

*Analyzing the Impact of Service Quality on Brand Loyalty in  
Pakistan Airline Industry*



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**Fall-2022**

*Majors: MKT  
Major/No. M25*

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**FINAL PROJECT/THESIS APPROVAL SHEET**

**Viva-Voce Examination**

Viva Date      /      /     

**Topic of Research: Analyzing the Impact of Service  
Quality on Brand Loyalty in Pakistan Airline  
Industry**

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## ABSTRACT

With ever-growing competition in airline industry, a common goal for firms is to achieve customer satisfaction and ensure brand loyalty. The importance of service quality and customer satisfaction magnifies when companies try to retain their customer and gain competitive advantage in market.

**Purpose** – The goal of this research is to find out whether service quality (SERVQUAL scale) results in customer satisfaction and if customer satisfaction leads service quality to brand loyalty through mediation in Pakistan’s airline industry. Apart from this, it is also intended to find out the service quality dimension that has the largest impact on customer service.

**Literature Review** – Takeaways from previous studies about service quality, customer satisfaction and brand loyalty are listed to find out which relationships are already developed and find out a research gap. This forms the foundation for hypothesis of this research.

**Method** – An online Google questionnaire was administered that included items regarding dimensions of service quality as per the SERVQUAL scale, customer satisfaction and brand loyalty, along with a section regarding demographics and flight information. A total of 243 valid responses were collected which were used to perform a descriptive analysis, correlation analysis, multiple regression analysis and mediation analysis using SPSS (v26.0) and Hayes Process Macro (v4.2).

**Results** – It was observed that all service quality dimensions except empathy positively and significantly impacts customer satisfaction in Pakistan’s airline industry while assurance is the most important dimension causing variance in customer satisfaction. Customer satisfaction was also found to be partially mediating between service quality and brand loyalty. This study indicates that service quality should be given more importance to ensure that the customers are satisfied and loyal to the brand. Besides, it signifies assurance as the most important factor contributing towards satisfaction of customers in airline industry of Pakistan.

## **ACKNOWLEDGEMENTS**

Firstly, I thank Almighty Allah for being there with me in every up and down. I acknowledge the efforts of my respected advisor, Dr. Muhammad Usman for providing guidance to me throughout this thesis. I also want to express my gratitude to my friends who supported me through this journey of two years. Last, but not the least, I feel extremely blessed to have a supportive husband and family who kept me motivated to achieve this milestone.

## **DEDICATION**

This piece of work is dedicated to my parents, who always believed in me and supported me in all respects. Wherever I am, whoever I am today, I owe it to them.

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# CHPATER 1: INTRODUCTION

## 1.1 Background

The economic recession in 2007-2008 followed by the COVID-19 pandemic, were two major setbacks for the economy of the world, within last 15 years. The lockdowns implemented throughout the world due to COVID-19, had a huge impact on services sector specially, hospitality, tourism and transport (Javed, 2020). Pakistan, also imposed lockdown and social distancing during 2019 and 2020 to mitigate Corona Virus, due to which the economic activities in the country were suspended. The Financial Report of Government of Pakistan, (2020) revealed that the country experienced negative growth rate of 0.59 percent for the first time, in services sector. Services sector is the major contributor of GDP for Pakistan (Javed, 2020) due to which the blow on its growth rate has a significant impact on the overall economy of the country. Airline industry is one of the most prominent business in the services sector.

Between 2019-2021, the domestic and international flights were suspended several times which adversely affected the revenues of the airline industry (Javed, 2020). In order to bring the airline industry back on track in a post-COVID world, it is crucial that these companies focus on the quality of their services, to retain their old customer-base along with attracting new customers. Since past few years, Pakistan's leading airline, PIA (Pakistan International Airline) is taking steps to revamp its services to facilitate its customers better by improving the punctuality of flights, quality of food, cleanliness of the aircrafts, on-time departures, SMS service for information regarding delay of flights and introduction of a new baggage identification system WTR (World Tracer Management) (Allan, 2021). However; there are still many areas that need more focus, so that the airlines can generate value for their customers and encourage brand loyalty.

We live in a highly competitive globalized world today, in which companies are coming up with new ideas to acquire new customers and retain old customers by keeping them satisfied. Improving the service quality is a very essential strategy to achieve customer satisfaction (Scheffler, 2018) and is an important requirement for a company's success in a competitive world (Gilbert & Wong, 2003). The airline industry, being a vital part of the tourism industry is a component of the same competitive environment (Tiernan et al., 2008).

Pakistan has a huge domestic market due to which the airline industry of Pakistan is among the fastest growing industries of the country (Javed, 2020). The increased growth in industry is also giving rise to the competition in the market. The airlines are competing on the basis of quality of service and competitive pricing for economy class (Taneja, 2016).

