of PIA value chain as they have experienced in their flight journey. A questionnaire to this effect was prepared by instruments developed by Cronin and Taylor’s (1992) “SERVPERF instrument” and SERVQUAL of service quality (Parasuraman et. al, 1985).

The research population for this study included all the passengers using PIA as their choice to travel. The sample frame, numbers of questionnaire administered and the response received from the target population was:

Table 3.

Sample Information

Population N	Sample n	Questionnaires Administered	Questionnaires received back	Response Rate
Passengers of 10 domestic flights	100	100	95	95%
Passengers of 10 International flights	100	100	90	90%
Total	200	200	185	92.5%

Descriptive Statistics

Respondents of the survey were asked about their age, gender and travel status. As for Age, most of the respondents belonged to middle aged group, followed by age group 20 to 29. The least number of travelers belonged to age group 50-59.

Most of the travelers were male (83.2%) while only 31 (16.8%) were female. The status referred to if the passenger is a first time traveler with PIA or has already travelled with PIA, 33% of the respondents had a already travelled with PIA. A summary of descriptive statistics is presented in the table

Table 4
Descriptive Statistics

Age	Frequency	Percent
20-29	74	40.0
30-39	88	47.6
40-49	12	6.5
50-59	11	5.9
Total	185	100.0
Gender	Frequency	Percent
Male	154	83.2
Female	31	16.8
Total	185	100.0
Travel Status	Frequency	Percent
First Time Traveler	124	67.0
Travelled Already with PIA	61	33.0
Total	185	100.0

Data Analyses and Results

Reliability: The reliability of instrument is defined as the extent to which an instrument *consistently* measures what it is supposed to. Test-retest reliability was measured through pilot testing of the instrument prior to administering it to the target population. If the

Cronbach's Alpha is greater than 70% it suggests that the data found is reliable. In the present investigation Cronbach's Alpha (α) result is tabulated below which clearly indicate that the Cronbach's Alpha is greater than 70%. Hence results are reliable.

Reliability Statistics

To test instrument reliability, Cronbach Alpha's were calculated for the main dimensions. The results reveal acceptable reliability for each dimension verifying the instrument's scaling. Summary of reliability statistics is shown in table 5.

Table 5
Reliability Statistics

Construct	Cronbach's Alpha	No of Items
Service Quality	.947	22
Reliability	.903	5
Responsiveness	.939	4
Assurance	.896	4
Empathy	.888	5
Tangibility	.842	4
Competitiveness	.907	5

Hypotheses Testing

H₁: There is a significantly positive influence of Service Quality on Competitiveness

The hypothesis tests that service quality has a significant influence on competitiveness. The results of hypothesis using regression analysis are summarized in the following table.

Table 6
Regression Analysis

R	R Square	Adjusted R Square	F	Sig.
.727 ^a	.529	.526	205.133	0.00

Model summary statistically explain to 52.6% (Adjusted R-Square) which interpret that 52.6% variance is reported in the dependent variable by the predictor. Table also indicates that independent variable i.e. service quality accounted significant influence on dependent variable i.e. competitiveness $F(1, 183) = 205.133, p < 0.001$. Consequently current results of data point out that service quality really have an effect on the competitiveness.

Managerial Implications

The present research has strong practical implications. First and foremost the research study shows the significant influence of service quality on competitiveness. It also highlights the areas in service quality that needs further improvements. The research has shown significant influence of service quality on competitiveness. This shows that it is imperative for the PIA to make sure that they take initiatives that foster service quality.

Recommendations

The research finds that average service quality is the antecedent of dwindling relationship and waning trust between PIA and its passengers. The PIA management shall need to focus on reviving its service quality standard matching to international ones. The service quality is the proven recipe to revitalize customer satisfaction and nurture to the level of passengers' loyalty. The service quality shall be more than just travel- it shall be an experience of life time where passengers are made to feel like an honored guest, and not just a passenger. These guests shall experience a difference from the time of their arrival at airport, facilitation at their check in counters, courteous reception in the aircraft, serving food with taste and quality of the cuisine, provision of online entertainments and touch of therapeutic massage seats- all exhilarating value addition even above passengers expectation. There is no denying the fact that once PIA is able to revive its service quality above the level of passengers' expectation than there is a bright chance of bringing the national air line back to a strategically

competitive position in the industry. According to Kotler (2012) the service quality depends heavily on the quality of the buyers-sellers interaction during the service encounter. Hence; the PIA, to become a successful service company, shall understand the service-profit chain, which links its profits with frontline employees and customers satisfaction. To sum up the service delivery shall be in a way that it creates and manage passenger experiences with the PIA as a brand.

Conclusion

The overall objective of the research is to find out the influence of service quality on competitiveness. In order to evaluate service quality, passengers of the national carrier were asked questions pertinent to five different dimensions of service quality. Regression analysis revealed a significant positive influence of service quality on competitiveness. This shows that in order for an organization to attain market competitiveness, it will have to focus its energies on improving its service quality. Failure to focus on service quality can seriously harm the competitiveness of a business organization.

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