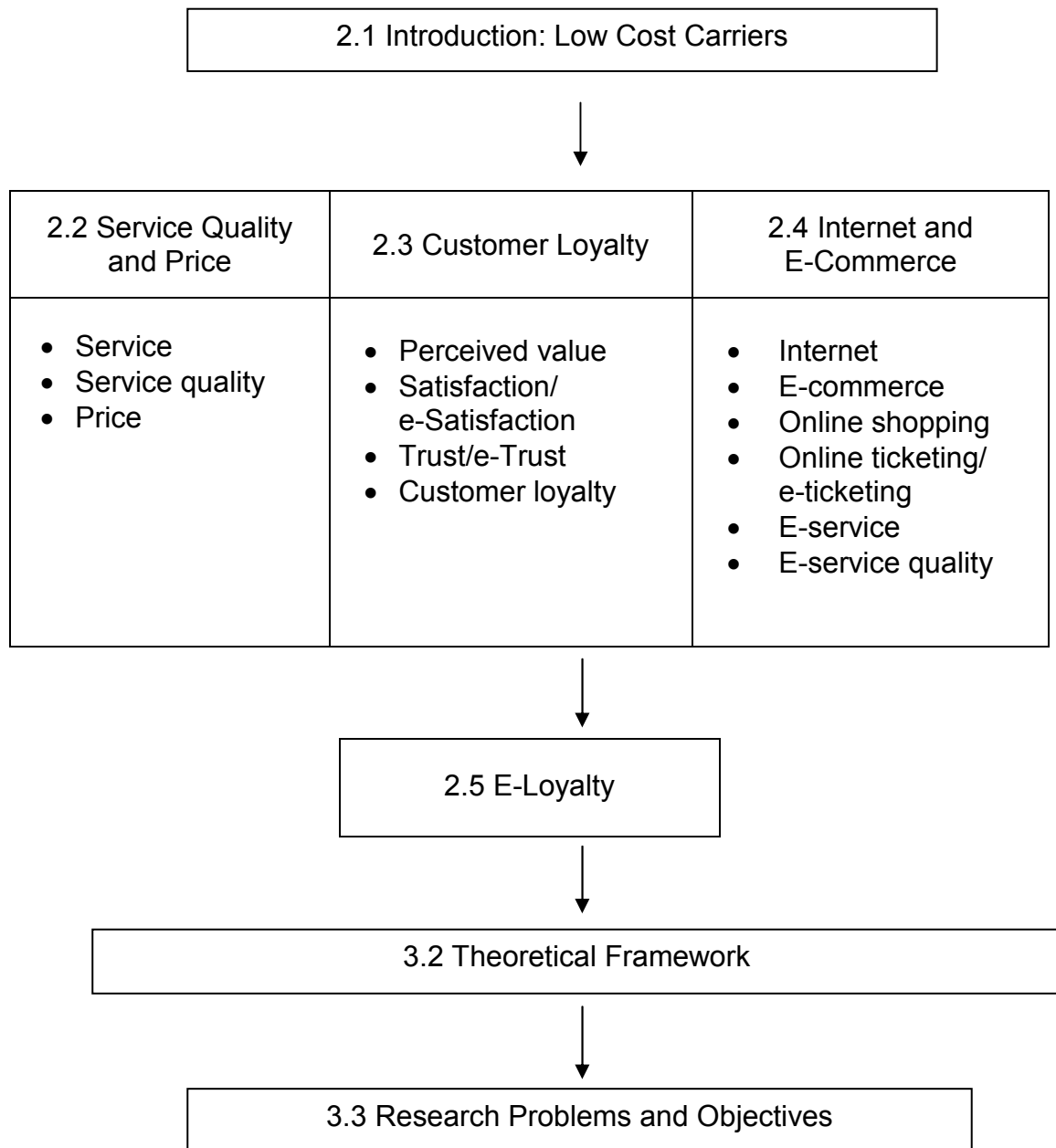


Chapter 2: Literature Review

Before embarking upon onto the research, it is appropriate to consider where the research problem lies in relation to the extent literature. Chapter 2 builds a theoretical foundation as the basis of this research. Figure 2.1 summaries the structure of the chapter.

First, the core tenets of the 3 parent disciplines are founded and summarised. They are “Service Quality”, “Customer Loyalty” and “Internet and E-commerce”. These parent disciplines will serve as the framework within which to consider the immediate discipline – customer loyalty of the online ticketing service. This critique enables indications of gaps within current research which this study could address.

Figure 2.1: The structure of Chapter 2



2.1 Introduction

Before the author starts the critical review of previous findings on service quality and customer loyalty, a brief introduction on Malaysian LCCs is given to provide a foundation of understanding of LCC industry in the country.

2.1.1 Low Cost Carriers (LCCs)

Emerging LCCs in Southeast Asia is mushrooming radically in the event of deregulation of commercial aviation market in the early 2000s. LCCs play an important role in shaping the dynamics of travel and tourism in the Asia region (Lawton and Solomko, 2005). With the gradual removal of restrictions of aviation market by 2015 (Centre for Asia Pacific Aviation, 2008), to sustain competitiveness, all LCCs in this region need to ensure that they can provide better services and fulfill the needs of their customers. Their service starts from the moment the customers' visit the web site to the customers' arrival at their destination.

The LCCs in Southeast Asia have similar pricing, cost structures and business models as well-established LCCs in United States and Europe. These similarities include aircraft type, fast turnaround time, no-frills service and bookings made in advance (Mathews, 2004). The growth of LCCs has revealed that the adoption of no-frills and low-fare alternative in the price-sensitive market can successfully enable the LCCs to compete with full service carriers (Park *et al.*, 2004). Some researchers (De Neufville, 2008) even speculate that the LCCs may one day account for over 45% of regional traffic.

2.2 Service, Service Quality and Price

Before starting to examine service quality variables, it is essential to examine the previous findings on the service and service quality. Studies on Price will also be discussed in the following sub-section.

2.2.1 Service

According to Shostack (1977, p. 73), “it is wrong to imply that services are just like products except for intangibility. Intangible is not a modifier, it is a state. Intangible may come with tangible trappings but no amount of money can buy physical ownership of such intangibles as experience, time and process”. Her suggestion was supported by Cox and Dale (2001) who confirmed that services are characterised by the fact that they are intangible, simultaneous, heterogeneous and cannot be stored for future consumption.

Services have its distinctive characteristics as compared to goods. Services tend to be heterogeneous, intangible, inseparable and perishable. Services are generally intangible, non-standardised, usually sold without guarantees, and often need to be experienced before they can be assessed (Parasuraman *et al.*, 1985). Services are performances which produced by human being, therefore no two services will be alike. As a result, heterogeneity comes into picture because each customer will have unique demands or experience the service in a unique way. As services are heterogeneous across time, organisation and people, to warrant consistent service quality is a challenge. Due to this complicated factor, the service provider cannot know for sure that the service is being delivered in a consistent manner. Meanwhile, most services are sold first and then produced and consumed simultaneously.

Simultaneity also means that customers will frequently interact with each other during the service production process and thus may affect each others' experiences. The quality of service and customer satisfaction will be highly dependent on the moments of truth. Beside, perishability refers to the fact that services cannot be saved, stored, resold or returned. A primary issue that service providers face in relation to service perishability is the inability to inventory the service. This has led to the demand forecasting and resources planning cannot be predicted (Parasuraman *et al.*, 1985).

Air travel is intangible due to customers have limited access to any benefits until they begin the travelling journey. Inseparability means that airline services cannot be separated from their providers. Perishability is significant as the unoccupied airline seats cannot be stored for later sale or be offered during peak periods. Heterogeneity is prevalent as the standards of airlines vary significantly that influence the demand for airline products (Martin-Consuegra *et al.*, 2007).

Recently, it has been suggested that the distinctive characteristics of service should not be viewed as unique to services but that they are relevant to goods. Vargo and Lusch (2004) underscore that over the last 100 years, marketing continually moved away from a product-dominant to a service-dominant which intangibility, exchange processes and relationships are central. They advocate that all products are services and economic exchange is fundamentally about service provision.

2.2.2 Service Quality

Overall service quality is seen as a function of the comparison between a customer's expectations and perceptions of actual services (Solomon *et al.*, 1985) which described by Oliver (1997) as disconfirmation paradigm.

Successful service companies are characterised by the focus on customers. These companies understand both their customers' articulated and unarticulated needs and the factors which steer the customers' desired or adequate services respectively (Edvardsson, 1998).