It is crucial for Pakistani airlines to retain their customer base so that they can survive in the industry. To exhibit a competitive advantage, the airlines need to retain their customers, since the customers who have positive past experience with an airline are less price-sensitive (Gómez et al., 2006). Customer retention will occur when they are loyal to the brand which is a complex phenomenon due to which it is important to explore the factors that drive loyalty and repurchase intentions (Saleem et al., 2017). Companies are interested in identifying and analyzing the factors of customer loyalty including quality of service and satisfaction (González, 2015). The brand loyalty is important because the cost of retention is less than acquiring new customers (Namukasa, 2013). That is why some scholars have investigated the antecedents of customer loyalty (Lin & Ching Yuh, 2010). However, the existing literature is mostly limited to the developed world (González, 2015). By knowing the factors leading to customer satisfaction, companies can act proactively for satisfying the customers and resolve problems before they can even occur. Gauging customer satisfaction is critical for highly competitive airline industry.

In service industry, quality of service that a company provides, is a vital strategy to achieve customer satisfaction. Researchers have proved that customer satisfaction can improve customer loyalty which in turn has effects the market share of a company (Jiang & Zhang, 2016). Satisfied customers usually result in repurchasing and generating a positive WOM (Nadiri et al., 2008).

Today, the air travelers have a lot of choices when they travel internationally. Both foreign and national airlines flying to and from Pakistan compete in the market to attract potential air travelers. Apart from quality of service, there are some other factors like gender, age and income of the customer that are the determinants of brand loyalty (Gonçalves & Sampaio, 2012). Customer perception of products or services is of high importance to companies serving in international and domestic markets. Hence, marketing specialists working in tourism industry should be well aware of the vital factors affecting the customer satisfaction.

Because of the increased attention to service quality recently, a fundamental issue that researchers face is the how to measure the service quality. The SERVQUAL scale was established by Parasuraman, Zeithaml & Berry (1988). It is a 22-item instrument that covers five

dimensions of service quality comprising of “tangibility, reliability, responsiveness, assurance and empathy”. This scale includes customer expectations due to which it was criticized so later another SERVPERF method was created (Cronin & Taylor, 1994) which focused only on perceptions of customers (Nadiri et al., 2008). To suit the airline industry demands, the AIRQUAL scale was established (Bari et al., 2001) that included the five dimensions related to airline “tangibles, terminal tangibles, personnel, empathy and image”. To gauge quality of service of Pakistani airlines, the SERVQUAL scale will be used because it is more applicable to airline industry in Pakistan. Further discussion on this is a part of the Literature Review chapter.

## **1.2 Research Gap**

There are many studies which have examined that service quality has a correlation with customer satisfaction (Jiang & Zhang, 2016) and a few of these studies already focus on SERVQUAL scale dimensions for service quality (Baloch & Jamshed, 2017; Zhu, 2016). However; no study has been done that investigates the effect of service quality via SERVQUAL scale on brand loyalty through customer satisfaction as a mediator in Pakistan’s context. Baloch & Jamshed (2017) investigated the influence of service quality on customer loyalty in Pakistan using the SERVQUAL scale, however; their research was limited to PIA – the national flag carrier of Pakistan. This research takes all Pakistani airlines into context and examines the effect of quality of service on customer satisfaction. Previous research exists on a relationship of customer satisfaction with brand loyalty in various industries (Gonçalves & Sampaio, 2012; Namukasa, 2013). This research is focused on determining the precedents of customer satisfaction and the role of customer satisfaction as a mediator between service quality and brand loyalty in airline industry of Pakistan.

## **1.3 Research Questions**

The following research questions are formulated bring forth the information needed for this study.

- RQ1: What is the impact of service quality with respect to reliability on customer satisfaction in airline industry of Pakistan?
- RQ2: What is the impact of service quality with respect to assurance on customer satisfaction in airline industry of Pakistan?

- RQ3: What is the impact of service quality with respect to empathy on customer satisfaction in airline industry of Pakistan?
- RQ4: What is the impact of service quality with respect to tangibles on customer satisfaction in airline industry of Pakistan?
- RQ5: What is the impact of service quality with respect to responsiveness on customer satisfaction in airline industry of Pakistan?
- RQ6: What is the impact of service quality on brand loyalty in context of Pakistan's airline industry?
- RQ7: In context of Pakistan's airline industry, is brand loyalty an outcome of service quality if mediated through customer satisfaction?
- RQ8: Which dimension of service quality contributes the most to customer satisfaction in Pakistan's airline industry?

#### **1.4 Research Objectives**

The primary aim of this research is to understand the impact of service quality dimensions i.e., reliability, assurance, empathy, tangibles and responsiveness on customer satisfaction and check the effect of customer satisfaction as a mediator between service quality and brand loyalty. Therefore; this study is conducted to investigate the following objectives with respect to relationships mentioned above.

- To identify the impact of service quality with respect to reliability on customer satisfaction in airline industry of Pakistan.
- To identify the impact of service quality with respect to assurance on customer satisfaction in airline industry of Pakistan.
- To investigate the impact of service quality with respect to empathy on customer satisfaction in airline industry of Pakistan.
- To investigate impact of service quality with respect to tangibles on customer satisfaction in airline industry of Pakistan.
- To identify impact of service quality with respect to responsiveness on customer satisfaction in airline industry of Pakistan.
- To investigate the impact of service quality on brand loyalty in context of Pakistan's airline industry?

