CHAPTER 2

REVIEW OF LITERATURE

2.1 INTRODUCTION

The aim of the study is to identify, describe and analyse factors that have an impact on passenger loyalty. In line with this aim, the literature review done to clarify the underlying concepts in passenger loyalty and to discover the factors that have been found to affect passenger loyalty.

2.2 REVIEW OF EMPIRICAL STUDIES ON SERVICE LOYALTY

Early studies of service loyalty mainly focused on the behavioral aspects of customer loyalty. This section contains the parsimonious list of empirical research conducted in this area at the international and national level and the reviews are presented in a chronological order.

Churchill (1942)\textsuperscript{1}, was the first to collect panel data in order to determine customers’ total buying behavior, their brand loyalty and switching between brands. This pioneering work on loyalty set proper direction for further direction for further study in this arena.

Brown (1952)\textsuperscript{2}, who used behavioural approach, focused primarily on a sequence –of-purchase measurement. On the downwards, Brown paid only a scant attention to the reasons for customer loyalty and hence the popularity of his postulate on loyalty gained very little momentum. However, this seminal work on loyalty provided the right platform for subsequent research efforts concerning loyalty.

Cunningham (1956)\textsuperscript{3}, in his study on loyalty formation sequence, introduced the concept of market share of proportion-of-purchase index as an indicator of loyalty. According to this, a family was typically considered loyal to a brand if it
allocated more than 50 percent of its purchase within a product category to one brand and thus popularizing the concept of behavioural loyalty as the major form of loyalty.

Service quality has received a great deal of attention from both academicians and practitioners. In the services marketing literature service quality is defined as the overall assessment of a service by the customers. Parasuraman et al. defined perceived service quality as "global judgment, or attitude, relating to the superiority of the service". Parasuraman et al.(1985)4 conceptualized service quality as perceptions resulting from the comparison of customer expectations and actual service performance.

According to Dick and Basu(1994)5, customer loyalty can be viewed as strength of relationship between individual relative attitude and repeat patronage rather than focusing on behavioural aspects alone. Their study also established that relationship between attitude and patronage is mediated by social norms and situational factors. Three different forms of loyal antecedents, namely, cognitive, affective and conative loyalty were also identified through substantial revision of literature and redirection in loyalty measurement orientation. The conceptional framework developed by the researchers outlined four specific conditions related to loyalty viz. no loyalty, spurious loyalty, latent loyalty and true loyalty.

Morgan and Hunt (1994)6, popularized the use of the concept of commitment in loyalty marketing in 90s and their definition of commitment as an enduring desire to maintain a valued relationship refers to a psychological state which results from customers liking or even loving, and therefore becoming emotionally attached to their service provider, resulting in enduring loyalty. They suggested that affective commitment is the most effective kind of commitment for developing and maintaining relationships and it has a positive effect on (1) intention to stay in the relationship (2) desire to stay in a relationship (3) performance and (4) willingness to invest in a relationship.
**Martin Dresner and Kefeng Xu (1995)**, of University of Maryland have studied the relationship between customer service, customer satisfaction and corporate performance in services sector. This study examined the effect of three customer service variables on customer satisfaction and in turn on profitability for U.S. airlines, a service sector industry. The airline industry was chosen for the study because of the availability of an excellent stream of Government-collected data on customer service, customer satisfaction, and corporate performance. Air transportation data are used to test the significance of both links in the customer service to customer satisfaction and to corporate performance relationship. In addition, the empirical results from the study are used to quantify the effect of increasing customer service levels on the level of customer satisfaction and on profitability in the airline industry. With the growth of the Airline services around the world, a significant body of literature has emerged over the past several years.

In trying to figure out the implications of service loyalty to service providers,

**Blomer, De Ruyter and Peeters (1998)**, investigated the drivers of bank loyalty in retail bank setting at the global construct level as well as the level of construct dimensions, The results of their empirical study showed that image is indirectly related to bank loyalty whereas satisfaction and service quality are both directly and indirectly related to loyalty. The results also reiterated and assertions in the literature that quality and satisfaction are key drivers of loyalty.