Boulding *et al.* (1993) confirm that customers update expectations whenever they receive information about the service through sources such as word-of-mouth communication, company communication and direct contact with the firm's delivery systems. Given the growth of the online travel industry and the increasingly intense competition, delivering a unique customer experience to online customers has become a differentiating strategy (Nusair and Kandampully, 2008).

Even though the unique online customer experience is important, but the assessments on quality dimensions which reflect the benefits sought by users over the web are lacking (Gounaris and Dimitriadis, 2003).

To deliver superior service quality, management of companies with a web presence must first understand how consumers perceive and evaluate online service. The concept of consumer-perceived quality was first defined by Grönroos (1984) as the confirmation (or disconfirmation) of a consumer's

expectations of service compared with the customer's perception of service actually received.

Although literature on service quality is abundant, many difficulties are still inherent in implementing and evaluating service quality (Carman, 1990). First of all, perceptions of quality tend to rely on a repeated comparison of the customer's expectation about a particular service. If a service, no matter how good, fails repeatedly to meet the expectations of a customer, the customer will perceive the service to be of poor quality. Secondly, unlike physical goods marketing, in service, the customer evaluates the process of service and its outcome (Reeves and Bednar, 1994).

Researchers such as Heskett *et al.* (1997) have since examined the link between quality, customer loyalty and profitability. Subsequently, it has been proven that managing quality effectively will increase customer retention, purchase behavior, enhance operation efficiency and profitability (Zeithaml, 2000).

The results from Bressolles and Nantel (2008) demonstrate that the contribution of service quality to different dimensions differ according to the type of task performed on the site. If a consumer performs a transactional task, he or she will consider the information presented on the site and the privacy aspect of the transaction to be vital. On the other hand, if a consumer just wants to seek for information, then ease of use of the site would be accentuated.

Service quality is an elusive and abstract construct that is difficult to define and measure. One of the most widely used models is the SERVQUAL scale which based on the concept of service quality gaps. Most of the literature suggests that airline passengers perceive service quality is in accordance with SERVQUAL scale by Parasuraman *et al.* (1985). SERVQUAL scale, which consists of 5 dimensions (Reliability, Assurance, Tangible, Empathy and Responsiveness) is based on customer's assessment of overall service quality. This model assumes that the difference between customer's expectations about a service and perceptions of service actually received determines the quality. If the perceived service quality meets expectations, then the customer is satisfied.

As the components of quality vary across different types of conventional services, it is essential to review generic quality scales such as SERVQUAL to suit the specific type of service (Buttle, 1996). Many of the perceptual attributes pertaining to online service quality remains the same as SERVQUAL such as fulfill promises, availability, reputable name and understand customers. However, some of the attributes dealing with online attributes such as information system stability, availability of network and speed of the internet connections were not presented in the SERVQUAL model (Zeithaml *et al.*, 2002).

Grönroos (1990) criticises that SERVQUAL only focuses on the service delivery process and does not address the service-encounter outcomes. Therefore, he suggests that the SERVQUAL instrument should include the measure of the technical dimensions.

Several studies (Carman, 1990; Cronin and Taylor, 1992; Teas, 1994; Buttle, 1996; Llosa *et al.*, 1998; Janda *et al.*, 2002; Badri *et al.*, 2005) have identified limitations related to the application of SERVQUAL scale. First of all, the concept and operationalisation of the “gap score” have been questioned. The use of a “gap score” is said to be a poor choice as a measure of psychological construct (Van Dyke *et al.*, 1997) because there is little evidence that customers actually assess service quality in terms of perception-minus-expectations score.

Beside, the concept of “expectation” has been criticised for being loosely defined and has wide aspects of interpretations. As expectations have been widely defined, therefore, the operationalisation of SERVQUAL is hard to identify. In practical, it is difficult in obtaining information on customer expectations (Teas, 1994).

Brady and Cronin (2001) argue that SERVQUAL focuses on the process of service delivery rather than the outcomes of service encounters. SERVQUAL scale is based on functional quality (which refers to the manner in which the service is delivered) rather than technical quality (the outcome of the service encounter) as articulated by Grönroos (1984).

Some researchers have suggested that different dimensions suit different expectations, perceptions and gap scores. Some researchers suggested one dimension (Cronin and Taylor, 1992) and some even have nine dimensions (Carman, 1990). It is apparent that the number of dimensions varied according to service context and geographical area. Despite those variations, it is noticeable that the five dimensions of SERVQUAL were retained in the

scales generally. However, new dimensions were added to account for industry-specific characteristics. For instant, Janda *et al.* (2002) added “security” as a specific dimension of service quality in the internet retail industry.

Cronin and Taylor (1992) reveal that expectation component of SERVQUAL should be discarded and instead performance component alone be used. They argue that SERVPERF scale, which comprised of 22 items and measure only the perceived components, performed better than SERVQUAL scale as higher perceived performance implies higher service quality. McAlexander *et al.* (1994) also postulate that perception scores (in SERVPERF model) outperform gap scores in predicting overall evaluation of service. However, in the subsequent study of Bayraktaroglu and Atrek (2010), they reveal that both of the SERVQUAL and SERVPERF models had a good fit for the 5-factor model, which indicated a good construct but they cannot conclude that one construct is superior to the other. They also found that both models are sufficient to be used in a different sector.

Different researchers have different opinions pertaining to the application of service quality dimension in SERVQUAL scale on web sites. For instance, Griffith and Krampt (1998) found that Access and Responsiveness of the web site were the key indicators of service quality delivered through web site. Access was the provision of email address and contact number of customer service agents while Responsiveness was the promptness of the e-tailers responded to the emails, inquiries or complaints.

The Empathy dimension of SERVQUAL scale is not essential in the operational aspects of online service. The Empathy dimension will come into the picture when the customers are experiencing problems during online purchase and sought special assistance from the customer service agents (Zeithaml *et al.*, 2002).

Voss (2003) points out that the Assurance and Empathy dimensions refer to human interaction between service provider and customer which simply may not take place during a web-based service encounter. Yet, Swaid and Wigand (2009) posit that the perception of Reliability and Assurance are the most important factors that affect favorable consumer behavior.

In line with this, several researchers suggest that there is a need to develop culturally specific measures of service quality. For instance, Imrie *et al.* (2002) commented that Parasuraman *et al.* (1988) did not consider the fundamental role that culture and/or personal values perform through informing consumer evaluation and choice behavior. They suggested that a more comprehensive understanding of the processes is possible with which consumers in different markets evaluate service quality differently. It will clearly enable the firm to employ pre-emptive tactics to defense its current situation and to strengthen its competencies.

2.2.3 Price

Some researchers (Monroe and Krishnan, 1985) define price as a sacrifice while some (Ahtola, 1984) defined price as a “give” component. According to Zeithaml (1988), consumers sacrifice their money, time, energy and effort to attain products or services that they want. For price-sensitive customers, anything that reduces the monetary sacrifice will increase perceived value of product or service. For the less-price-sensitive consumers, they will find value in store proximity and convenience, even at a higher cost, as they perceived that their personal time and efforts are more costly.

Price acts on consumers in two different ways: (a) it signals quality and (b) it signals the amount of monetary sacrifice involved in purchasing a product or service. Sacrifice means the future cost of the product or service if it does not performed as good as expected (Monroe and Krishnan, 1985).

Price is an important determinant in purchasing and post purchasing process. The price is somehow treated as an important variable in services rather than tangible products (Matzler *et al.*, 2006). Since price is an important element for consumers when they do purchasing, it will largely influence consumers' satisfaction judgments (Herrmann *et al.*, 2007).

To successfully compete in today's value-conscious environment, sellers must somehow establish the value of their offers more superior to others (Grewal *et al.*, 1998). One of the strategies adopted by the marketers is to increase consumer's perception of value through reference price or price comparison (Alvarez and Casielles, 2005). Both customers and firms compare the selling

price with the prices paid by other customers for the same products or services.

Consumers have price benchmarks for certain products and brands such as expected future price, fair price, expected market price and aspiration price or the price they are willing to pay for. These prices are collectively defined as consumers' internal reference prices (Urbany *et al.*, 1988). In contrast, the higher comparison price as offered to consumers along with the actual selling price is called the external reference price (Monroe and Chapman, 1987). Marketers introduce an external reference quality to lower consumers' internal reference quality and subsequently enhance their offering quality. This strategy is to increase consumers' price expectation so that the selling price appears more attractive (Ong and Jensen, 1996).

When a consumer plans to purchase a product or service, selling price will give great impact on the customer price perception. If the selling price is greater than the internal reference price, then the selling price is perceived negatively by consumer. If the product or service is being sold at a lower price than consumer's expectation, the selling price is perceived positively, thus increasing the consumer's purchase intention (Kalwani and Yim, 1992).

