

# The Relationship between Perception of Service Performance and Customer Loyalty

# A Case Study of Air China

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### 1. INTRODUCTION

# 1.1 China's Airlines Industry

China's state-owned airlines are presently facing with the pressure to improve their marketing, management and service to compete in the market with foreign and private airlines. Private airlines are presently still too small to have a significant impact on China's aviation market. Despite their strong start, the skies are still dominated by state-owned giants such as Air China, China Southern Airlines and China Eastern Airlines.

# 1.2 Statement of Problem

The main research question that this study seeks to answer is: "What are the elationships between customers' perception of service performance, corporate image and customer loyalty?"

The result of the study will be beneficial to Air China in order to understand their customers better and develop its services performance for its future competition in the aviation industry in China.

# 1.3 Research Objectives

- 1. To examine the relationship between customers' perception of service performance on reservation system and customer loyalty to Air China Airlines;
- 2. To examine the relationship between customers' perception of service performance on ground service at departure and customer loyalty to Air China Airlines;
- 3. To examine the relationship between customers' perception of service performance on in-flight service and customer loyalty to Air China Airlines;



- 4. To examine the relationship between customers' perception of service performance on ground service at arrival and customer loyalty to Air China Airlines; and
- 5. To examine the relationship between corporate image and custoemr loyalty to Air China Airlines.

# 1.4 Scope of the Study

The respondents in this study are both males and females who are aged 18 and above and who have used Air China. In this study, the respondents are asked to rate their Air China traveling experiences in regard to reservation system, ground service at departure, in-flight service, ground service at arrival, corporate image and customer loyalty to Air China. The main route is Beijing-Bangkok which related two airports, one is Beijing International Airport, and the other is Suvarnabhumi International Airport.

# 1.5 Limitations of the Study

First of all, the limitation of this research study is that it includes only respondents who have experienced flying with Air China; therefore, the findings cannot be generalized to other respondents who've experienced flying with other airlines. Second, the place of study is limited only to the Suvarnabhumi airport area, thus the results of this study cannot judge the relationship between perception of service performance and customer loyalty as a whole because of those located in other areas of Thailand or any other country. Third, this study is limited in terms of the period of time (March 2012), so the findings cannot be generalized at all times because respondents could always change their minds after a period of time or be influenced by other internal and external motivators.

# 1.6 Significance of the Study

The major research findings and conclusion would be beneficial to marketers who are in the airlines industry to develop a better marketing strategy. It will also provide more accurate measurements to understand and fulfill customer's needs in order to gain more competitive advantages in the future.

Moreover, marketers can make a change for their current marketing strategies to deal with their customers' perception of service performance to reach customers successfully.

# **RESEARCH FRAMEWORKS**

**Dependent Variable** 



# 3.3 Conceptual Framework

**Independent Variable** 

Figure 3.3: Conceptual Framework

# Perception of service performance of Air China 1 Reservation system 2 Ground service at departure 3 In-flight service 4 Ground service at arrival Customer Loyalty 1 Repurchase Intention 2 Positive Words of Mouth 3 Recommend others Corporate image



# **RESEARCH METHODOLOGY**

# 4.3 Sample Size

Table 4.1: Theoretical Sample Sizes for Different Sizes of Population and a 95 Percent Level of Certainty