- To establish brand loyalty as an outcome of service quality mediated through customer satisfaction.
- To find out the dimension of service quality that contributes the most to developing customer satisfaction in Pakistan's airline industry.

By knowing how various dimensions of service quality, impact customer satisfaction and in turn brand loyalty, the airlines can make better and informed decisions to make their customers loyal to the brand.

### **1.5 Significance of the Study**

This research is important in various perspectives. First, to gauge customer satisfaction in aviation industry is becoming more relevant as it is crucial for business's survival and essential for gaining sustained competitiveness in the industry (Chonsalasin et al., 2021). Secondly, as per data from credited national and international sources, the yearly graph of air passengers in Pakistan has an increasing trend (CAA Pakistan, 2019; International Civil Aviation Organization, 2020).

The satisfaction of travelers is significant for sustainability and survival of the airline as well as for prosperity of local economy. Also, with gradually increasing demand, it is now more important for the aviation industry to create effective strategies and attract more customers alongside retaining the current ones. Retention of travelers and brand loyalty is only possible with better quality of service and customer satisfaction.

The focus of the study is to understand the role of components of the SERVQUAL scale and its effect on customer loyalty with customer satisfaction as a mediator. It will help the airline companies understand what they should focus on to attract more satisfied and loyal customers.

## **1.6 Problem Statement**

Given the significance of the study and the research gap, below problem statement has been formulated.

*What is the impact of service quality on customer satisfaction and brand loyalty in Pakistan Airline Industry?*

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 Importance of Airline Industry**

According to the IBISWorld Global Airlines Industry – Market Research Report (2022), the Global Airline Industry comprises of airlines that carry passengers domestically or internationally over either scheduled or non-scheduled routes. The dedicated cargo airlines are generally not a part of the airline industry however; the cargo that is transported in a passenger aircraft is included. The importance of the airline industry can be derived from the fact that despite the setback in 2019-2021 due to COVID-19 pandemic, its market size is \$785.6 billion by revenue in 2022 (McGrath, 2022).

Industry experts agree that emerging markets are at the heart of future air traffic and market share (Taneja, 2016). Pakistan, being an emerging economy generates a major portion of first time flyers. The domestic and international travel is related to the growth in economy of a country (Kum et al., 2015). Pakistan has seen a significant growth in GDP per capita in past few years. According to World Bank, Pakistan's GDP per capita in 2021 was USD 1,537.9. The increase in GDP per capita for Pakistan in past twenty years is depicted in below graph (World Bank, 2021).

With this economic growth, the local airline industry might see a premium market appearing along with the budget market (Baloch & Jamshed, 2017). Pakistan International Airline (PIA) is the flag bearer of Pakistan and holds the highest market share in the country's airline industry (CAA Pakistan, 2019). However, recently with emergence of more airline companies in Pakistan, the competition has become tough. The airline industry is highly dependent on differentiation based on quality of service to attain sustainable competition in the industry (Chen, 2008). Service quality results in customer loyalty which in turn results in improved market share and increased profitability (Baloch & Jamshed, 2017). Dissatisfied passengers do not prefer to travel in the same airline (Wu & Lin, 2014). That is why; customer loyalty is a vital goal for any company.

The Pakistan's airline industry needs to engage with customers on multiple fronts to improve its strategic competitiveness (Baloch & Jamshed, 2017). This includes improving the service quality provided by the airline companies. The buyer and seller interaction is highly dependent upon the



service quality and hence, Pakistan's aviation industry needs to understand the service-profit chain effect, to be successful in the growing market.

## **2.2 Difference between Services and Goods**

It is important to understand the difference between good and services in order to get to the core concept of service quality. Service comprises of the economic activities that do not result in a physical product, are consumed at the time of production and adds value (like convenience, timeliness or comfort etc.) in a way that resolves a problem being faced by a customer (Zeithaml & Bitner, 1996). Services can be differentiated from good on the basis of "intangibility, heterogeneity, inseparability and perishability" (Lovelock & Gummesson, 2004).

### **2.2.1 Intangibility**

The concept of intangibility implies that services are actions as opposed to goods that are physical objects (Zeithaml & Bitner, 1996). Therefore; services and goods should be assessed differently. That being said, tangibility and intangibility comes hand-in-hand most of the time as most of the offerings are an amalgamation of tangible and intangible components to make a wholesome experience for the customer. In such scenarios, a service is considered as comprising of more intangible components instead of tangible ones. One of the common problems of intangible businesses especially airline industry is that unlike goods, services cannot be stored hence it is difficult to predict their demand. Secondly, it is extremely easy for the competitors to copy the business strategy of a services business as it cannot be patented (Zeithaml & Bitner, 1996).

### **2.2.2 Heterogeneity**

Heterogeneity implies that since services are processes produced by humans, they can never be alike. (Zeithaml & Bitner, 1996). Services are highly dependent upon the day to day behavior of employees and customers and hence there is a rare chance that the service remains consistent. In context of aviation industry, a passenger gets in touch with a few employees and the quality perceived by the passenger depends on an employee's customer satisfaction skills (Alotaibi, 2015).