Consistent store price promotions and the temporal affects of discounting will lead to a lower reference price (Grewal and Compeau, 1992). Price discounts are likely to give a negative influence on perceptions of quality (Blattberg and Neslin, 1990). If a consumer purchases a product on discount, they often attribute the fact that it was on discount because it is a poorer quality product (Dodson *et al.*, 1981).

Retailers use price promotions to attract customers and the desire to maintain margins have always been conflicted with each other. Even though price discounting may generate traffic in a retail store, but such discounting offers may have negative effects on the brand's quality and internal reference prices. Therefore, carefully managed discounts on price will positively influence perceived value (Grewal *et al.*, 1998).

When the application of price promotions causes changes in the consumers' internal reference price, consumers perceive the regular price as too high, which negatively influences perceived value of the alternative and their future purchase intentions. When a firm frequently applies price promotions, consumer become acclimatised to the product or service being on promotion and decreasing their level of response to the promotional campaigns (Chen and Monroe, 1998).

In contrast, Krishna *et al.* (1991) avow that price promotions do not significantly influence the modification of reference price. However, their findings are based on the assumption that consumers are aware of the regular prices and the promotional price, and they can recall all price information when they plan to make a purchase. Nevertheless, the effect of promotions on modification of internal reference price has not been sufficiently studied in online service dimensions, especially in online services in airline industry.

Campo and Yague (2007) indicate that price discounts decrease the consumer's perception of the price paid in the short term and increase the purchase intention. Therefore, price promotions are not only tactical tools

used to motivate sales within a certain period of time but also act as strategic tools in influencing the future price perceptions and price standards of customers. However, their study only analysed the effect of promotion on the consumer's price perception at one moment in time.

In line with that, Brynjolfsson and Smith (2000) reveal that even though internet retailers offered lower prices, the dispersion of prices was no different than that found in conventional markets. They suggest that this anomaly may be due to the evolutionary nature of internet markets and the differences in consumer trust and awareness of the internet retailers. Price dispersion is the tendency for the same brands to be priced differently across stores or for the same products and quality to have wide price variance (Maynes and Assum, 1982). Smith *et al.* (1999) suggest that one of the reasons for price dispersion in electronic markets may be due to product heterogeneity.

As the service is intangible, when a consumer evaluates the different alternatives, he or she will not have tangible evidence for the intrinsic quality of the products. Hence, the customer has to pay more attention to the external signs of quality such as price (Andreassen and Lindestand, 1998). The greater importance of price and effort to search involved in services means that the effect of price promotions on the consumer's price perception can differ from the observed effect in the market of goods (Campo and Yague, 2007).

Customer tends to employ many cues to assess the overall quality of products and services (Hartline and Jones, 1996). The external cue of price is one of the cues that affect perceived service quality, risk and value, and hence

consuming intention (Zeithaml, 1988). In the study of Chen *et al.* (2005), the result supports the findings of Zeithaml (1988) whereby the price cues influenced customer value through perceived risk. In the other words, price cues affect customer choice through the customer's perception of the risk of the service. Price has been revealed to have a significant but moderate effect on consumer perceived quality (Rao and Monroe, 1989) as the high quality products generally cost more to produce than low quality products, and competitive pressures restrict the firms' opportunities to charge high prices for low quality products (Curry and Reisz, 1988).

Lichtenstein *et al.* (1988) affirm that consumers with a higher purchase frequency have a narrower price acceptance than consumers with a lower purchase frequency. Customers with lower brand loyalty are more focused on the price; and customers with higher brand loyalty are having greater price acceptances than those customers with lower brand loyalty (Kalyanaram and Little, 1994). Monroe (1990) defines the level of price acceptance as the maximum price that a buyer is prepared to pay for the product or service. If a customer is very satisfied and plans to repeat purchase, he or she is willing to pay different prices for the products or services (Martin-Consuegra *et al.*, 2007). However, price acceptance has not received the same degree of attention paid to other consequences of satisfaction and repurchase intention (Anderson and Sullivan, 1993).

Yin and Paswan (2007) find that in the context of reference price, the internet has 2 important features that influence consumers' perception on price: price comparison and price volatility. The internet offers an easy opportunity to

customers for price comparison (Lee and Overby, 2004). Lynch and Ariely (2000) also found that lower search cost of the internet can increase price sensitivity. Hardesty and Suter (2005) found that consumers expect to pay lower price on internet. However, prices are changing more frequently on the internet than in conventional channel environment (Brynjolsson and Smith, 2000).

To set effective prices, marketers attempts to predict how consumers are likely to respond to different price changes. To manage pricing decision effectively, the marketer must be able to understand both economic and psychological responses to various prices and price changes. Managers should always put across price differentials as discounts rather than surcharges (Campbell, 1999).

In the airline industry, price transparency and reliability is relevant either when prices are increased or when the pricing structure is relatively complex. When a service provider explains the causes of price increases are due to uncontrollable external factors such as increment of fuel prices, consumers are more likely to accept the price increase and perceive it as being fair. Therefore, airline firms should focus more on delivering the right quality at the right price and on treating the customers fairly rather than focusing on competitors' prices (Xia *et al.*, 2004).

Previous research indicated that overall association between price and perceived quality is low (Swan, 1974). Olson (1977) shows that prices become less important as a quality indicator when the brand name and corporate image are present. Parasuraman *et al.* (1985) indicate that price is

part of the least important attributes that associate with quality. Studies (Lambert, 1972; Peterson and Wilson, 1985) have indicated that the use of price as a quality indicator is most positive linked in durable goods rather than nondurable goods. In contrast, Reichheld (1996) supports the notion that pricing factors affect perceived value, which in turn contributes to customer loyalty.

In airline industry, the demand-based pricing and price discrimination were linked by revenue management, which also known as yield management (Kimes and Wirtz, 2003). The airline companies using this system to monitor how seats are being reserved and react accordingly. The challenge of this yield management is to sell the right resources to the right customer at the right time for a right price (Kimes, 1994). With the advancement of the internet and the integration of yield management systems, consumers now are able to compare prices more efficiently in a less costly manner across the market. In order to maintain competitiveness, marketers would have to lower their prices (Lee, 1998). But marketers must be cautious with their advertised price claims and do not exaggerate the value of offerings or cost savings too much (Yin and Paswan, 2007).

2.3 Perceived Value, Customer Satisfaction, Customer Trust and Customer Loyalty

In this sub-section 2.3, the relationships between Perceived Value, Customer Satisfaction, Customer Trust and Customer Loyalty will be discussed and several previous findings and frameworks will be compared and articulated.

2.3.1 Perceived Value

Zeithaml (1988) defines value as the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. In other words, perceived value has been seen as the trade-off between benefit and sacrifice in an offering. Grönroos (2000, p. 24) states that "value for customers is created throughout the relationship by the customer, partly in interactions between the customer and the supplier or service provider".

Perceived value is a construct that goes beyond perceived service quality. Perceived value may conceptualise as the result of the customer's trade off between quality perception and the monetary and non-monetary sacrifices (Bolton and Drew, 1991).

Further, Parasuraman and Grewal (2000) confirm perceived value is a function of a 'get' component (the benefits a buyer derives from a seller's offering) and a 'give' component (the buyer's monetary and non-monetary costs in acquiring the offering). Perceived value has a big impact on using the internet as a medium for searching and procuring goods. Increasingly sophistication in the design and frequent updating of web sites may help web users to acquire and learn new skills and knowledge. These mechanisms are considered contributing in a big way to the intention to use the internet as an

e-shopping environment. The provisions of effective search and browse methods that assist customers finding items of interest quickly and allow them to maximise their search activities are considered to represent mechanism that will enhance the perception of value (Cheng *et al.*, 2008).

The perceived value in e-commerce is getting more important as the consumers are getting more opportunities to compare product features and prices online. According to Bakos (1991), the search costs in electronic marketplace are lower, resulting in more competitive prices to the consumer. The reduction of costs not only has increased the likelihood that the consumers will compare prices, but also enables the consumers to compare the array of benefits that they will derive from the products and services that they buy.

Customer perceived value measurements provide top management with information that improves its ability to make timely, effective decisions and reduces the uncertainty of business. The trend is that customers have risen to take the power from suppliers in most marketplaces as customer perceived value is the basis of competition (Swaddling and Miller, 2002).

