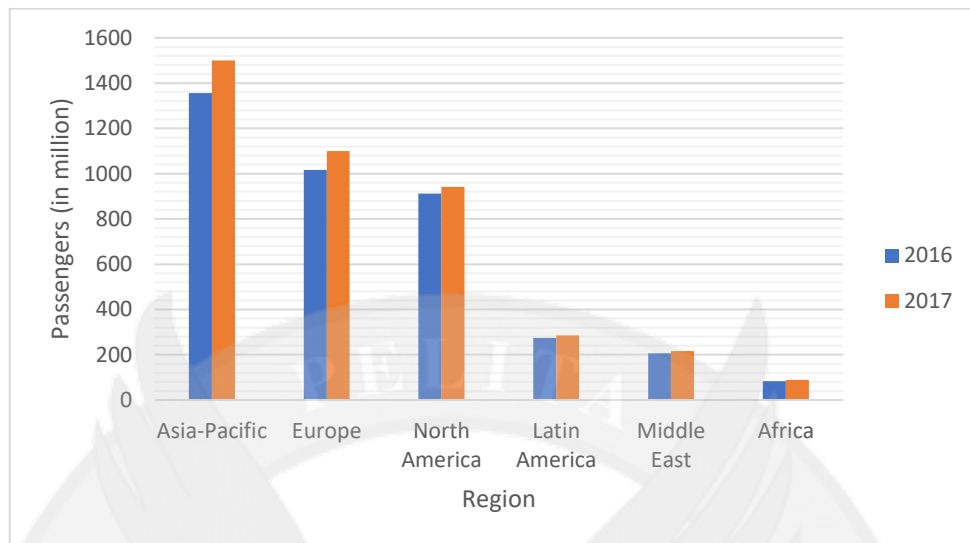# CHAPTER I

INTRODUCTION

This chapter outlines the entire framework of this research. It comprises the research background, problem formulation, research objectives, research purpose, scope of study, and the systematic writing process of the following chapters in the research.

1.1   Research Background

Air transport is one of the world's most vital enterprises and has become the most important segment in the economic development of a nation (Namukasa, 2013). Its improvement and its specialized and administration accomplishments make it one of the best supporters of the headway of present day society (Obioma, 2013). Aviation occupancy rates of 80% are better than those of road and rail based on 2013 (International Air Transportation Association (IATA), 2017). Around the world, airlines carried 4.1 billion passengers on scheduled services, which it is an increase of 7.3% over 2016, representing an additional 280 million trips by air. Airlines in the Asia Pacific region carried the largest number of passengers (International Air Transportation Association (IATA), 2018).

Figure 1.1 Total Passengers Carried by Airlines in the region

Based on figure 1.1, there is an increase of passengers based on the regional rankings, which based on total passengers carried on scheduled services by airlines registered in that region. Asia-Pacific as the top one most carried passengers in the regional ranking by increasing 10.6% passengers from 2016, followed by Europe increasing 8.2%, followed by North America increasing 4.1% of carried passengers, Latin America increase of 4.1%, Middle East increase of 4.6%, and lastly Africa increase up 6.6% of passengers (International Air Transportation Association (IATA), 2018).

Based on OAG Schedules Analyser for October 2015 (Anna Aero, 2015), Indonesia is leading on the Singapore's top 15 country markets weekly departing seats whereas Indonesia every week carrying more over 97,642 passengers with various airlines. World's busiest flight routes data state that Jakarta – Singapore is the 3rd busiest routes with frequency flights of 27.304 times (CNBC, 2018) and 5.64 million seats with 4.66 million passengers as March 2017 – February 2018 (CNBC Indonesia, 2018), Singapore Airlines is the pioneer on the Jakarta –

Singapore, they dominated the market by 31% or 1.69 million passenger seats as on OAG research.