**Mittal and Lassar (1998)**, conducted a study on the dynamics of satisfaction versus loyalty in USA among the customers of health care services and car repair services. They posited that an overall defection rate of customers is as high as 50% in many industries and through their empirical studies they found that service delivery process varies according to the mood of the customers. Consequently the evaluative criteria become less articulated and much more subjective. The researchers also stressed that the different components of SQ (such as functional and technical quality) influence satisfaction differently than they influence loyalty.
Bloemer, DeRuyter and Wetzels (1999)\(^\text{12}\), argued that the relationship between perceived service quality and service loyalty is an issue in which requires conceptual and empirical elaboration. Focusing on the refinement of a scale for measuring service loyalty dimensions and the relationships between dimensions of service quality and service loyalty, the research was carried out in a set of service industries. The results of their empirical study suggested that there are four clear dimensions of service loyalty namely Purchase intention, word of mouth communication, price sensitivity and complaining behaviour. Their research also established the relationship between service quality and service loyalty at dimensional level with notable difference across industries.

Lassar and MANOLIS AND Winsor (2000)\(^\text{15}\), endeavored to examine the service quality perspectives and satisfaction in private banking. Operationalising SQ via different measure SERVQUAL and technical/functional quality, the authors studied the impact of SQ on SS and further assessed potential utility of SS. The results of their empirical studies suggested that the current models on SQ and conceptualization of SS have severe limitations in delineating the relationship between them and in outlining the utility of these two contrasts banking services.

Pedersen and Nysveen (2000)\(^\text{16}\), in their attempt to analyse customer loyalty in on-line banking services, identified that the rational buying behaviour has often led to reduced customer loyalty. They have outlined a basic condition for the existence of loyalty that loyalty is a valid concept only in situations when customers have several options to chose from. As the online banking services fulfill this basic condition, their study on the on-line banking customers, further unearthed four types of loyalty in a sequence namely cognitive, attitudinal, conative and behavioural forms. What constituted these loyalty forms and which loyalty factors contributed significantly to switchers and non-switchers were also researched using switch over scale developed exclusively for this study.

Sharma and Patterson (2000)\(^\text{17}\), argue that in the relationship marketing literature, no significant attempt has been made to examine direct antecedents and
mediator variables effect on the formation of customer loyalty. To be precise, under what conditions the antecedents like trust, commitment, alternative attractiveness have a stronger /weaker impact on relationship commitment is a grossly under researched area. The study conducted among the samples selected from financial service sector, tested a contingency model developed to assess the impact of trust and satisfaction on the loyalty commitment of customers through the mediating role of alternative attractiveness. The results form their study indicated that the impact of trust and satisfaction vary according to contingency condition of attractiveness of alternatives in the banking industry tested.

Bowen and Chen (2001)\textsuperscript{18}, upon examining the relations between customer loyalty and customer satisfaction in hotels industry, argued that identification of proper attributes of service product would increase customer loyalty. The study made use of the database of a hotel drawn form a sample of 564 customers through a mail survey. The results of the studies have clearly indicated that the relationship between SS and SL is non-linear.

Lee and Cunningham (2001)\textsuperscript{19}, examined the determinants of service loyalty in their empirical research on ‘Cost benefit approach to understanding service loyalty’. The study was carried out under the assumption that customers perform cost-benefit analysis while deciding whether or not they choose to be ‘regular customers’. With survey data collected form the customers of retail banks, an attempt was made to ascertain the influence of service quality and transaction cost on service loyalty. The results of the study indicated that the transaction/switching cost factors have significant influence on customer loyalty in addition to service satisfaction.