### **2.2.3 Inseparability**

It suggests that service production and consumption cannot be separated as these two processes are usually done simultaneously. The customer has to be present to produce the service and hence the customer is also a part of the production of service (Zeithaml & Bitner, 1996). Quality of service is created during this interaction of customer and the service provider.

### **2.2.4 Perishability**

It implies that services cannot be “saved, stored, resold or returned” (Zeithaml & Bitner, 1996). That is why forecasting and planning is of utmost importance to service providers. They also need contingency plans regarding how to compensate a customer in case service delivery process does not work (Scheffler, 2018).

## **2.3 Importance of Service Quality in the Airline Industry**

Service quality is a lot of significance as per literature in attaining market share and the return on investment objectives of an organization (Chen, 2008). It is a key component of customer satisfaction and a significant prerequisite for success of any company (Gilbert & Wong, 2003). Quality is defined by Gilmore (1974) as “(...) the degree to which a specific product satisfies the wants of consumer”, while Normann (1991) defined Service Quality as “(...) a social act that takes place in direct contact between the customer and representatives of the service company”. On the basis of these definitions, in context of aviation industry, the customers compare their perceptions with the services that they get to evaluate the service quality of an airline company. Therefore; perceiving the expectations of customers is crucial for the airline management to offer a relatively superior service. Recently, service industry providers have become more focused on providing quality service in this fast changing environment (Nadiri et al., 2008).

Superior quality of service ensures customer approval and results in positive word of mouth as well as repeat customers (Leong et al., 2015). A service oriented firm can increase their profits by charging eight percent more by delivering higher quality services (Gilbert & Wong, 2003). Such companies have a competitive advantage over their competitors and can attain a unique market position (Bawa, 2011). Due to this competitive advantage in the market, high-quality service providers can have much bigger market share and attain high profitability (Gilbert & Wong, 2003).

The aviation industry became a highly competitive market after deregulations in 1978 (Tiernan et al., 2008) The rivals in this industry can differentiate through either price or service quality (Kim & Lee, 2011). However, price does not give sustainable advantage that the companies can achieve (Chou et al., 2011). In context of Pakistan, previous research exists on relationship of service quality with customer satisfaction and brand loyalty (Baloch & Jamshed, 2017; Nadiri et al., 2008; Saleem et al., 2017); however; this research is mostly related to the national airline of Pakistan, PIA. Furthermore, none of the researches has so far studied the impact of SERVQUAL scale on Brand Loyalty in Pakistan. This research is significant for making Pakistan's airlines sustain and stand out amidst the fierce local and global competition. This research also carries organizational implication for managers by linking various aspects of service quality with customer satisfaction and brand loyalty and proving their correlation. Also, quality of service is a proven marketing strategy to accomplish differentiation (Zeithaml & Parasuraman, 1985).

## **2.4 Scales to Measure Service Quality**

Service quality is highly dependent upon the perception of customers (Chou et al., 2011). That is why for researchers, it is a major challenge to measure the customer's perception of quality service. Overall, the service quality can be conceptualized by either the Nordic approach or the American approach (Suhartanto & Noor, 2012). The Nordic approach says that the quality of technical and functional aspects of providing a service constitutes quality of service for a customer. The interaction between a customer and a service company results in what is being delivered and is called technical quality while the functional quality can be described by the manner in which service delivery is done (Grönroos, 1984). The service delivery is subjective to employee performance, the customer and influence of other customers due to which it becomes difficult to measure (Grönroos, 1984).

In context of American approach, the service quality is based on expectancy-disconfirmation model that identifies quality of service as difference between customer expectations of the service compared to perception of the actual service given (Suhartanto & Noor, 2012). The SERVQUAL scale was developed as an instrument to determine the gap between perception of customers and their expectations (Scheffler, 2018). Parasuraman, Zeithaml & Berry (1988) came up with five dimensions that are considered as potential indicators for service quality. These dimensions include "tangibles, reliability, responsiveness, empathy and assurance".

The SERVQUAL model received some criticism though it is often used practically. One of the relatable criticisms is that various industries need industry-specific dimensions and SERVQUAL cannot be universally utilized in all service related industries (Ali et al., 2015). SERVPERF scale was developed to overcome the other criticisms of the SERVQUAL scale (Nadiri et al., 2008) however; it is also criticized for its generalizability to measure service quality (Ali et al., 2015). An AIRQUAL scale was developed to cater for the elements specific to aviation industry (Alotaibi, 2015). This scale consists of five dimensions of airline industry – “airline tangibles, terminal tangibles, personnel, empathy and image” (Ekiz et al., 2006).

## **2.5 SERVQUAL vs. AIRQUAL in Pakistan’s Context**

Globally, AIRQUAL scale has a significant validity and reliability to measure quality of service in aviation industry (Alotaibi, 2015). However; there is one dimension called “terminal tangibles” in AIRQUAL scale, which is not compatible with Pakistan’s aviation industry. Communal airport terminals exist for both arrival and departure of passengers at Pakistan’s airports, which hinders research on “terminal tangibles” specific to an airline.