Required Sample Size									
Confidence = 95%				Confidence = 99%					
Population Size	5.0%	Margin 3.5%	of error 2.5%	1.0%	5.0%	Margin 3.5%	of Error 2.5%	1.0%	
10	10	10	10	10	10	10	10	10	
20	19	20	20	20	19	20	20	20	
30	28	29	29	30	29	29	30	30	
50	44	47	48	50	47	48	49	50	
75	63	69	72	74	67	71	73	75	
100	80	89	94	99	87	93	96	99	
150	108	126	137	148	122	135	142	149	
200	132	160	177	196	154	174	186	198	
250	152	190	215	244	182	211	229	246	
300	169	217	251	291	207	246	270	295	
400	146	265	318	384	250	309	348	391	
500	217	306	377	475	285	365	421	485	
600	234	340	432	565	315	416	490	579	
700	248	370	481	653	341	462	554	672	
800	260	396	526	739	363	503	615	763	
1,000	278	440	606	906	399	575	727	943	
1,200	291	474	674	1,067	427	636	827	1,119	
1,500	306	515	759	1,297	460	712	959	1,376	
2,000	322	563	869	1,655	498	808	1,141	1,785	
2,500	333	597	952	1,984	524	879	1,288	2,173	
3,500	346	641	1,068	2,565	558	977	1,510	2,890	
5,000	357	678	1,176	3,288	586	1,066	1,734	3,842	
7,500	365	710	1,275	4,211	610	1,147	1,960	5,165	
10,000	370	727	1,332	4,899	622	1,193	2,098	6,239	
25,000	378	760	1,448	6,939	646	1,285	2,399	9,972	
50,000 75,000 100,000 250,000 500,000	381 382 383 384 384	772 776 778 782 783	1,491 1,506 1,513 1,527 1,532	8,056 8,514 8,762 9,248 9,423	655 658 659 662 663	1,318 1,330 1,336 1,347 1,350	2,563 2,585 2,626	12,455 13,583 14,227 15,555 16,055	
1,000,000	384	783	1,534	9,512	663	1,352	2,647	16,317	
2,500,000	384	783	1,536	9,567	663	1,353	2,651	16,478	
10,000,000	384	784	1,536	9,594	663	1,354	2,653	16,560	
100,000,000	384	784	1,537	9,603	663	1,354	2,654	16,584	
300,000,000	384	784	1,537	9,603	663	1,354	2,654	16,586	

Source: Anderson, G. Fundamentals of Educational Research, 1996, 202.

In determining the sample size, the researcher used a 95% confidence level, so the sample size of 384 passengers was the minimum required size sample for this study.



# 4.5 Pretest

**Table 4.2: Reliability Test of Scales for Theoretical Constructs** 

Measure	Cronbach's alpha
Reservation System	0.695
Ground Service at Departure	0.753
In-Flight Service	0.838
Ground Service at Arrival	0.714
Corporate Image	0.768
Customer Loyalty	0.798

# 4.6 Statistical Treatment of Data

**Descriptive Analysis** 

**Pearson Correlation Coefficient (r)** 

# PRESENTATION OF DATA AND CRITICAL DISCUSSION OF RESULTS

- **5.1 Research Method Sample Survey**
- **5.1.1** Personal Data of Respondents

Table 5.1: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	198	51.6	51.6	51.6
	female	186	48.4	48.4	100.0
	Total	384	100.0	100.0	

Table 5.1 illustrates the gender of respondents in this research. A total of 198 respondents were male and 186 were female respondents. The percentage of males and females were 51.6% and 48.4%, respectively. The majority of respondents were male which accounted for 51.6%.

	-				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	up to 20years	7	1.8	1.8	1.8
	21-30years old	173	45.1	45.1	46.9
	31-40years old	170	44.3	44.3	91.1
	41-50years old	28	7.3	7.3	98.4
	over 50years old	6	1.6	1.6	100.0
	Total	384	100.0	100.0	

Table 5.2: Age

Table 5.2 illustrates the percentage of respondents' age ranges. Respondents aged 21-30 represents the majority, and accounts for 45.1%. Respondents aged 31-40 accounts for 44.3%. Respondents aged 41-50 accounts for 7.3%. Respondents aged up to 20 years and over 50 years old, represents 1.8% and 1.6%, respectively. The highest age level respondents were 45.1%, in the age range of 21-30 years.

**Table 5.3: Nationality** 

	-	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Thai	141	36.7	36.7	36.7
	non Thai	243	63.3	63.3	100.0
	Total	384	100.0	100.0	

Table 5.3 illustrates the nationality of respondents. It is seen that Non Thai respondents represents the majority, and accounts for 63.3%. Thais accounts for 36.7%.