2.3.2 Customer satisfaction and e-Satisfaction

Oliver (1997) defines satisfaction as the psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with a consumer's prior feelings about the consumer experience. It was articulated that service quality is related to cognitive judgments and customer satisfaction is related to affective judgments. Roest and Pieters (1997, p. 345) termed

satisfaction as “an affective self-evaluation, based on perceived cost and perceived quality trade-offs”.

Grönroos (1984) argues that there is a significant overlap between the customer satisfaction and service quality, thus these two concepts can be used interchangeable. On the other hand, other researchers such as Bitner *et al.* (1990) and Carman (1990) articulate that customer satisfaction and service quality are different constructs. As the service quality is an overall evaluation of the service while customer satisfaction is viewed as the outcome of service performance.

Meanwhile, Lin *et al.* (2005) emphasise that consumer satisfaction is a crucial antecedent of post-purchase behavioural intentions. Thus, communication programs need to be designed to stimulate both cognitive-based value perceptions and affective-based satisfaction responses. They found that cognitive-based value perceptions are the most important factors in determining consumer post-purchase behavioural intentions. Therefore, according to the mediated impact model, customer perceived value leads to satisfaction which, in turn, leads to positive behavioural intentions (Eggert and Ulaga, 2002).

Although satisfaction measures seem to be an important barometer of how consumers are likely to behave in the future, those satisfaction measures are likely to be positively biased (Peterson and Wilson, 1992).

There are two lines of argument on the causal relationships between perceived service quality and satisfaction. Firstly, researchers such as Bitner *et al.* (1990) and Bolton and Drew (1991) suggest that customer satisfaction is an antecedent of perceived service quality as they found that satisfaction mediates a set of logical attributions regarding the expectations of service and customers' evaluations of services. Secondly, researchers such as Cronin and Taylor (1992) and Parasuraman *et al.* (1988) have contended that service quality is a cognitive assessment of services where satisfaction is the accumulated effect on the customers' evaluation of the service.

In line with the latter school of thought, Zeithaml *et al.* (1996) and Cronin *et al.* (2000) confirm that service quality has either a direct influence on the behavioural intentions of customers and/or an indirect influence on such intentions, mediated through customer satisfaction. Meanwhile Bitner *et al.* (1990) found a positive association between satisfactions and repurchase intention.

In addition to that, Woodruff and Gardial (1996) suggest that satisfaction and value are complementary, yet distinct constructs. Customer satisfaction is dependent on perceived service quality, customers' mood, emotions and social interactions (Rust and Oliver, 1994).

Literature on customer satisfaction seems rich but the research findings on online satisfaction still at the infancy stage. Andersen and Srinivasan (2003) defined e-satisfaction as the contentment of the customer with respect to his or her prior buying experience with a given electronic commerce merchant.

They also indicate that although e-satisfaction has an impact on e-loyalty, this relationship is moderated by trust and perceived value.

Szymanski and Hise (2000) contend that consumer perceptions of online convenience, merchandising, site design and financial security play pivotal roles in e-satisfaction assessments.

Competing businesses are only a mouse click away in e-commerce settings therefore it is imperative that the firms understand how to build customer loyalty in online markets.

2.3.3 Customer Trust, e-Trust and Trust Propensity

Trust is among the most enduring characteristics of human interaction especially when the expected outcomes of the interaction with others are not fully governed by rules and guarantees (Rotter, 1980). The importance of trust in service industry was studied since early 20th century. Many researchers have explored the role of trust in influencing the behavior intention of consumers. Deutsch (1958) concludes trust is a set of expectations that lead to behavioural intentions that involve potential loss because of the absence of control over those upon whom one depends. Giffin (1967) defines trust as reliance upon the characteristics of an object or the occurrence of an event or the behavior of a person in order to achieve a desired but uncertain objective in a risky situation.

In some service research like Parasuraman *et al.* (1988), consumer trust in services has been conceptualised as a service quality dimension among others. However, Sharma and Patterson (1999) and Gummerus *et al.* (2004)

articulate that trust is the strongest predictor of customer satisfaction, mediating the effect of online quality. In line with these findings, Eriksson and Vaghult (2000) also found strong relationship between satisfaction and retention.

Evidence show that trust has influence on consumer loyalty and this relationship has been proven by numerous researchers. Hennig-Thurau and Klee (1997) theorised that relational attributes play important roles in repurchasing decisions. Sirdeshmukh *et al.* (2002) position trust as directly linked to loyalty. Customer satisfaction is closely related to interpersonal trust (Geysken *et al.*, 1996). However, study to apply this evidence onto electronic environment has yet to perform especially in low cost airline industry.

Hofstede (1980) found that the propensity of individual trust is dependent on cultural background, personality type and developmental experience. Hence, the propensity to trust is a personality trait that moderates the effect of trustworthiness attributes on the formation of trust. When deciding the level of trust to other party, consumers will always look for cues such as trustworthiness attributes. Trust Propensity will influence the signals the cues provide to the consumers. Consumers may use different cues to shape perceptions of trust. It can stem from the reputation of the site, information provided to customer, company background (Kaynama and Black, 2000) and design of the web site (Roy *et al.*, 2001). However, bearing in mind that these cues do not applied to certain e-service providers. Instead, consumers will probably develop trust based on cues from the web sites, previous experience of service quality and recommendations from others. Chen and Barnes (2007)

posit that the richer useful functions or information that web site can provide, the higher the online initial trust that consumers are likely to have. Rotter (1980) and Mayer *et al.* (1995) confirmed that the propensity to trust or the general willingness to trust other grounded in the individual's personality, life experiences, cultural background, education, perceived trustworthiness and trust behaviours.

“Consumer trust in internet shopping is defined as the willingness of a consumer to be vulnerable to the actions of an internet merchant in an internet shopping transaction, based on the expectation that the internet merchant will behave in certain agreeable ways, irrespective of the ability of the consumer to monitor or control the internet merchant” (Lee and Turban, 2001, p.79).

A study was conducted by Baron and Kenny (1986) and the results showed that many users are reluctant to make purchase on the internet due to lack of trust. This is due to consumers cannot physically check the quality of product or service prior making purchases. Hesitation on giving sensitive personal and financial information to a third party whose behaviours and motives may be hard to predict is part of the deterrence of online purchases. In fact, online shopping involves trust not only between the online merchant and the consumer, but also between the consumer and the information technology through which transactions are executed (Lee and Turban, 2001). For the purpose of this study, the notion of trust from social psychology perspective (Mayer *et al.*, 1995) which characterising trust in terms of the expectations and willingness of the trusting party in a transaction, the risks associated with

the act and the factors that will boost or hinder the development of trust is to be aggregated.

Retailers find it increasingly important to represent themselves on the internet to get more customers, increase public's awareness of the company and its products, and most of all to generate more revenue. However, consumers simply do not trust most of the web sites enough to engage in relationship exchange with them. Evidence suggests that the principal reasons why consumers do not purchase through the internet are related to online security policies, reliabilities of companies and web site technology (Gefen, 2000). Trust is not a short term issue but it is the most significant long term barrier for realising the potential of e-commerce to consumers. Trust generally decreases the perceived risk of using a service (Garbarino and Johnson, 1999).

The success of e-commerce, especially in the business-to-consumer (B2C) area, is determined by consumers on how they are going to trust the sellers and the products which they cannot see or touch and with the electronic systems which they have no previous operation experience. The consumers make purchase decisions based on the information provided by online retailers and from their perceptions of web sites. One of the main reasons for the importance of trust in an online business is the perceived level of risk associated with online purchase (Garbarino and Strahilevitz, 2004). For that reason, the e-tailers should build web sites that are useful, secure, respect privacy and trustworthy (Chen and Barnes, 2007).

In the meantime, pertaining to trust dimension in online environment, Mayer *et al.* (1995) identify social psychology perspective which characterising trust in terms of expectations and willingness of the trusting party in a transaction, the risks associated, and the contextual factors that enhance or inhibit the development and maintenance of trust. This social psychology perspective appears to be more relevant in understanding consumer trust in online shopping as it focuses on transactions.

There are different types of trust. Dispositional trust is essential for the initial use of electronic retailers whereas System-based trust equals to e-Trust and it dealing with customers' trust in purchasing or searching for goods/services information online (Grabner-Krauter and Kalusha, 2003). In online environment, Gefen (2000) confirms that trust is an important element due to the paucity of rules and customs in regulating e-commerce.

The LCCs have introduced cost savings strategy through ticketless systems and distribution via the internet. They have played a significant role in the rising of no-frills travelling and promotion on the use of web sites as the medium to purchase travel services. Nevertheless, trust is a vital antecedent for purchasing online (Morrison and Firmstone, 2000).