To cater for this gap at Pakistan’s airports, the SERVQUAL scale is selected for this research as a measure for service quality. It does not specify “terminal tangibles” and has more appropriate dimensions to measure quality of service of Pakistan’s airlines. The dimensions of SERVQUAL scale are tangibles, reliability, responsiveness, empathy and assurance where “tangibles” are not specific to the airport terminal only.

## **2.6 SERVQUAL Dimensions**

The five dimensions of SERVQUAL scale are further divided into a 22-item questionnaire (Parasuraman et al., 1988). Out of the five dimensions, reliability refers to execute the expected service accurately every time. Assurance is related to behavior of the employees, their knowledge, values, courtesy and ability to satisfy a customer. Tangibles are physical equipment used to provide a service. Empathy refers to the ability to understand a customer’s individual need and give them proper attention while responsiveness is about offering quick service and eagerness to help (Zhu, 2016).

## 2.7 Customer Satisfaction

In marketing literature, the customer satisfaction is a key concept (Suhartanto & Noor, 2012) which has been defined by multiple researchers as follows:

Definition	Author
“the overall evaluation based on the total purchase and consumption experience with a good or service over time”	(Leong et al., 2015)
“the feeling of pleasure or disappointment when a customer compares a product’s perceived performance with his or her prior expectations”	(Jiang & Zhang, 2016)
“consumer’s response to the evaluation of the perceived discrepancy between prior expectation and the actual performance of the product as perceived after its consumption”	(Suhartanto & Noor, 2012)

**Table 1: Customer Satisfaction Definitions in Literature**

Customer satisfaction is outcome of the marketing activities of any marketing-oriented company (Sandada & Matibiri, 2016). Therefore; it should be the primary goal for service providers. In a service company, satisfying customer is a greater challenge than making them happy on purchase of a good because services are multilayered and more complex in nature (Shoaib et al., 2018). Also, for service industry, it is very important to retain customers through satisfaction (Kim & Lee, 2011) since new customer acquisition costs five times extra as compared to retaining old ones through customer satisfaction (Sandada & Matibiri, 2016).

Customer service is highly dependent on perceived service quality (Zeithaml & Bitner, 1996). Apart from perceived service quality, the perceived value, price and situational factors have significant impact on customer satisfaction (Suhartanto & Noor, 2012; Zeithaml & Bitner, 1996). Based on this literature, below hypothesis can be formulated.

## 2.8 Brand

Brand makes products and services of a company look different from the competitors and assist in the identification of these products and services (Anderson & Narus, 2004). Brand communicates the value of a product or service. A brand is an intangible notion that encapsulates not only colors, logos and jingles but also feelings, associations and experiences (Kotler & Pfoertsch, 2007). A brand is more than just tangibles like taglines, advertising and jingles with which it is most often associated (Dunn & Davis, 2004). It is a promise, a complete perception

and it holds a unique position for customer based on past interaction and future potential (Kotler & Pfoertsch, 2007).

Rather than a fancy advertisement, brand refers to a promise that a company makes to a customer and it can only survive by consistent delivery of that promise (Kotler & Pfoertsch, 2007). Unlike regular marketing promises, a brand should be a clearly defined promise and should be relevant to the customers.

Some of the major companies like IBM, General Electric and Proctor & Gamble have managed to use and maximize the power of their brands to increase their equity (Dunn & Davis, 2004). Brand is an important company asset that, like any other tangible asset of the company, should be nurtured and protected. In aviation industry, it can be said that the corporate image of the airline is the brand itself (Kee & Ghazali, 2011).

## **2.9 Brand Loyalty**

A firm's success is dependent upon its ability to draw customers towards its brand (Mellens et al., 1996). In airline industry the customers are passengers, so the more passengers an airline company is able to attract to its brand, the more it is considered successful.

Oliver (1999) defined loyalty as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior". Brand loyalty is defined as "the biased behavioral response expressed over time by some decision-making unit with respect to one or more alternative brands out of a set of such brands and is a function of psychological (decision making evaluative) processes" (Jacoby & Chestnut, 1978).

Retention of current customers and to make them brand loyal is crucial for company survival (Mellens et al., 1996). The importance of brand loyalty can be estimated from the fact that previous Ford VP, Basil Coughlan revealed that every percentage of loyalty translates to \$100mn of profit to Ford (Serafin & Horton, 1994). Organizations that have brands with high customer loyalty have a competitive edge over others as brand loyalty helps in reduction of marketing costs, provides trade leverage and buys the company time to respond to competitor moves (Mellens et al., 1996).

## **2.10 Hypothesis Development**

To investigate how quality of service acts as a predecessor for customer satisfaction in aviation industry, the measurement of quality is divided in various dimensions (Alotaibi, 2015). Therefore, the first step is to gauge the effect of each AIRQUAL dimension on the customer satisfaction and later we will move on to the mediating role of customer satisfaction.