Singapore Airlines is the world's best airlines in the Skytrax awards (World Airline Awards, 2018) which voted by the passengers or travellers who ever fly with Singapore Airlines and Singapore Airlines also part of Star Alliance. Singapore Airlines is a global company dedicated to providing air transportation services of the highest quality and to maximising returns for the benefit of its shareholders and employees with 107 aircraft in operating fleet and covering 62 destinations in 32 countries and territories, also Singapore Airlines Group has two subsidiaries which are Silk Air as the regional airlines with 32 operating fleets and 52 destinations in 16 countries and Scoot as the Low-Cost airlines operating 40 aircraft to 64 destinations in 17 countries and territories (Singapore Airlines, 2017).

Singapore Airlines has three main pillars of its brand promising: Service Excellence, Product Leadership and Network Connectivity. Service excellence, Singapore Airlines continues to seek ways to improve the customer experience through its various touchpoints, by listening to feedback and understanding preferences. In October 2017, Singapore Airlines introduced Android Pay and Apple Pay as payment options on its mobile app, providing a seamless and more efficient payment method when customers make purchases. In December 2017, the Airline expanded its servicing platforms beyond traditional contact center and email channels by launching a chatbot, Kris, on Facebook Messenger for customers to chat privately and receive assistance for pre-flight-related queries. Kris is under

constant development by building up its knowledge library, and will later be made available on the Airline's website as well.

Singapore Airlines also has a frequent flyer program for their customers who love to travel (Singapore Airlines, 2018). The frequent flyer that offered by Singapore Airlines is KrisFlyer and is designed to reward everyone with KrisFlyer miles who love travel with Singapore Airlines and its partner, but not only earn KrisFlyer miles by flying also can be earned whenever using a credit card that can be redeemed into KrisFlyer miles. KrisFlyer miles comes with three tiers of membership, from KrisFlyer, KrisFlyer Elite Silver and KrisFlyer Elite Gold (Singapore Airlines, 2018).

While in the product leadership sector, in November 2017, Singapore Airlines unveiled its new Airbus A380 cabin products. Configured with 471 seats in four classes, the new Singapore Airlines A380 features six new Suites and 78 new Business Class seats on the upper deck, 44 Premium Economy Class seats and 343 Economy Class seats on the lower deck. Each of the new Suites features a separate full-flat bed and plush leather chair; the beds in the first two Suites can also be converted to form a double bed. The new Business Class seat reclines directly into a full-flat bed, while the divider for the centre seats can be lowered to form double beds.

The first of the new A380s arrived in Singapore in December 2017. In March 2018, Singapore Airlines took delivery of the world's first Boeing 787-10 featuring 36 Business Class seats and 301 Economy Class seats and unveiled its new regional cabin products fitted on this aircraft type. The new regional Business Class seat

offers direct aisle access and reclines directly into a full-flat bed, while Economy Class customers can enjoy ergonomically-designed contour backrests with six-way adjustable headrests.

On the network connectivity section, Singapore Airlines expanded its route network with the launch of five-times-weekly flights to its second Scandinavian destination, Stockholm, via Moscow. Singapore Airlines also expanded services to existing destinations, such as Brisbane, Cape Town, Dhaka, Melbourne, Paris, and Sydney, by increasing flight frequencies, and enhanced services to Barcelona with new twice-weekly non-stop flights to the Spanish city. We will continue to pursue growth opportunities while matching capacity to demand.

According to (Berrios, Dadoush, Egle, Johnson, & Mexicano, 2008), Singapore Airlines is known for its excellent customer service and approach to safety and security, ethical practice of business. Singapore Airlines has its symbol of quality service, which they called The Singapore Girl, where she is regarded as an excellent representative of the country. Singapore Airlines have well known as they trained each flight attendant rigorously and not forget that Singapore Airlines are always providing premium quality service amenities also. Passengers of Singapore Airlines will be treated some of the signature dishes and complimentary cocktails, fine wines, and in-flight films without extra charge from Singapore Airlines (Berrios et al., 2008), but depends on the classes of the flight. Singapore Airlines has their slogan "Great Way To Fly," with the Singapore girl as their icon which represents beauty, prestige, and always offering customer service (Senatus.net, 2013).