Hoffman *et al.* (1999) argue that the effectiveness of third-party trust certification bodies such as Verisign or TRUSTe, and the public key encryption infrastructure for ensuring transactional security are the success drivers for online shopping transactions to take place. Trust in an automatic system is mainly depend on the system's perceived technical competence

and performance, and the operator's understanding of the underlying characteristics and processes that govern the system's behavior.

According to Ribbink *et al.* (2004), e-Trust is found to directly affect loyalty. The e-service quality dimension of Assurance influences loyalty via e-trust and e-Satisfaction. Lynch *et al.* (2001) finds that trust is consistently associated with online loyalty. Companies can therefore increase e-customer loyalty indirectly by improving the Assurance dimension of the web site.

2.3.4 Customer Loyalty

The most widely accepted definition of loyalty is from Jacoby and Kyner (1973). They describe loyalty as the biased, behavioural response expressed over time by some decision making unit over a few alternatives. Dick and Basu (1994) define customer loyalty as the strength of the relationship between an individual's relative attitude towards an entity and repeat patronage. However, Oliver (1999) criticises these definitions fail to provide a unitary definition and reliance on cognitive, affective and behavioural intention which lead to commitment and loyalty of the customer. Customer loyalty has been defined by Oliver (1997) as a deeply held commitment to re-buy or re-patronise a product or service consistently in the future.

Many previous researchers confirm that it is substantially more costly to attain new customers than to retain existing customers (Reichheld, 1996). Furthermore, if an organisation is able to keep their customers loyalty, benefits that the organisation receive would be compounding as the existing

customers may make recommendations and spread the positive word-of-mouth to their friends and family members.

In managing customer relationships, it is very important to know drives for customer loyalty. Once customers found services that they enjoy, they will less likely to seek other alternatives and respond to advertisements or competitive threats (Sambandam and Lord, 1995).

Heskett *et al.* (1997) demonstrate that loyalty is a direct result of customer satisfaction which is largely influenced by the value of service provided to customers. This satisfaction-loyalty-performance logic has greater positive impact on services because service firms must earn loyalty from customers unlike product firms can offer competitive prices to keep its customers (Bo, 2000). Meanwhile, Brandy and Robertson (2001) also agreed with Heskett *et al.* (1997) that service quality's impact on loyalty is mediated by a consumer's level of satisfaction. In addition, Semeijn *et al.*'s (2005) study demonstrates that both offline fulfillment and web site performance are important to affect customer satisfaction and loyalty. A significant relationship was also found between overall customer satisfaction and loyalty. Unless it leads to an increase in perceived value, service quality is not guaranteed to lead to a customer's overall satisfaction (Chen, 2005).

Researchers demonstrated that satisfaction is strongly associated with re-purchase intentions (Cronin and Taylor, 1992). According to Doney and Cannon (1997), "the process of building customer trust is expensive, time consuming and complex, its outcome in terms of forging strong buyer-seller

bonds and enhance loyalty could be critically important to supplier firms” (p. 48).

Customers make a choice each time they purchase. That choice might be between a previous satisfying purchase and the hassle of shopping for alternatives. If the customer chooses to repurchase the familiar product without comparison shopping, the choice can easily be misunderstood as blind loyalty (Swaddling and Miller, 2002).

Within a tourism context, a strong relationship between satisfaction and true loyalty was established by Pritchard and Howard (1997). However, Andreassen and Lindestad (1998) could not find a significant link between satisfaction and loyalty in the packaged tour industry.

In travel and tourism, loyalty cannot always be transformed into consecutive bookings. When assessing customer loyalty in the airline industry, researchers are facing complications as some routes are exposed to intense competitions and some airlines are operating at a monopoly manner. Besides, corporate travel regulations and policies also limit the freedom of choice by the business travellers (Brierley, 1994).

In a pre-purchase situation, value perceptions exercise a direct influence on the re-purchase intention (Bolton and Drew, 1991a) or the willingness to buy (Dodds *et al.*, 1991). In a post-purchase situation, the influence of value-for-money evaluation on behavioural intention will be mediated by the customer satisfaction (Andreassen and Lindestad, 1998).

However, some of researchers find that customer satisfaction does not directly influence customer loyalty. As Donio *et al.* (2006) conclude that customer satisfaction is positively related to customer loyalty attitude with a very weak tie between the two variables. It calls for additional factors that can help to boost the level of customer loyalty. Their findings are in line with many theoretical approaches that highlighted how apparent high levels of satisfaction may not result in a behaviour characterised by high loyalty.

The relationship between competition and loyalty becomes more intense as the level of competition rises. It comes about when a wide range of choices is offered and rapidly emerging innovation products and services (Stevens, 2000). This phenomenon is more apparent in service sector. According to Oliver (1999), if the service does not cause trouble and dissatisfaction, the customer is likely to continue using the same brand due to loyalty. Until the customer reaches action-inertia, the lure of new experiences will be too tempting to ignore.

McMullan and Gilmore (2003) highlight the importance of understanding the way customers with differing levels of loyalty development may respond to a differentiated strategy. They found that customers with low level of loyalty are least interested in developing relationship with the seller as they are interested with promotional offers. In contrast, customers with high level of loyalty are not emphasised on promotional offers.

2.4 Internet and Electronic commerce

The usage of Internet and information technology is getting common. The conventional brick-and-mortar retailers find it progressively imperative to establish and promote their organisations through the internet with the objective to reach more customers without being restricted by geographical boundaries. On the other hand, the electronic channels not only provide convenience to the target market but also generate more revenue for the online merchants. In this section, the author will elaborate and review some of the early findings on internet and electronic commerce.

2.4.1 Internet and Virtual Marketplace

One of the profound impacts of internet is the rapid decline of information cost and the technology needed to acquire, store and transmit those information (Grewal *et al.*, 2003). Continuing reductions in costs of marketing through the internet and the increased in global development bypassing geographical location constraints are the major causes of proliferation of e-commerce (Sheth *et al.*, 2000).

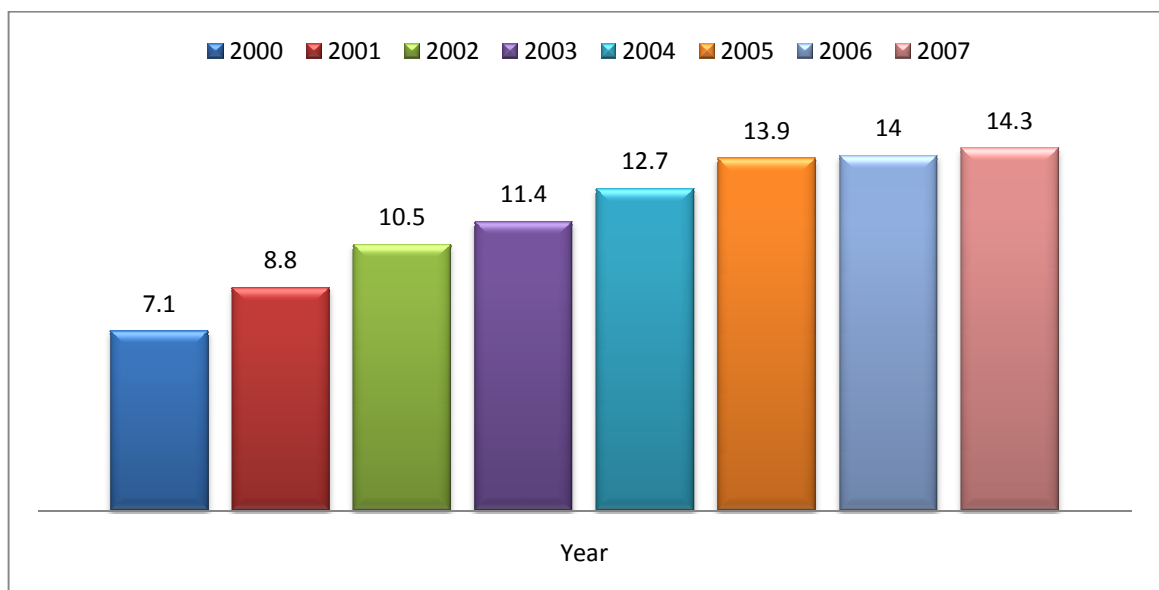
With internet technology, online users can have unlimited access to the information they require and can enjoy wider alternatives in purchasing products and services of highly competitive prices. A cost leadership strategy therefore cannot apply in intense competitive online retailing. Rather, online retailers have to adopt differentiation strategy to enhance customer's satisfaction and expand its customer base (Jun *et al.*, 2004).