**Table 5.4: Educational Levels** 

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	high school or lower	11	2.9	2.9	2.9
	diploma	9	2.3	2.3	5.2
	Bachelor's degree	270	70.3	70.3	75.5
	Master's degree or higher	94	24.5	24.5	100.0
	Total	384	100.0	100.0	



Table 5.4 illustrates the educational levels of respondents. The respondents who have a bachelor's degree represent the majority, and accounts for 70.3%. The respondents who have a master's degrees or higher accounts for 24.5%. The respondents who have high school or lower and diploma accounts for 2.9% and 2.3%, respectively.

**Table 5.5: Occupations** 

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	students	62	16.1	16.3	16.3
	self-employed	65	16.9	17.1	33.4
	employee in a private firm	205	53.4	53.9	87.4
	house-wife	7	1.8	1.8	89.2
	government employee	31	8.1	8.2	97.4
	6	10	2.6	2.6	100.0
	Total	380	99.0	100.0	
Missing	System	4	1.0	•	
Total		384	100.0		

Table 5.5 illustrates the occupations of respondents. Respondents who are employees in a private firm represent the majority, and accounts for 53.4%. Self-employed, students, government employees and house-wives accounts for 16.9%, 16.1%, 8.1% and 1.8%, respectively. The other occupations which are not specified accounts for 2.6%.

Table 5.6: Income Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10,000 Baht per month or lower	94	24.5	24.5	24.5
	10,001-20,000 Baht per month	134	34.9	34.9	59.4
	20,001-40,000 Baht per month	102	26.6	26.6	85.9
	over 40,000 Baht per month	54	14.1	14.1	100.0
	Total	384	100.0	100.0	



Table 5.6 illustrates range of respondents' income. The income group of 10,001-20,000 Baht per month represents the majority and accounts for 34.9%. The income group of 20.001-40,000 Baht per month, 10,000 Baht per month or lower and over 40,000 Baht per month accounts for 26.6%, 24.5%, and 14.1%, respectively.

Table 5.7: Reason to choose Air China's service

				Valid	Cumulative
		Frequency	Percent	Percent	Percent
Valid	Good service performance	94	24.5	24.5	24.5
	Cost saving	55	14.3	14.3	38.8
	Good corporate image	68	17.7	17.7	56.5
	Safety concern	142	37.0	37.0	93.5
	Recommended by others	25	6.5	6.5	100.0
	Total	384	100.0	100.0	

Table 5.7 illustrates the reasons to choose Air China's service of respondents. Respondents who choose the reason of safety concern represent the majority, and accounts for 37%. Good service performance, good corporate image, and cost saving and recommended by others accounts for 24.5%, 17.7%, 14.3% and 6.5%, respectively.

Table 5.8: Frequency of Air China's service used per year

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 time or rarely	79	20.6	20.6	20.6
	1-3 times	113	29.4	29.4	50.0
	4-6 times	100	26.0	26.0	76.0
	More than 6 times	92	24.0	24.0	100.0
	Total	384	100.0	100.0	

Table 5.8 illustrates the frequency of Air China's service used per year of respondents. Respondents who choose the frequency of 1-3 times represents the majority, and accounts for 29.4%. The frequency of 4-6 times, more than 6 times and less than 1 time or rarely accounts for 26%, 24%, and 20.6%, respectively.

# **5.1.2** Descriptive Analysis by Using Mean and Standard Deviation of All Variables



Table 5.9: Analysis of Reservation System by Using Average Mean and Standard Deviation

# **Descriptive Statistics**

	N	Mean	Std. Deviation
q1Reservation system - provides accurate information in detail	384	3.87	.780
q2Reservation system - it's fast and efficient to process the customer's requests	384	3.92	.881
q3Reservation system - it has a good personal security system to protect customer's information	384	4.25	.737
q4Reservation system - it's backed-up by a thorough help guide to offer customers help	384	3.83	.808.
Valid N (listwise)	384		

Table 5.10: Analysis of Ground Service at Departure by Using Average Mean and Standard Deviation