The most important part is, Singapore Airlines has an average fleet age of 7.6 years with advanced safety and security features (Airfleets.net, 2018) and never reported on any crashes (Muhunthan, 2010), because Singapore Airlines pilots are required to complete 29 months of comprehensive training before they allowed to fly the plane (Varey, 2006). According to (Kelemen, 2003), that improved security is the most affect factors to make the air industry live up.

In this research, the researcher will specifically discuss the influences of service quality (SERVQUAL) towards customer loyalty and customer satisfaction as the mediating variable. Service quality measures how a service is delivered, and compared with the expectation from customers (Samoszuk, 2018). In the airlines industry, service quality is defined by various interactions between customers and airlines with seeing what the customers' needs and perception, also how customers see the image of the carriers (Gursoy, Chen, & Kim, 2005), and it is very important in ensuring customer satisfaction (Chelliah, Munusamy, & Pandian, 2011). As in Singapore Airlines, many passengers gave positive reviews about the airlines based on their experience. From the pre-flight service, while check-in at the airport it was very fast and efficient because there was plenty of check-in counters. While in-flight services, passengers were treated with excellent food and a lot of in-flight movies at no extra charge (Muhunthan, 2010).

Customer loyalty is defined as a commitment to rebuy a product or service that favored consistently in the future over all others. It is both an attitudinal and behavioural experience with a specific brand that can satisfy the buying customer's everyday needs and even their desire. As the results if the customers are satisfied

and familiar with the product that they bought while having other options to choose from, then it is called customer loyalty (Ranabhat, 2018). Singapore Airlines has a loyalty card program which is called KrisFlyer, a Frequent flyer that offered by Singapore Airlines is KrisFlyer and is designed to reward everyone with KrisFlyer miles who love travel with Singapore Airlines and its partner (Singapore Airlines, 2018). While people earned the miles, it tends to fly with Singapore Airlines because they already earned the miles to exchange with a ticket or upgrade (Singapore Airlines, 2018).

As the world's best airlines in the Skytrax awards (World Airline Awards, 2018), of course, Singapore Airlines put forward to satisfy passengers (Assignmentpoint.com, 2018). Although people know Singapore Airlines credibility, still there are people who are still unsatisfied with the service given by the Singapore Airlines. For instance, (Farveen, 2018) stated that "Singapore Airlines pilots fails pre-flight alcohol test, leaves customers unhappy with experience" which the incident was SQ247 working from Melbourne to Wellington, and the arrival flight SQ248 on Saturday had been dropped as the pilot was esteemed "unfit" to fly, in the wake of coming up short a pre-flight liquor test. The test was an arbitrary medication and liquor test led by the Civil Aviation Safety Authority in Melbourne of all team preceding pre-flight checks, while the airline has since apologised to the passengers affected by the cancellation, and is still working to arrange suitable alternate travel options for those affected, passengers took to social media to show their unhappiness. Also there are more unsatisfied

passengers that gave a bad review towards Singapore Airlines, the fact are shown in the figure below and figure 1.2 are an example of passengers from TripAdvisor.

Figure 1.2 Example of Passengers Reviews to Singapore Airlines

Source: ConsumerAffairs.com and TripAdvisor.com, 2019

According to (Archana R. and Subha, 2012), passengers satisfaction is the greatest assets for airlines businesses, such as the onboard experience is something special for the passenger, if the passengers are not satisfied with the service quality it can be considered as a threat for the business because delivery of best service quality it is how the airlines' survive to compete with the competitors, and it makes sense if in the further flights passengers probably switch to another airline.

In this research, the researcher was to examine the influence of airline service quality on passenger satisfaction and loyalty in the context of Singapore Airlines. Hence, the title of this research is "THE IMPACT OF AIRLINES SERVICE QUALITY TOWARDS LOYALTY THROUGH PASSENGER SATISFACTION: A CASE FROM SINGAPORE AIRLINES."

This research is a replica of research from "The influence of airline service quality on passenger satisfaction and loyalty: The case of Uganda airline industry" which is conducted by Juliet Namukusa. However, this research is using a different sample, in different country and choice of brand to be examined.