Nowadays, many internet-based companies offer services previously unheard of. The established companies find that the internet provides a way to offer new services (Willcocks and Plant, 2001).

According to Central Intelligence Agency (2009), Malaysia has a population of 25,715,819 as of July, 2009. As of 2008, the Internet users in Malaysia have increased from 15,868,000 in 2007 to 16,903,000 (approximately 65.7% of the populations are Internet users).

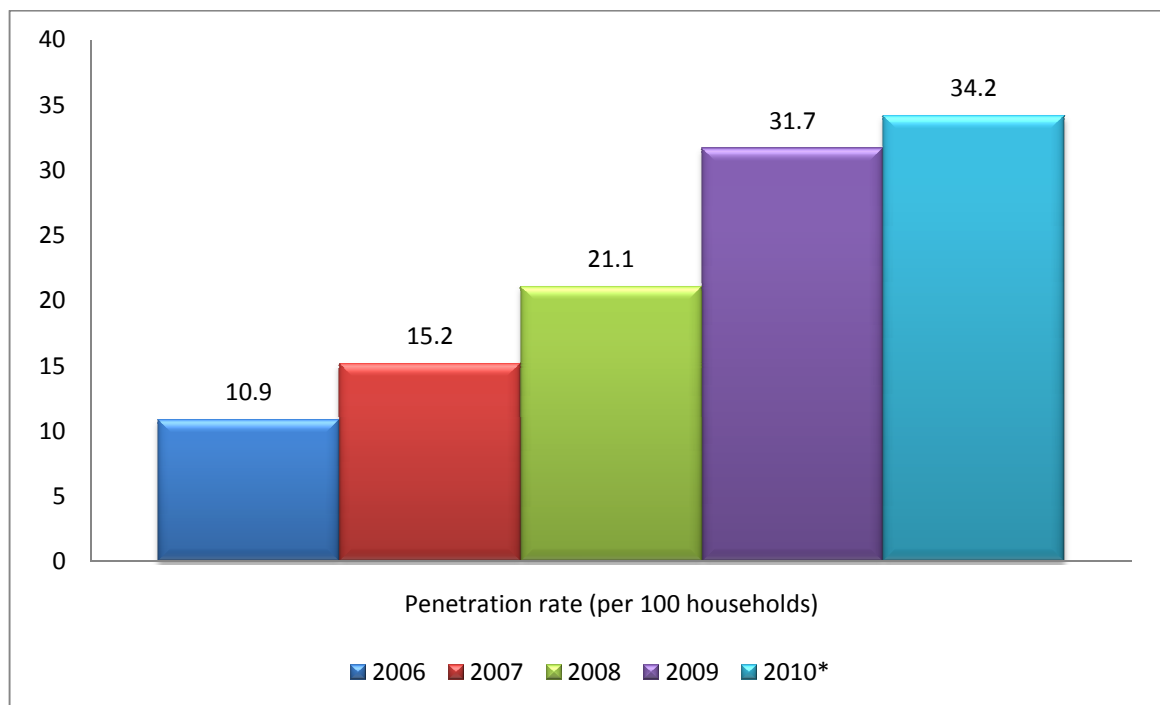
According to the Information and Communications Technology Services Statistics (2006), Internet penetration rate for dial-up subscriptions in the country has increased from 7.1 per 100 populations in 2000 to 14.3 per 100 populations in 2007. The subscriptions increased more than 100% in 6 years time.

Figure 2.2: Penetration rate for Internet dial-up subscriptions per 100 populations (2000 to 2007)



Source : Malaysian Communications and Multimedia Commissions (MCMC)

Figure 2.3: Internet penetration rate for broadband subscriptions per 100 households (2006-2010*)



Source : Malaysian Communications and Multimedia Commissions (MCMC)

According to Malaysian Communications and Multimedia Commissions (Figure 2.3), the penetration rate for Broadband subscriptions per 100 households in Malaysia has increased from 10.9 per 100 households (in 2006) to 31.7 per 100 households (in 2009). It was forecasted that the figure will be increased to 34.2 per 100 households in the year of 2010.

As shown in Figures 2.2 and 2.3, percentage of populations in Malaysia who are subscribing to the internet services is growing. In another words, market potential for online services is enlarging. Looking at the opportunity, conglomerates, multi-national companies or even small and medium enterprises (SMEs) have shifted from brick-and-mortar business model to clicks-and-mortar. They employ the advancement of information technology

with the goal to increase their competitive advantages and broaden their market penetration.

There is clear evidence that the trend to conduct commerce through the internet is growing not only domestically but also internationally. This development is closely linked to the recognition that the internet is a retailing platform capable of attracting and maintaining customers (Shiu and Dawson, 2002). Therefore, the need to predict consumers' behavioural intentions to use the internet for purchasing purposes has also increased (Gopi and Ramayah, 2007).

As the use of the internet as a marketing tool is growing, online retailers realised that a flashy web site will not be the differentiating variable some marketers may have hoped for but service quality will probably be. As a result, focus shifted from the appearance of web sites and its impressive features (a production orientation), to information content, to functionality (a product orientation) and belatedly to attempt to understand consumer needs and their interaction with the internet (a customer orientation) (Boshoff, 2007).

Internet sites enable firms to collect tremendous information of interested consumers. Information from cookies and online profiling could be used to better segment and target specific consumers and to improve positioning of the firm's offerings (Patton, 1999).

The traditional physical marketplace is challenged by a virtual marketplace, where the content of a transaction is information about goods or services instead of the goods or services themselves; the context of a transaction is

electronic, on-screen interactions instead of face-to-face interaction; and the infrastructure enabling a transaction consists of computers and communication lines instead of physical stores (Rayport and Sviokla, 1994).

The main driving forces behind the explosive growth of the virtual marketplace are cost efficiency, 24/7 accessibility, lack of geographical limitations, interactivity and low entry barriers (Porteus, 1999).

It took some time before marketers fully appreciated the potential impact of the Internet on marketing practices. However, they realised that if this new technology is to be used as a channel of distribution, consumer needs and customer satisfactions will be the imperative elements (Wang *et al.*, 2001).

2.4.2 E-Commerce

As stepping into the 21st century, organisations beginning to realise the benefits derived from the information technology to their businesses. They started to adopt electronic medium as a mean of marketing to the customers. This move is also in line with organisational strategic goals to reduce costs and to achieve competitive advantage in their respective industry.

Electronic commerce refers to all electronically assisted business processes that facilitate transaction or exchange (Barnes-Vieyra and Claycomb, 2001). Electronic commerce is also frequently called 'e-commerce' (Hamilton, 2001).

In e-commerce, Applegate *et al.* (1996) defined the applications of e-commerce as: Business-to-Customer (B2C), Business-to-Business (B2B), Inter-organizational and Customer-to-Customer (C2C). For the purpose of this

study, the definition of online shopping was referred to the level of Business-to-Customer (B2C).

Collier and Bienstock (2006) discover that B2C web sites require performing the following tasks: providing information on the product/service available, facilitating transactions, fast delivery of purchased product/service and direct after-sales services.

E-commerce provides companies with various benefits such as ability to access a larger market with low operating costs; improve its customer services and enhance knowledge about consumers by means of interactivity of the digital medium (Gurau, 2003); increase offer available at click of a mouse without wasting time and money physically moving from one place to another; and produce more demanding customers with clear ideas of what they want and how they want it, who ask for more and tolerate to less mistakes. A customer may access a web site to receive information or make an order but does not receive anything tangible from this experience (Cox and Dale, 2001). It is essential for online retailers to identify the attributes employed by online customers in their assessment of e-commerce quality (Yang and Fang, 2004).

For firms with online presences, the web sites are the platforms used to communicate with customers and to facilitate business transactions. Web sites that do not provide positive experience may cause customers to avoid purchase online (Van der Merwe and Bekker, 2003).

2.4.3 Online shopping

Online shopping technologies are essentially self-service technologies that offer the benefits of round-the-clock convenience, ubiquitous availability, time and money savings and reduction in the anxiety caused by judgmental service representatives (Bitner, 2001). But some would argue that there are disadvantages to internet shopping such as computer system complications, computer phobia, loss of pleasure and social interaction (George, 1987).

As a self-service technology, online airline reservation places a significant burden and responsibility on the consumers. Consumers are the one who responsible for searching multiple airlines for fares, comparing prices and do bookings. Mistakes are the sole blame of the consumer who has very limited recourse for correcting errors (Cunningham, 2004).