# **Descriptive Statistics**

	N	Mean	Std. Deviation
q5Ground service at departure - X-ray procedure for safety is efficient	384	3.99	.747
q6Ground service at departure - Check-in counter can provide efficient service to customers	383	3.81	.736
q7Ground service at departure - Issuing boarding pass is accurate and efficient	384	3.90	.744
q8Ground service at departure - The service of checking luggage is fast and efficient	384	3.82	.711
Valid N (listwise)	383		



Table 5.11: Analysis of in-flight service by using Average Mean and Standard Deviation Descriptive Statistics

	N	Mean	Std. Deviation
q9In-flight service - Food and beverage services during the flight are good	384	3.74	.833
q10In-flight service - In-flight entertainment, movie and music, is enjoyable	384	3.63	.817
q11In-flight service - In-flight shopping is pleasurable	384	3.54	.816
q12In-flight service - Air-to-ground communication is efficient	384	3.75	.741
Valid N (listwise)	384		

Table 5.12: Analysis of Ground Service at Arrival by Using Average Mean and Standard Deviation

# **Descriptive Statistics**

	N	Mean	Std. Deviation
q13Ground service at arrival - Exiting the aircraft is efficient	384	3.80	.713
q14Ground service at arrival - Baggage claim system is efficient	384	3.82	.708
q15Ground service at arrival - Ground hostesses are polite and helpful	384	3.83	.739
q16Ground service at arrival - Arrangements for transit or transfer flights are efficient	384	3.89	.709
Valid N (listwise)	384		



Table 5.13: Analysis of Corporate image by using Average Mean and Standard Deviation

Descriptive Statistics

	N	Mean	Std. Deviation
q17Corporate image - The brand can differentiate itself from its competitors	384	3.79	.774
q18Corporate image - Air China's TV commercials are impressive	384	3.70	.755
q19Corporate image - The corporate logo, vision of Air China is memorable and impressive	384	3.61	.804
q20Corporate image - Employee's inflight uniform style is impressive and memorable	384	3.67	.828
Valid N (listwise)	384		

Table 5.14: Analysis of Customer loyalty by using Average Mean and Standard Deviation

Descriptive Statistics

	N	Mean	Std. Deviation
q21Repurchase intention - I would like to use Air China Airline service again	384	3.37	.761
q22Repurchase intention - I will not use the service of other airlines	384	3.37	.760
q23Repurchase intention - Air China would be my first choice	384	3.45	.770
q24Positive word of mouth - I always speak positively about Air China to others	384	3.36	.831
q25Positive word of mouth - I always have a good opinion about using Air China's service	384	3.97	.879
q26Recommended to others - I would recommend Air China Airline to others	384	3.89	.713



q27Recommended to others - I encourage my relatives and friends to be Air China's customers	384	3.72	.919
Valid N (listwise)	384		

# 5.2 Hypotheses Testing

**Hypothesis 1:** 

Table 5.15: Correlation between Customers' Perception of Service Performance on Reservation System and Customer Loyalty

### **Correlations**

		Mean_rs	Mean_CL
Mean_rs	Pearson Correlation	1	.306**
	Sig. (2-tailed)		.000
	N	384	384
Mean_CL	Pearson Correlation	.306**	1
	Sig. (2-tailed)	.000	
	N	384	384

<sup>\*\*.</sup> Correlation is significant at the 0.01 level (2-tailed).

The correlation between customers' perception of service performance on the reservation system and the customer loyalty in Table 5.15 indicates statistical significance. The report illustrates that the significance of 0.000 is less than 0.01 (0.000 < 0.01) which means that the null hypothesis is rejected. Therefore there is a relationship between customers' perception of service performance on the reservation system and the customer loyalty at a 0.01 significance level. As Pearson's Correlation Coefficient between customers' perception of service performance on the reservation system and the customer loyalty is 0.306, it means that there is a positive weak relationship between customers' perception of service performance on the reservation system and the customer loyalty. The more the perception of service performance on the reservation system is provided, the more increase is in customer loyalty.