### **2.10.1 Service Quality and Customer Satisfaction**

If firms provide premium quality services to the customers, the customers are more willing to maintain a long-term relationship with the company (Parasuraman et al., 1988). Overall, quality is a complex concept encapsulating excellence, value, meeting expectations and fulfilling specifications (Saleem et al., 2017). In services marketing, quality is a customer perception phenomenon and the standard of quality is met when the perception of customers meet their expectations (Parasuraman et al., 1988). Quality has also been studied as a antecedent of repurchase intention (Zeithaml & Bitner, 1996), satisfaction (Ali et al., 2015) and brand image (Saleem et al., 2017). In airline industry, previous research suggests that quality has significant effects on passenger satisfaction and repurchase intention (Namukasa, 2013). The findings of studies about service quality and customer satisfaction has consistently shown positive significant results (Saleem et al., 2017). Hence, we will use the constructs of service quality in SERVQUAL scale to see if they have a positive effect on customer satisfaction in Pakistan airline industry.

#### ***1. Assurance:***

In airline industry, the employees' knowledge about their work, their courtesy practices as well as their ability to communicate confidence, certainty and trust is referred as assurance. For passengers of an airline, assurance is the most important dimension of service (Gilbert & Wong, 2003). In past research a 26-item questionnaire was developed which corresponded to "reliability, assurance, facilities, employees, flight patterns, customization, and responsiveness" (Zhu, 2016) to determine the differences between customers' expectations. In this study, many differences were found depending upon various ethnicities and purpose of travel (Gilbert & Wong, 2003). The findings confirmed that assurance is the most important dimension to the customers of an airline industry hence it is inferred that customer satisfaction of airline will increase with increase in assurance.

*H1: Quality of service with respect to assurance positively influences customer satisfaction.*

## **2. Reliability**

Reliability is related to fulfilling the agreed-upon service accurately every time an interaction between the customer and the service occurs (Zhu, 2016). Previous implementation of SERVQUAL scale in airline industry suggested that reliability and empathy influence customer retention the most (Young et al., 1994). Also, on-time performance is the most significant attribute contributing to satisfaction of customers traveling for business purpose, as time is of utmost importance to them (Zhu, 2016). Hence, reliability is another key dimension affecting the perceptions of passengers about an airline's service quality and hence, satisfying the customers.

*H2: Quality of service with respect to reliability positively influences customer satisfaction.*

## **3. Empathy**

Empathy is considered a very significant part of the services industry. The passengers evaluate quality of service by employees' understanding of customers' needs and their genuine concern for well-being of the customers (Scheffler, 2018). Empathy can be measured by the concern of an airline to provide problem-free services and its ability to understand the need of the passengers (Alotaibi, 2015). Empathy is defined as "caring, individualized attention the firm provides its customers" (Parasuraman et al., 1988). In airline industry, this translates to whether the airline caters for individual needs of the passengers. Baloch and Jamshed (2017) concluded in their research that there is a significant positive relationship between empathy and customer loyalty.

*H3: Quality of service with respect to empathy positively influences customer satisfaction.*

## **4. Tangibles**

Tangibles can be defined as the "appearance of physical facilities, equipment, personnel and communication materials" (Parasuraman et al., 1988). This is an important dimension as it elevates the customer's perception of quality of service (Zhu, 2016). Tangibles reflect the appearance of aircraft, the aircraft and ground facilities, employees and communication (Parasuraman et al., 1988). It includes the quality of equipment on the plane, cleanliness of plane interior and the comfort of cabins (Scheffler, 2018). It can be expected that if customers are provided with quality tangibles, it will increase their level of customer satisfaction.

*H4: Quality of service with respect to tangibles positively influences customer satisfaction.*



## **5. Responsiveness**

Responsiveness refers to the eagerness of an airline to facilitate and assist its customers and provide quick services to them (Parasuraman et al., 1988). Previous research included customer services, complaints handling, check-in services and baggage handling under responsiveness (Bruning et al., 2009). Studies indicated that passengers who fly frequently, have a higher expectation of responsiveness and quality service (Zhu, 2016). It signifies that with increase in responsiveness, the customer satisfaction can increase.

*H5: Quality of service with respect to responsiveness positively influences customer satisfaction.*

### **2.10.2 Service Quality and Brand Loyalty**

Earlier research suggests that there is a positive indirect relationship between service quality and brand loyalty through mediating effects of brand trust or customer satisfaction (Chumpitaz & Swaen, 2003; Cronin & Taylor, 1994; Zehir et al., 2011). The previous literature includes satisfaction, loyalty programs, and trust as the antecedents of brand loyalty. There is also some research suggesting that the dimensions of service quality have a significant and positive relation with customer loyalty (Baloch & Jamshed, 2017). It means that the customers who experience quality services with an airline are more likely to continue using that airline in future as well and the possibility of switching to other airlines is diminished. This signifies that there is a direct and positive relationship between service quality and brand loyalty.

*H6: Service quality has a direct positive influence on brand loyalty.*

### **2.10.3 Service Quality, Customer Satisfaction and Brand Loyalty**

Arnould & Price (1993) suggested that customer satisfaction can be explained by taking the emotional context of services encountered. Customers can have negative, positive or both type of feelings during a service encounter. If company's give more attention to customers, it will result in positive feelings about the company which leads to customer satisfaction and building a positive image of the company (Kee & Ghazali, 2011). There is also a proven relationship between reputation of a company and its image which influences customer expectations (LeBlanc & Nguyen, 1996).

