Chapter 1: Introduction

1.1 Introduction

This research studies consumers' perceived value of online purchases and its impact on customer online loyalty. The study starts with an overview of Malaysian Low Cost Carriers and the benefits of online ticketing services. It is then followed by a presentation of the research problems, research objectives, significance of this research, research scope and organisation of this study.

1.2 Overview of Malaysian Low Cost Carrier and Online Ticketing Services

Recently, the global airlines industry has been hit hard by the economic downturn. The business and leisure travellers either choose to delay their travelling plans or opted for more economical means if travelling is inevitable. Consumers now prefer to fly low cost carriers (LCCs) than full service carriers as part of their effort to reduce or minimise the cost of travelling. They would forego some of the value-added services provided by full service carriers such as on-board meals, in-flight entertainment and airline lounge services. Instead, they choose for a modest and simple in-flight experience. Due to time constraint and the advancement of information technology, consumers prefer using the internet to search for information, compare prices and purchase air tickets.

The emergence of Malaysian based LCCs such as AirAsia and Firefly has changed the travelling trends and air ticket purchasing behaviors in the country lately. In Malaysia, the growth rate of internet users has increased

with double-digit percentage since 2007 (refer to section 2.4.1). With the advancement of information technology and the high accessibility of internet services, consumers now choose to purchase from online retailers because the online purchasing process can be conducted 24/7/365 and hence provide convenience to them. On the other hand, online retailers have to use the internet to leverage their competitive advantage and to reduce operation costs simultaneously.

Besides, consumers are now more aware of the online ticketing service offered by Malaysian LCCs. Through massive advertising and promotional efforts implemented by these LCCs, price-sensitive consumers are now well-informed and aware of the advantages of buying tickets online such as great discounts and ease of purchase. For instance, some LCCs even offered free tickets in the effort to create awareness and entice potential customers to buy tickets online. These incentives and rewards for trying or using the service can be considered as a 'trigger event' for the growth of internet ticketing service users.

1.3   Research Problems

As the number of internet users is escalating (statistics refer to section 2.4.1), it is considered a great opportunity for LCC companies to shift their current business model from brick-and-mortar to click-and-mortar. LCC companies treat online businesses as part of the potential to reduce costs and at the same time to optimise their current resources.

However, since online business is still at infancy stage for Malaysian LCCs, a lot of current strategic moves implemented by the LCCs are mainly adopted from the business models of the mature LCCs of the United Stated of America and European countries. It is crucial for marketers to find out the online service quality attributes that determine Malaysian perceived value for online transactions and its impact towards customer loyalty eventually. LCCs marketers must identify the exact expectations and perceptions of Malaysian towards electronic environment before they can provide the necessary services. This is because many other external attributes may play a pivotal role in determining service quality in localised electronic environment. The Malaysian LCCs must customise their services to suit customers which have different culture background and lifestyle.

1.4   Research Objectives

After determined the research problems in section 1.3, it is vital to study Malaysian consumers' perception towards the online perceived value and its impacts on customer e-Loyalty. This study focuses on the online ticketing service provided by Malaysia LCCs specifically known as AirAsia and Firefly. The research objectives of this study are:

a) To understand Malaysian consumers' general perceptions toward perceived value of online ticketing services; and

b) To determine the influences of online perceived value towards customer satisfaction, customer trust and customer loyalty in e-ticketing service provided by Malaysian LCCs.

1.5   Significance of the Research

Airline industry is a fast-paced industry in which online ticketing merchants must provide consistent improvements to their businesses to survive the harsh competition of the industry. Continuous improvement on the LCCs official web sites will definitely have better advantages to outperform their competitors and gain market share. Even though consumers now are more price-sensitive, they will sometimes use other cues (such as service quality and/or web site interface) as part of their considerations to measure the value they are about to get with the price they are willing to pay.

This study is significant as Malaysian LCCs which provide online ticketing services must be able to determine these gaps between the expectations and perceptions towards online service quality from its customers' perspectives. By means of reducing or eliminating the service gaps, customer perceptions will be increased and thus will eventually influence customer loyalty (Parasuraman *et al*., 1985). A positive experience of using the service will reinforce user interest towards the online purchasing (Heskett *et al*., 1997). The experience that is rated as distinctive and consistent shall affect positively towards the likelihood of continuous adoption of the service (Cronin and Taylor, 1992). Without this information, it will be difficult for LCCs marketers to develop its marketing plans and to determine the appropriate tools to enhance its web site quality.

Many previous studies (refer to section 2.3.2) found that consumers may experience either positive or negative outcome (satisfaction or dissatisfaction) when they purchase online. This experience will reinforce user interest and

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craft the likelihood of continuous usage (loyalty) or prevent them from purchasing from retailer at all. Therefore, enhancement of customer's positive experience is part of the efforts endorsed by LCCs companies to win customer loyalty.

1.6   Research Scope

The study was conducted at Pavilion KL and Suria KLCC shopping malls located at Kuala Lumpur city centre. These two places were chosen because people traffic is heavy and random sampling can be easily obtained due to mix combination of shoppers from all walks of life. Respondents were asked to confirm that they have purchased air tickets from the official web sites of Malaysian LCCs at least once in the last 12 months.

Furthermore, Kuala Lumpur city has the highest population distribution throughout Malaysia (National Census, 2000). Therefore, the tendency of sample being an online ticketing purchaser is higher.

1.7   Research Organisation

This study is organised as follows:

Chapter 1: Introduction

This chapter states with an introduction of LCCs and the benefits of purchasing ticket online. The research objectives, research questions, significance of this study and research scope are discussed within this chapter.

Chapter 2: Literature Review

This chapter contains review of relevant literature and journals relating to this study, which include service quality attributes, e-commerce, perceived value, customer satisfaction, customer trust and customer loyalty.

Chapter 3: Research Methodology

This chapter provides the development of research framework, research hypotheses, selections of measures, sampling design, data collection procedure and data analysis techniques.

Chapter 4: Data Analysis

This chapter presents the results of research undertaken. The chapter begins with demographic profiling of the respondents and then followed by results of the testing of each hypothesis.

Chapter 5: Discussions and Conclusion

This chapter discusses the summary and conclusion of this study. It begins with an overview of the study, followed by a summary of the major findings of the study, marketing implications, and limitations of the study. Suggestions for future research will also be elaborated.

1.8 Conclusion

This chapter laid the foundation for the report. As mentioned above, it introduced the research problem and research objectives. The significance of research was described, research scope was defined and the structure of report was outlined. On these foundations, the report can proceed with a detailed literature review of previous studies.