# **Hypothesis 2**

Table 5.16: Correlation between Customers' Perception of Service Performance on Ground Service at Departure and Customer Loyalty

### Correlations

		Mean_gsd	Mean_CL
Mean_gsd	Pearson Correlation	1	.503**
	Sig. (2-tailed)		.000
	N	384	384
Mean_CL	Pearson Correlation	.503**	1
	Sig. (2-tailed)	.000	
	N	384	384

<sup>\*\*.</sup> Correlation is significant at the 0.01 level (2-tailed).

The correlation between customers' perception of service performance on the ground service at departure and the customer loyalty in Table 5.16 indicates statistical significance. The report illustrates that the significance of 0.000 is less than 0.01 (0.000 < 0.01) which means that the null hypothesis is rejected. Therefore there is a relationship between customers' perception of service performance on the ground service at departure and the customer loyalty at a 0.01 significance level. As Pearson's Correlation Coefficient between customers' perception of service performance on the ground service at departure and the customer loyalty is 0.503, it means that there is a positive moderate relationship between customers' perception of service performance on the ground service at departure and the customer loyalty. The more the perception of service performance on the ground service at departure is provided, the more increase is in the customer loyalty.

# **Hypothesis 3**

The correlation between customers' perception of service performance on the inflight services and the customer loyalty in Table 5.17 indicates statistical significance. The report illustrates that the significance of 0.000 is less than 0.01 (0.000 < 0.01) which means that the null hypothesis is rejected. Therefore, there is a relationship between customers' perception of service performance on the in-flight services and the customer loyalty at a 0.01 significance level. As Pearson's Correlation Coefficient between customers' perception of service performance on the in-flight services and the customer loyalty is 0.442, it means that there is a positive moderate relationship between customers' perception of service performance on the in-flight services and the customer



loyalty. The more the perception of service performance on the in-flight services is provided, the more increase is in the customer loyalty.

Table 5.17: Correlation between Customers' Perception of Service Performance on Inflight Services and Customer Loyalty

### Correlations

		Mean_ifs	Mean_CL
Mean_ifs	Pearson Correlation	1	.442**
	Sig. (2-tailed)		.000
	N	384	384
Mean_CL	Pearson Correlation	.442**	1
	Sig. (2-tailed)	.000	
	N	384	384

<sup>\*\*.</sup> Correlation is significant at the 0.01 level (2-tailed).

# **Hypothesis 4**

Table 5.18: Correlation between Customers' Perception of Service Performance on Ground Services at Arrival and Customer Loyalty

### **Correlations**

		Mean_gsa	Mean_CL
Mean_gsa	Pearson Correlation	1	.551**
	Sig. (2-tailed)		.000
	N	384	384
Mean_CL	Pearson Correlation	.551**	1
	Sig. (2-tailed)	.000	
	N	384	384

<sup>\*\*.</sup> Correlation is significant at the 0.01 level (2-tailed).

The correlation between customers' perception of service performance on the ground services at arrival and the customer loyalty in Table 5.18 indicates statistical significance. The report illustrates that the significance of 0.000 is less than 0.01 (0.000 < 0.01) which means that the null hypothesis is rejected. Therefore there is a relationship between customers' perception of service performance on the ground services at arrival and the customer loyalty at a 0.01 significance level. As Pearson's Correlation Coefficient between customers' perception of service performance on the ground services at arrival and the customer loyalty is 0.551, it means that there is a positive moderate relationship



between customers' perception of service performance on the ground services at arrival and the customer loyalty. The more the perception of service performance on the ground services at arrival is provided, the more increase is in the customer loyalty.

# **Hypothesis 5**

**Table 5.19: Correlation between Corporate Image and Customer Loyalty** 

### Correlations

		Mean_ci	Mean_CL
Mean_ci	Pearson Correlation	1	.708**
	Sig. (2-tailed)		.000
	N	384	384
Mean_CL	Pearson Correlation	.708**	1
	Sig. (2-tailed)	.000	
	N	384	384

<sup>\*\*.</sup> Correlation is significant at the 0.01 level (2-tailed).