Research has proven over time, that superior service by an airline is an important survival feature for today's competitive airline industry (Gilbert & Wong, 2003). For aviation companies in Pakistan, quality of service and customer satisfaction is even more important because there is a

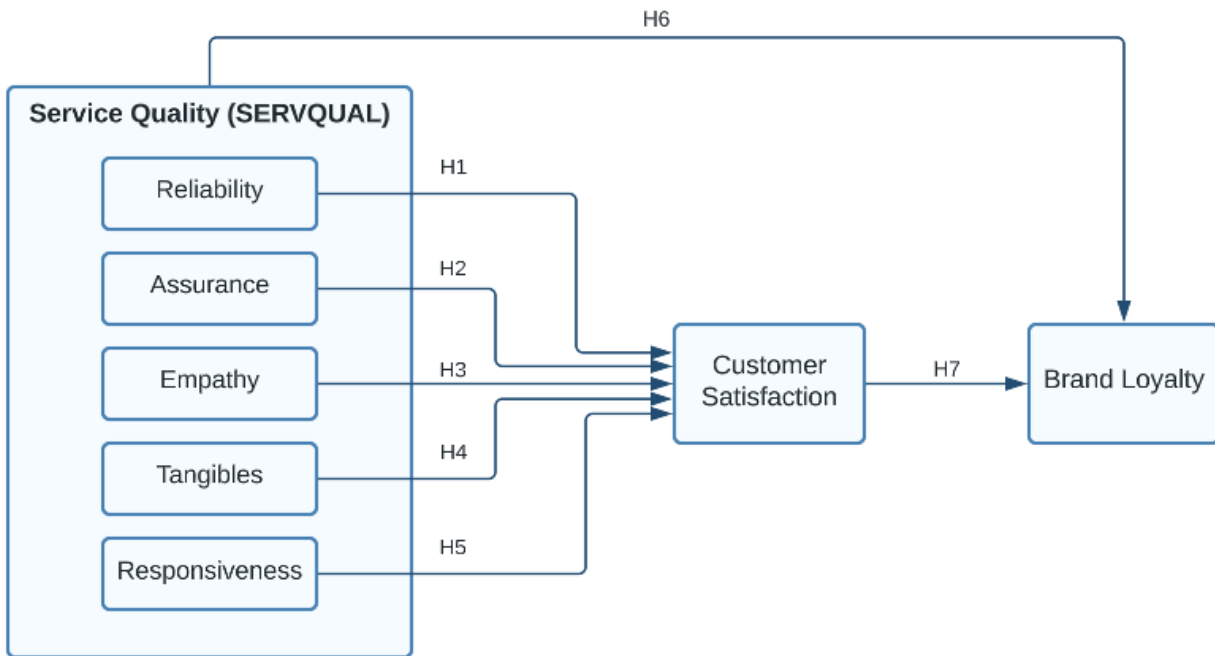
lot of negative perception around seat reservation, inconsistent schedules, check-in complexities, mishandling of baggage, safety hazards and misinformation to the customers (Baloch & Jamshed, 2017). The passengers utilize these perceptions to gauge the airline quality (Tiernan et al., 2008).

Consistently delivering quality services gives way to customer loyalty (Parasumaran et al., 1991). Loyalty is important to airline companies because sustaining a loyal customer costs less than new customer acquisition (Namukasa, 2013). Also, loyal customers less price sensitive and they need less communication from the firm hence decreasing the marketing costs (Gómez et al., 2006). Hence, providing high quality service is a differentiating strategy for airlines to improve customer experience, the airline image which is further related to improvement in loyalty, earnings and market share (Baloch & Jamshed, 2017). Customer satisfaction relates to repurchase intention which and is a part of loyalty (Saleem et al., 2017). Kotler & Keller (2012) explained satisfaction as a phenomenon that occurs when perceived outcomes of customers meet their expectations and results in feeling of pleasure. It is expected that a satisfied customer will repurchase the service and become loyal to the brand (Cronin & Taylor, 1994; Zeithaml & Bitner, 1996). Thus in services sector, customer satisfaction has developed into a main concern and a priority to gain the competitive edge of brand loyalty (Cronin & Taylor, 1994; Parasuraman et al., 1988). According to previous research, assurance (Gilbert & Wong, 2003) and responsiveness (Pakdil & Aydın, 2007) are the most important predictors of loyalty to an airline brand. Both these predictors are contributors of customer satisfaction (Saleem et al., 2017). Hence, based on this literature, following hypothesis can be proposed:

*H7: Customer Service has a mediating effect on the relationship between Service Quality and Brand Loyalty.*

## 2.11 Theoretical Framework

From the literature review, following research framework can be developed.



**Figure 1: Theoretical Framework**

The hypothesis being tested in this research are summarized below:

H1: Quality of service with respect to assurance positively influences customer satisfaction.