Odin, Odin and Florence (2001)\textsuperscript{20}, pointed out the lack of valid and reliable measures concerning loyalty and then strove to conceive, test and validate a relevant measurement procedure of this construct. Following a rigorous methodology based on Churchill paradigm, the authors first tried to conceptualize
the loyalty measures by analysing and stochastic approach (ie.Loyalty is behavior) and deterministic approach (ie.Loyalty is Psychological commitment). A synthesis resulting form such analysis led to a proposal of differentiation of the repeat purchasing behavior by the concept called ‘brand sensitivity’. They postulated that level of involvement in purchase of services influences the brand sensitivity, which in turn affected customer loyalty.

A study on contribution of emotional satisfaction to customer loyalty was conducted by Yu and Dean (2001)\textsuperscript{21}, using customer satisfaction and service loyalty scales. They concluded that there is a significant relationship between service satisfaction and service loyalty when the customers deploy affective component in deciding upon their course action. This study included cognitive element but focus more on affective component of satisfaction. It explored role of emotions in satisfaction and then compared the predictive ability of cognitive and affective elements. Key findings of the study suggested that both positive and negative emotions correlate with loyalty. Regression analysis used by the researchers indicated that the ‘affective component served as a better predictor of loyalty and proved to be the most reliable dimension of loyalty. The role of positive word of mouth is also extensively discussed in customer retention.

Awadi (2002)\textsuperscript{22}, proposed a model on consumer loyalty in retailing sector based on the Kuwaiti experience. Addressing cooperative retail outlets, he converged on contributing factors to store loyalty and measuring methods. Based on the empirical study, the author established that loyalty can be influenced by good management, image and consumer services.

Caruana (2002)\textsuperscript{23}, in his study on the effects of SQ on SL and the mediating role of customers satisfaction, called for the need for better attention on SL. The empirical study conducted by him started with the delineation of SQ form SS and then proceeded to distinguish the SQ and SS concept. Deploying postal survey method for collecting data from over 1000 bank customers, he proposed a
meditational model that links SQ to SL via SS. The results of the study indicated that SS does play a mediating role between SQ and SL in a bank setting.

Dean (2002)\textsuperscript{24}, in his study on the service quality implications for customer loyalty conducted among the call centers, suggested that the characteristics such as customer orientation, service priorities and quality will have a strong impact on loyalty building. Focusing on these issues, the study conducted by Dean through the data collected from individual customers in Insurance industry confirmed that perceptions of quality mediated the customer orientation to loyalty relationship.

Fullerton and Taylor (2002)\textsuperscript{25}, examined a number of different hypotheses about the relationship between SQ and SS and some important loyalty related consequences of these constructs. Their study confirmed the general position in the SQ literature that satisfaction mediates the relationship between SQ and switching intentions, advocacy intentions and willingness to pay more for service. The study also found a good support for the existence of non-linear relationship is such that effect of satisfaction on these loyalty related intentions is more positive at higher levels of satisfaction than it is at lower levels of satisfaction.

Wong and Sohal (2002)\textsuperscript{26}, through their empirical studies in retail setting, examined the link between trust, commitment and relationship quality. Based on the review of literature they developed a conceptual model on the inks between the said constants and tested the same using SEM. The conclusions of the study strongly indicated that trust and commitment are the components of relationship quality i.e. the presence of trust and commitment is a clear indication of long-lasting relationship between the service provider and customers.

Ranaweera and Prabhu (2003)\textsuperscript{27}, in an attempt to investigate the influence of satisfaction, trust and switching barriers developed a complete model framework on the relationship among these construct. They conducted the survey on land line telephone customers who are significantly involve in continuous purchase setting and through a holistic approach studied the combined effect of SQ AND SS on SL. The results revealed, contrary to some assertions in the literature that the effect
of trust on loyalty is weaker than satisfaction and trust is an indicator of loyalty rather than that a predicator.

**Wong and Sohal (2003)**, discussed the impact of service quality on service loyalty at dimensional level. Their study attempted to examine the relationship between service quality and service loyalty across three different service industries. The results showed that service quality was positively associated with customer loyalty at the company level rather than at the interpersonal level. Specifically among the dimensions of the service quality, the most significant predictor of loyalty at company level was tangibles while the most significant predictor at interpersonal level is empathy. The scale used for measuring the link between service quality and service loyalty was a modified version of the scale developed by Parasuraman et.al and the findings from the study both complemented and extended the previous research.