The correlation between the corporate image and the customer loyalty in Table 5.19 indicates statistical significance. The report illustrates that the significance of 0.000 is less than 0.01 (0.000 < 0.01) which means that the null hypothesis is rejected. Therefore there is a relationship between the corporate image and the customer loyalty at a 0.01 significance level. As Pearson's Correlation Coefficient between the corporate image and the customer loyalty is 0.708, it means that there is a positive strong relationship between the corporate image and the customer loyalty. The better the corporate image can be given, the more increase is in the customer loyalty.

# SUMMARY FINDINGS, CONCLUSION AND RECOMMENDATION

# **6.1 Summary of Findings**

**Table 6.1 Summary of Hypotheses Test** 

The results of hypothesis testing are illustrated in table 6.1 as follows:

Hypothesis	Level of	Correlation	Result
	Significant	Coefficient	
Ho1: There is no relationship between customers'	0.000	0.306**	Reject Ho
perception of service performance on the			
reservation system and the customer loyalty			
to the service of Air China.			
Ha1: There is a relationship between customers'			
perception of service performance on the			
reservation system and the customer loyalty			



to the service of Air China.			
Hypothesis	Level of	Correlation	Result
	Significant	Coefficient	
Ho2: There is no relationship between customers'	0.000	0.503**	Reject Ho
perception of service performance on the			
ground services at departure and the			
customer loyalty to the service of Air China.			
Ha2: There is a relationship between customers'			
perception of service performance on the			
ground services at departure and the			
customer loyalty to the service of Air China.			
Ho3: There is no relationship between customers'	0.000	0.442**	Reject Ho
perception of service performance on the in-			
flight services and the customer loyalty to the			
service of Air China.			
Ha3: There is a relationship between customers'			
perception of service performance on the in-			
flight services and the customer loyalty to the			
service of Air China.			
Ho4: There is no relationship between customers'	0.000	0.551**	Reject Ho
perception of service performance on the			
ground services at arrival and the customer			
loyalty to the service of Air China.			
Ha4: There is a relationship between customers'			
perception of service performance on the			
ground services at arrival and the customer			
loyalty to the service of Air China.			
Ho5: There is no relationship between the corporate	0.000	0.708**	Reject Ho
image and the customer loyalty to the service			
of Air China.			
Ha5: There is a relationship between the corporate			
image and the customer loyalty to the service			
of Air China.			

# **6.3 Conclusion&Recommendations**

Air China should continue do enforcement of the strengths of service performance, the corporate image and the customer loyalty and develop more new, and creative services, update its policies and strategies based on current aviation market's trend and changes, and receive feedbacks from customers periodically. By considering the highest correlation coefficient is 0.551 which related to the factor of the ground services at arrival. Most of the passengers care about their baggage and go rush to claim it as soon as the airline arrives at the destination. Therefore, to develop a efficient baggage claim system and such facilities which could provide the convenience for the customers in order to make sure the baggage claim procedure can be applied efficient. Moreover, some



related regulations which concern about the services of arrival at the airport needs to be developed also.

# 6.5 Further Study

This study focuses on the study of the relationship between perception of service performance of the Air China Airline and customer loyalty from customers who have experienced flying with the Air China Airline, therefore further research should be considered in the following areas:

- A comparative study on customer's perception towards the Air China Airline and other big airline's companies, such as the Eastern Airlines or Southern Airline. It may help the marketers to implement and adjust their marketing strategies and decision making to customers effectively.
- Further research should consider customer behavior in different segmentation of population in order to design effective marketing intervention to attract more customers.
- Exploring other factors and other reasons of perception and behavior of airline customers. There are lots of variables which should be measured as dependent variables, such as customer satisfaction.
- Replication of this study among other groups of people such as tour managers, the elderly, women or other occupations that travel for different purposes may help to identify potential segments of customers of Air China Airline.

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