1.2 Research Problem

Based on the results of previous studies, found a number of relationships that lead to the importance of raising the topic of research will be the realization of customer loyalty, then in this study will be developed various factors are pre-flight service quality, in-flight service quality, post-flight service quality, passenger satisfaction, and passenger loyalty. Singapore Airlines in this case as one of the airlines with the highest rating and ranking based on Skytrax in the world as in global scale until today, the research problem in this study is that although Singapore Airlines is giving their best to satisfy all of its passengers there are still some which are not satisfied with the services given and thus how to in maintain Singapore Airlines in their position as a world's best airlines in the world.

Based on the background, Singapore Airlines must know what sectors can improve their service quality and makes people satisfied and loyal to its brand. From the problem above, these are the research questions:

1. Does pre-flight service quality has positive effects towards passenger satisfaction on Singapore Airlines.

2. Does in-flight service quality has positive effects towards passenger satisfaction on Singapore Airlines.

3. Does post-flight service quality has positive effects towards passenger satisfaction on Singapore Airlines.

4. Does passenger satisfaction has positive effects towards passenger loyalty on Singapore Airlines.

1.3 Objectives of Study

According to the research problem above, the research objectives of this studies are:

1. Determine pre-flight service quality has positive effect towards passenger satisfaction on Singapore Airlines.

2. Determine in-flight service quality has positive effect towards passenger satisfaction on Singapore Airlines.

3. Determine post-flight service quality has positive effect towards passenger satisfaction on Singapore Airlines.

4. Determine passenger satisfaction has positive effect towards passenger loyalty on Singapore Airlines.

1.4 Benefits of Study

This research will be beneficial,

1. For the Writer

   The benefit of this research for the writer is the applications of theory which are learned during the university year as management degree students taking a

concentration in international business, also to increase personal insights and knowledge for the writer.

2. For the Public Readers

The benefit of this research for public readers are so that this research can become a reference for those in need of the correlating research, and this research can also be used for future replica researcher.

3. For Singapore Airlines (Object of this research)

The benefit of this research is that this research can provide input for companies to understand the behaviour of their consumers better, so that from the results of this study the company can implement the right strategy to achieve the company's goals.

1.5   Limitation of Study

The Variable which will be used in this research is pre-flight service quality, in-flight service quality, post-flight service quality, passenger satisfaction & passenger loyalty. The discussion scope in this research is the students of Universitas Pelita Harapan undergoing bachelor degree class of 2013 - 2018 which are still active. For further research, the researchers would like to suggest to add price as a dependant variable towards customer satisfaction. This suggestion is based on (Suhartanto & Noor, 2012) stated that in Airline service industry, service quality, and price have an important role in influencing customer satisfaction.

1.6   Research Systematics

This research will be discussed in 5 (five) chapters. Each chapter is related to each other. This paper has been arranged correctly in accordance with the method and systematics writing thesis research so that readers able to understand the purpose of this paper. Here is the composition of systematics writing this thesis:

CHAPTER I: INTRODUCTION

In this chapter the author will discuss the conditions underlying the making of this research along with the formulation of the problem that became an important point in this paper. In addition, this chapter will discuss the limitation of the problem, the purpose of research, the benefits of academic and practical research, and systematic writing of this paper thesis.

CHAPTER II: THEORETICAL FRAMEWORK

This chapter contains the theoretical basis to be used in the study, which will discuss the variable included in the research problem formulation. The concepts to be covered in this chapter come from books, journals, and other literature.

CHAPTER III: RESEARCH METHODOLOGY

This chapter will discuss about the type of data used, data collection methods, and analysis techniques that will be used to answer the problem formulation.

CHAPTER IV: RESULT AND DISCUSSION

This chapter will explain the data on related projects along with the analysis of the data. In this chapter will then be discussed on these results.

CHAPTER V: CONCLUSIONS AND RECOMMENDATIONS

In this last chapter, the authors will present conclusions and recommendations about the research that has been done based on data analysis discussed in the previous chapter.