**Yen and Gwinner (2003)**, through their research on internet retail customer loyalty, argued that our understanding of customer retention and satisfaction in technology based experience delivery process remains limited. They proposed a conceptual framework that utilized the construct of rational benefits to explain the link between technology attributes and customer satisfaction and relation. They underlined the importance of confidence and special treatment in gaining customer loyalty through the empirical results derived from the study.

**Beerli, Martin and Quintana (2004)**, through their effort on ‘building a model for customer loyalty in retail banking market explored the causal relationship between loyalty and its antecedents. On the basis of empirical research carried out in the retail banking market, they proposed a structural equation model and reached the conclusions that satisfaction together with personal switching costs are antecedents leading directly to customer loyalty. They have also stressed that perceived quality is a consequence of satisfaction but the line differentiating these two constructs, service satisfaction and service loyalty is very much blurred. Their work concluded
that there are two types of loyalty existing in the bank market, namely, inertia-loyalty and true loyalty.

**Gallarza and Saura (2004)**[^31] conducted study to investigate the impact of value dimensions and satisfaction on loyalty in tourism and hospital industry, their investigation based on LISREL model confirmed the quality –satisfaction –value-loyalty chain and illustrated the complexity of value of dimensions that have been shown to the highly sensitive to experience of customers.

**Guenzi and Palleoni (2004)**[^32] investigated the impact of interpersonal relationships on customer satisfaction and loyalty to the service provider in Italy based services industries. Through their empirical study, they argued that to date we have a poor understanding of the role played by interpersonal related factors in gathering and developing customer loyalty. They also emphasized that customer –to-employee and customer –to-customer relationships contribute differently to the development of the service loyalty.

**Mattila (2004)**[^33] investigated the negative impact of service failures on customer loyalty with a special focus on moderating effect of affective commitment on post-failure loyalty intentions. The results of this empirical study established that emotionally binded customers might feel “betrayed” when a service failure occurs, thus resulting in sharp decrease in post recovery attitudes. Conversely, this negative effect was limited to poor service vary among consumers with low affective commitment. The results also suggested that affective commitment might reduce the spill, over effects of service failures to future loyalty behaviours.

**Taylor, Celuch and Godwin (2004)**[^34], in their study on the importance of brand equity to customer loyalty, unearthed the fact that brand equity and trust are consistently the most important antecedents to both behavioural and attitudinal forms of loyalty. Using SEM, they suggested a model that integrates brand equity and trust with loyalty for attaining better results in loyal building.
Aydin and Ozer and Arasil (2005)\textsuperscript{35}, have argued that service loyalty is determined and driven by satisfaction level of customers. In their exploratory study on Turkish mobile phone market, they have analysed the effect of satisfaction on customer loyalty and found that service satisfaction has psychological and financial implications. The moderating effect of switching costs on customer loyalty was also studied and found to be positive. The importance of “trust” in service loyalty building was well stressed and according to them marketing intelligence and planning are the key to the sustenance of “service loyalty”.

Lin and Wang (2005)\textsuperscript{36}, while attempting to examine the determinants of customer loyalty in mobile commerce service industry, unearthed various dimensions of service loyalty such as perceived value, habit, and trust and customer satisfaction. Collecting data from 225 mobile users, the study was developed to validate the customer loyalty model proposed by the researchers. Using Structural Equation Modeling the data analysis yielded a clear cut model to prove that service quality and service satisfaction are the antecedents of service loyalty and trust is the determinant of service loyalty.

Clement and selvam (2006)\textsuperscript{37}, in their attempt to measure service loyalty identified seven dimensions of loyalty, namely, behavioural, attitudinal, cognitive, conative, affective, trust and commitment. Using confirmatory Factor analysis they have empirically tested the fitment of these dimensions of loyalty and had obtained a perfect fit and thereby reassuring that these dimensions are the reflectors of service loyalty in Indian bank setting.