Therefore, consumers decisions whether to shop or not to shop online are influenced by the consumers perceptions towards online shopping. Previous studies have found online shoppers showed concerns in terms of the usefulness (Venkatesh, 2000), perceived risk and trust (Wee and Ramachandra, 2000), and convenience (Childers *et al.*, 2001) of online shopping. Kolsaker *et al.* (2004) found that perception of risk is strongly associated with a reluctant to purchase airline services online. They also suggested that cultural factors may dictate a desire to minimise risk and enjoy the whole shopping experience.

Shopping through the internet offers a high degree of location-independent accessibility and maximises purchase convenience and flexibility (Suki and Suki, 2007). Therefore, the use of the internet for shopping is deemed

capable of creating more value to customers such as a more efficient ordering system and ease of information collection online (Eng and Kim, 2006).

As customers' needs become more sophisticated and the environment becomes more competitive, attention is turning towards the quality of web site itself. Web site quality has been found to have a positive correlation with the likelihood of customers visiting and transacting with the site (Liang and Lai, 2002).

According to Zailani *et al.* (2008), the top reasons online consumers prefer to shop on the web are to avoid crowds, lower prices, ease of comparing products and prices, avoiding the inconvenience of travelling to stores and a wider selection of products. They postulate that a web site must be efficiently designed for ease of access, shopping and buying with sufficient server power and network capacity to support web site traffic. Besides, online shoppers want their credit card, personal information and details of transactions are secure from unauthorised use.

2.4.4 Online ticketing/E-ticketing

Airline tickets are now extensively transacted over the internet, both product categories exhibit tremendous heterogeneity and quality uncertainty. Therefore, monetary price information alone cannot be used for comparing various offerings (Smith *et al.*, 1999).

E-ticketing is becoming prevalent and the system is employed by many airline companies worldwide as an effort to reduce costs on printing paper tickets. While e-ticketing creates cost savings for airlines companies, travellers get

their benefits in terms of convenience, ease the tension of misplacing a ticket, enable to check-in online over the web, choose their seats on the screen and make the appropriate choices on other services accordingly.

Airlines are increasingly aware that greater use of information technology significantly reduce costs and improve efficiency in ticket reservation and distribution systems. Many kiosks equipped with do-it-yourself technology – such as the internet reservations, e-ticketing and self check-in services are introduced to customers. All these are intended to help create big savings in documentation costs (such as ticket printing; physical handing, storage and security of documents; accounts verification and reconciliation) and staffing costs (Vasudavan and Standing, 1999).

Compared to other online shopping transactions, e-ticketing is gaining popularity vastly as the customers can get better bargain by buying tickets online (Sulaiman *et al.*, 2008).

Apparently, non-price competitiveness advantages have become more critical as instant price and technical comparisons on the web are cost-free and feasible for consumers (Hof *et. al.* 1998).

2.4.5 E-service

Hoffman and Bateson (1997) define e-service as the deeds, efforts or performance whose delivery is mediated by information technology (including the web, information kiosks and mobile devices). Such e-service includes the service element of e-tailing, customer support and service, and service delivery. Rust and Lemon (2001) describe e-service as providing a superior experience to consumers with respect to the interactive flow of information.

Recent advances in technology have created a surge in technology-based self-service (Dabholkar *et al.*, 2003). Such developments are changing the way that service firms and consumers interact. E-service is becoming increasingly important not only in providing consumers with a superior experience with respect to the interactive flow of information (Santos, 2003), consumers nowadays are using this e-service to search for more information, compare prices and also a platform to purchase services. Unlike traditional service, e-service is not constrained by distance and opening hours thus delivering convenience (Bitner, 2001).

According to Zeithaml *et al.* (2002), in order to encourage repeat purchases and build customer loyalty, firms must shift the focus from e-commerce (the transaction) to e-service (all cues and encounters that occur before, during and after the transactions).

E-services typically may reduce marginal consumer acquisition and service costs, due to reduction in human intervention and ease of e-service scalability (Bitner *et al.*, 2002) and also may support the capture of information relating to the search, evaluation and purchasing activities of consumers (Iqbal *et al.*, 2003)

2.4.6 E-service quality

Electronic service quality is considered as “the extent to which a web site facilitates efficient and effective shopping, purchasing and delivery of products and services” (Zeithaml *et al.*, 2002, p. 363).

According to Boyer *et al.* (2002), the e-service encounter is the time from when a customer visits a web site until the time when the product or service is delivered and fit for use. Customers use online systems as a fast and efficient way compared to traditional sales channels. Zeithaml *et al.* (2005) acknowledge that a consumer's assessment of e-service quality includes not only experiences during interactions with the web site but also post-interaction service (such as delivery and returns).

E-service quality is the extent to which a web site facilitates efficient and effective shopping, purchasing and delivery of products and services. During the online purchasing process, consumers are generally goal oriented (Zeithaml, 2000). They acknowledge that user satisfaction is a crucial measurement within the e-service encounter as it combines the web site factors and behavioural intentions toward the information technology. It is desirable for online retailers to identify the attributes utilised by online customers in their assessment of e-commerce quality (Allred *et al.*, 2006).

Oliveira *et al.* (2002) suggest that e-service quality is amongst a firm's competitive capabilities that lead to business performance. Electronic service quality is a differentiating strategy (Zeithaml *et al.*, 2002)

However, in e-commerce environments, the concept of consumer perceived quality was affected by differences in the interaction between the online retailer and the consumer. Apart from the absence of the ambience of a physical shop (such as temperature, lighting, and business equipment), the online retail environment also lacks person-to-person contact (Shamdasan and Balakrishnan, 2000). Online consumers use a web site to undertake the

functions of searching, comparing, ordering and paying for merchandise by themselves. In addition, personal information and credit card details are often requested by the online portals which can raise security concerns in the minds of online customers.

Cristobal *et al.* (2007) took a wider view in noting that the various studies of e-service quality could be divided into online retailing services, and web page quality. They criticise that the previous studies have not looked into a global perspective of perceived web site quality components and their effects. They have composed a 4-dimensions Perceived e-Service Quality which consists of Web design; Customer service; Assurance and Order management.

By improving the e-service quality, the airlines can achieve higher levels of customer satisfaction and retention. The active dimension proposed by Santos (2003) which consists of reliability, efficiency, support, communications, security and incentives can help to improve the e-service quality consistently throughout the period that a website remains active.

Long and McMellon (2004) reveal some new dimensions related specifically to technology – ease of navigation, flexibility, efficiency, site aesthetics and price knowledge. However, they did not consider interpersonal interaction as critical in online service quality because this dimension is only vital when problems occurred or when consumers are making complex decision. This study is also focused on the technological aspects of online user interface and neglected the affective elements of consumers.

It was acknowledged that the Internet can be a powerful tool to increase overall service offerings and create a higher standard in various industries if properly utilised. Besides offering commercial competitive advantages in the market place, online service quality also involved consumers in the product-development process through quick feedback and enhanced consumer relationships (Griffith and Palmer, 1999).

Although many researchers have attempted to evaluate or measure the aspects related to web site quality (like SITEQUAL, WEBQUAL and etc), there are still some shortfall in these studies. For example, some researchers conducted the study based on convenience samples. This data collection method did not capture and reflect the realism of actual online buying. Subsequently, those studies were aimed more at providing feedback to web site developers and designers than to understand actual buying-decision making. Lastly, these earlier studies were based on conceptualisations which were too narrowly-defined and did not capture all aspects of a final consumer's buying process (Boshoff, 2007).

It seems that many e-service quality models mentioned above have been conceptualised based on the SERVQUAL dimensions. However, it may involved similar criticism as the original SERVQUAL dimensions concerning their relevance and generalisability (Heinonen, 2004).

For more than a decade, at least 30 industry-specific scales of service quality have been published in the literature on service quality (Ladhari, 2008). Despite researchers such as Janda *et al.* (2002), Wolfinbarger and Gilly (2003) and Parasuraman *et al.* (2005) who came out with their respective frameworks

on online service quality, many comments and constructive criticisms were made as each model has its limitations.

Loiacono *et al.* (2000) developed a comprehensive scale of rating web sites called WebQual which consisted of 12 dimensions. However, this study is too focused on technical quality of web sites rather than service quality provided to consumers through the web sites. In other words, the WebQual scale is geared towards assisting web site designers to improve the interface quality of web sites and develop interaction perceptions of the consumers. Beside, the WebQual scale did not include the dimensions of Customer Service and Fulfillment. Therefore this scale cannot measure service quality entirely.