Soderlund (2006)\textsuperscript{38}, conducted two empirical studies in service settings through multi-item measures on customer loyalty facets such as repatronage intentions and word of mouth intentions. Deploying structural equation models he found out that these tip facets of repatronage and WOM and two separate factors and they are strong indication of presence of loyalty among customers. He had also cautioned that the lumping together of such facets as repatronage intentions are
WOM intentions is likely to conceal significant aspects of loyalty *perse* and its relation to other variables in the nomological net.

**Tsoukatos and Rand (2006)**[^39] conducted a path analysis on perceived service quality, satisfaction and loyalty link in Greek insurance industry and found out that, firstly the SERVQUAL dimensionality was not confirmed and secondly, the dimensional levels. They had deployed confirmatory and exploratory factor analysis for confirming dimensionality of SQ and used analysis for testing the link between SQ, SS and SL.

**Afseen Chutnis (2007)**[^40] conducted an empirical study in satisfaction formation process in Iranian Airline Passengers. The outcome of the research has confirmed that the ability of expectation disconfirmation theory in explain the satisfaction formation in the airline industry.

**Fatma Pakdil and Ozlem Aydin (2007)**[^41] conducted a study to measure airline service quality based on data collected at a Turkish airline using SERVQUAL scores weighted by loadings derived from factor analysis. The results demonstrated that “responsiveness” dimension is the most important, while “availability” is the least important element of quality. Passengers’ educational level is an important variable affecting their expectations and perceptions. Additionally, passengers’ gap scores significantly differed by their educational level, frequency of flight, and flight purposes.

In an endeavour to examine the demographic correlates of loyalty in a service context, **Patterson (2007)**[^42] conducted an empirical analysis across three different service sectors. The purpose of the study was to find out whether loyalty behavior and loyalty motives vary with three demographic characteristics, namely, age, sex and occupation. The results of this exploratory research indicated that age and occupation are closely associated with service loyalty, in particular with repurchase intentions across three industries studied, while gender is not, and what
was evident form the study was that more mature age groups (35 and above) displayed more loyal behavior than their younger counterparts.

**Jehn-Yih Wong, Pi-Heng Chung (2010)** developed a case on Retaining passenger loyalty through data mining: a case study of Taiwanese airlines.: An article from: Transportation Journal This study develops a loyal passenger mining process that is used to assess passenger loyalty and extract their information by a data mining technique from a database. Analytical results demonstrate that loyal passengers had high satisfaction in terms of service preferences, including airport service, passenger cabin facilities, information provision and complaint resolution, and flights departing on schedule. Loyal passengers also emphasized luggage services and obtaining airline information without an agency. The suggestions of this study not only provide Taiwanese airlines with a valuable reference for planning database marketing and managing loyal passengers but also expand the applicability of management information systems (MIS) to airline industry research.

**Santiago Forgas (2010)**, has conducted a study on the antecedents of airline user loyalty. A survey is administered to users of three airlines operating Barcelona–London flights. The results showed that the principal antecedent of conative loyalty is affective loyalty. The main antecedents of affective loyalty are satisfaction and trust, the latter being revealed as a key variable for guaranteeing the success of relationships between the airline and its users, and also for understanding long term purchasing behavior.

In summary, as found in this literature review, loyalty is a multi faceted phenomenon formed through relatively large but unspecified in numbers of dimensions which may merit further in-depth study. Most of the research thus far, on the one side, have been conducted to assess the determinants and antecedents of service loyalty and on the other hand focused on finding out the key components or reflectors of loyalty. There has been no study yet on revealing the combination of key determinants and indicators of loyalty together so as to bring out the underlying framework of service loyalty for domestic airline services in Indian context. Having identified this gap in the literature, the present study endeavours to filling up this void.
END NOTES


The detailed research method adopted for achieving the developed objectives is explained in the next chapter.