The 9-item SITEQUAL scale which was developed by Yoo and Donthu (2001) has 4 dimensions, namely: Ease of use, Aesthetic design, Processing speed and Security. However, all four dimensions are mainly for the development of interface of web sites and did not assess the service quality.

Barnes and Vidgen's (2002) WebQual was developed to measure organisation's e-commerce offerings. This scale provides an index of a site's quality (customer perceptions weighted by importance) and has five factors- Usability, Design, Information, Trust and Empathy. The scale is powerful when used to provide a benchmark against competitor organisations and it can also be applied longitudinally to evaluate the impact of e-commerce development activities.

ETailQ was built to measure consumer perceptions of e-retailing which contains 4 factors: Website design, Fulfillment/Reliability, Privacy/Security and

Customer service (Wolfenbarger and Gilly, 2003). In this study, they found that Fulfillment/Reliability was the strongest predictor of customer satisfaction and quality.

Tan *et al.* (2003) mainly focused on the difficulties in measuring web-based service quality. They identified 11 service attributes and dimensions related to web-based service quality. They suggested 2 major changes to the service quality dimensions. First, they suggested eliminating price knowledge dimension of e-SERVQUAL as this dimension is not a key issue in web-based service quality. Subsequently, they added the quality of information dimension because information itself is intangible, therefore the information quality must be accurate, relevant, up-to-date, timely and easy to locate.

However, according to Boshoff (2007), existing studies to measure e-service quality have their limitations. Loiacono *et al.*'s (2000) WebQual was conducted on students and not actual customers. The study of Wolfenbarger and Gilly (2003) did not capture the entire buying process and its dimensionality was questioned. Yoo and Donthu's (2001) SITEQUAL was using convenience samples and it did not capture all aspects of the purchasing process. Barnes and Vidgen's (2002) WebQual model, despite providing a valuable profile of e-commerce quality, does not provide prescriptive advice concerning how an organisation might improve its e-commerce offering. Also, the WebQual scale is designed to be answered without requiring a respondent to complete the purchasing process and this scale is therefore a transaction-specific assessment of a site rather than a comprehensive evaluation of the service quality of a site.

In response to the criticisms and suggestions from various researchers, Parasuraman *et al.* (2005) embarked on an extensive scale development process and crafted the e-S-QUAL and the e-RecS-QUAL scales, to measure the quality of service delivery of web sites:-

- a) Efficiency: Efficiency refers to the ability of the customers to access to the web site, find their desired products and information and check out with minimal effort (Zeithaml, 2002).
- b) Fulfilment: The extent to which the web site's promises about order delivery and item availability are fulfilled (Parasuraman *et al.*, 2005);
- c) System availability: This dimension refers to the correct technical functioning of the web site. The web site should always be ready for business (Parasuraman *et al.*, 2005);
- d) Privacy: To ensure customers' personal data collected from electronic transactions are protected from unauthorised users (Ratnasingham, 1998). Chellappa (2000) argues that different people have different expectations of privacy. Its definition may depend on the nature and type of situation. Privacy is customers' right and it can influence customers' perception of security when the customers know this right and it will be introduced to them during online transactions. Customers must understand their privacy offered by the web.
- e) Responsiveness: Quick response and the ability to get help if there is a problem or question (Zeithaml *et al.*, 2000)
- f) Compensation: The degree to which the site compensates customers for problems (Parasuraman *et al.*, 2005); and

g) Contact: The availability of assistance through telephone or online representatives (Parasuraman *et al.*, 2005).

The first four dimensions were said to constitute “core” quality (E-S-QUAL scale), whereas the last three were said to constitute “recovery” quality (E-RecS-QUAL scale). The E-S-QUAL scale consists of two parts: one for routine service encounters and an auxiliary scale especially for service errors.

Nevertheless, despite the comprehensiveness of the E-S-QUAL scale, Bressolles and Nantel (2008) critic the scales do not focus on quality of the site but rather on quality of the e-service inherent in navigation.

Bauer *et al.* (2006) found that the previous e-service quality scales mainly focus on goal-oriented e-shopping behavior and excluding hedonic quality aspects. To integrate both utilitarian and hedonic e-service quality elements, they have developed a transaction process-based scale for measuring service quality (eTransQual) which consists of 5 quality dimensions. They emphasise the Enjoyment dimension as a dominant factor in influencing both relationship duration and repurchase intention as major drivers of customer lifetime value. They argue that eTailQ (Wolfenbarger and Gilly, 2003) and E-S-QUAL (Parasuraman *et al.*, 2005) is lacking of hedonic service quality elements.

Nusair and Kandampully (2008) examined the extent to which the 6 dimensions of service quality in online travel settings: Navigability; Playfulness; Information quality; Trust; Personalised; and Responsiveness. They found that the web sites need to improve their performance by emphasising on Personalised (refers to giving customers individualised attention,

understanding the specific needs of customers and providing service related to convenience) and Playfulness (refers to the degree of cognitive spontaneity in microcomputer interactions) dimensions. However, their study cannot be generalised to all travel services.

In relation to the online travel service quality studies, Law and Leung (2000) articulate that dimensions which contribute to a successful airline web site are: product information, pricing, extra benefits, online ordering information, process time, quick loading time and the additional service as essential attributes.

Later, Su *et al.* (2008) identified 6 conceptual dimensions of e-commerce consumer perceived quality, namely: (a) ease of use, (b) information quality, (c) consumer service, (d) web site design, (e) process controllability and (f) outcome quality. Their findings demonstrate that “consumer service” and “outcome quality” are indispensable to the provisions of a high quality e-commerce services. In early days of e-commerce, web presence and low price were the drivers of success. Now, people no longer turn to e-commerce for its novelty, they are rather seeking convenience and superior service. Therefore, the online retailers need to shift their focus from advanced web site technology to the delivery of superior service if they are to retain their customers and encourage repeat purchases.

2.5 E-Loyalty

E-loyalty is the key to long term success in the internet arena. The principal foundation of e-loyalty is the provision of a superior customer experience (Reichheld and Scheffer, 2000). Anderson and Srinivasan (2003) defined e-loyalty as the customer's favourable attitude toward an electronic business, resulting in repeat purchasing behavior. As noted by Dick and Basu (1994), loyal customers are more likely to provide positive word-of-mouth.

In recent years, retail competition has intensified on the internet causing increased concern for customer's loyalty. Few entry barriers for competitors and low switching costs for consumers have led the e-tailers increasingly struggle for customer retention (Abbott *et al.*, 2000). Studies show that the representation of the product online, indeed the overall quality of the shopping experience matters for both attitude towards shopping online and intention to buy (Burke *et al.*, 1992).

As customers become more familiar with internet technology, this make e-loyalty is hard to obtain with the effect of low switching costs. For customers to be satisfied with an experience, they must feel that they can trust the organisation to promise what they can deliver and will not abuse secure information (Olson and Boyer, 2005). Zins (2001) confirms that perceived value plays an indirect role for explaining future loyalty mediated by customer satisfaction which is backed to a large extent by perceived quality, corporate image and perceived value. Consequently, as noted by Peterson (1997), electronic markets will lead to intense price competition resulting in lower profit margins. To compete successfully, e-tailers will need to develop and

maintain customer loyalty. To do this task, e-tailers must first thoroughly understand the antecedents and the consequences of e-loyalty.

However, customer satisfaction plays a secondary role in the explanation of loyalty. Smith (2001) describes several enablers of e-loyalty. They are inherent value in the product or service being offered; fast and efficient web sites; dependable distribution systems and easy to navigate web site.

A key difference between online and offline consumer behaviour is that the online consumer is generally more powerful, demanding and utilitarian in his or her shopping expedition. As a result, customer loyalty on the web is low (Morrisette *et al.*, 1999). Research has shown that certain site features such as the availability of FAQs (Frequently Asked Questions) section or promotional menu at the web site, can influence both traffic on the web site and overall online sales (Lohse and Spiller, 1998). Schlosser *et al.* (2006) posit that investments in web site design can boost trusting beliefs and online purchase intention.

Adding to this, Fulfillment is seen as one of the most influential factors, not just in perceived quality assessment but also in loyalty intentions (Parasuraman *et al.*, 2005). In line with the findings of Heskett *et al.* (1997), Ribbink *et al.* (2004) found that e-trust is directly affect loyalty and the e-service quality dimension of Assurance influences loyalty via e-trust and e-satisfaction.

2.6 Conclusion

After having gone through some of the major findings by various researchers in this chapter, problems of the current online ticketing services of LCCs are identified and a proposed conceptual framework to be presented in next chapter to evaluate the significance of relationships of relevant variables with regard to the LCC online environment.