H2: Quality of service with respect to reliability positively influences customer satisfaction.

H3: Quality of service with respect to empathy positively influences customer satisfaction.

H4: Quality of service with respect to tangibles positively influences customer satisfaction.

H5: Quality of service with respect to responsiveness positively influences customer satisfaction.

H6: Service quality has a direct positive influence on brand loyalty.

H7: Customer Service has a mediating effect on the relationship between Service Quality and Brand Loyalty.

## **CHAPTER 3 - METHODOLOGY**

### **3.1 Research Design**

According to the definition of Sekaran & Bougie (2016), “research design is a blueprint or plan for collection, measurement, and analysis of data created to answer your research questions”. It is important for a researcher to be clear on the decisions about research approach, strategy, extent of researcher interference, the study setting, unit of analysis and temporal aspects of the research. The decision taking process for all these subjects are discussed in subsequent sections.

### **3.2 Research Approach**

This study focuses on the influence of service quality dimensions on brand loyalty and the relationship of customer satisfaction as a mediator in the process. A quantitative study is undertaken in this research in which data collection is done through a large group of representative respondents (Hollensen, 2011). Data is collected through structured questions, mostly in numeric format (Sekaran & Bougie, 2016). This data is readable by a computer program can be analyzed via statistical techniques. It quantifies the sample data to conclude generalized results that can be applied to the whole population (Hollensen, 2011) This research approach is an excellent way to allow the researcher to test theory via hypothesis development and establish correlations between selected variables (Choy, 2014). The rationale for selection of quantitative approach is that it is efficient as well as effective. It is efficient because it can be administered and analyzed quickly as precise responses can be collected in a short time. Also, its effectiveness comes from the fact that the researcher can develop generalized results that are applicable across a broad set of population and can also be replicated in different areas. (Choy, 2014).

### **3.3 Research Strategy**

Some of the commonly used strategies for research are questionnaire, experiments, case studies, action research, grounded theory and ethnography (Sekaran & Bougie, 2016). This research uses a one-time survey or questionnaire method as a medium of data collection from the sample and describes their behavior. Surveys allow gathering quantitative as well as qualitative data on various research questions. It also enables researcher to gather data on the Likert scale that increases the result significance and makes the analysis more useful (Ballinger & Davey, 1998).

Survey can be conducted online due to which it can be made easily accessible to a larger audience hence adding up to the efficiency in data collection.

### **3.4 Extent of Researcher Interference**

The extent of researcher interference decides whether a study is correlational or causal. A correlational study, as opposed to causal, is carried out with minimal or no interference in natural settings (Sekaran & Bougie, 2016). This research is a correlational study and is carried out in a natural environment without any external influencers or change in variables.

### **3.5 Study Setting**

A research is said to be conducted in non-contrived settings if it is done in the natural environment while it is conducted in contrived settings if some artificial arrangement is made to perform field experiments or derive causal effects (Sekaran & Bougie, 2016). The non-contrived - field study method is used in this research as it is a descriptive study to find out the correlation between various variables.

### **3.6 Unit of Analysis**

The unit of analysis suggests whether the unit of data collection is individuals, groups, dyads, organizations etc. (Sekaran & Bougie, 2016). The nature of information collected that will be later used for analysis is important to determine the unit of analysis. This research needs data regarding perception of passengers about various metrics to determine the quality of service in the airline industry, their satisfaction from an airline and their brand loyalty. All these variables differ from individual to individual. Hence, the unit of analysis in this research is an individual.

### **3.7 Time Horizon**

A study can either be conducted in a cross-sectional or longitudinal way. A cross-sectional study finds answer to research questions by gathering one-time data over a period of time while in contrast, the longitudinal method studies a phenomena more than one time to gauge a change in behavior most of the time (Sekaran & Bougie, 2016). This study is a cross-sectional study in which data was gathered in a single go, in form of a survey that was kept open for a month, from September 13<sup>th</sup> 2022 to October 13<sup>th</sup> 2022. This research does not investigate a change of behavior over time; rather, it is about measuring the effect of quality of service in airline industry

on customer service and brand loyalty, so it is more appropriate to run a cross-sectional study for this research.

### **3.8 Data Collection and Sampling Technique**

With objective of studying and evaluating the antecedents of brand loyalty, a survey methodology was incorporated for data collection. An online survey was administered so that responses from various cities and airlines of Pakistan can be gathered. The population consists of all the people who have travelled via Pakistan's airline company in past two years. According to research, the customers remember negative experiences for a longer duration as compared to the positive experiences (Samson, 2006). For this reason, a time-frame of two years was selected so that the respondents are able to remember the negative as well as positive experiences of service quality while answering the questions. If the study was conducted without a time frame, it would have resulted in inaccurate results as the airline passengers would not have recalled their exact experience. This information was covered through a question regarding the time in which a passenger travelled via the airline. Scheffler (2018) used a twelve months timeline for research in airline industry; however, the air travel had recently opened up throughout the world after travel restrictions of COVID-19 were lifted, and due to this reason, this research is based on past two years to capture a good sample size.

Since it was an online survey, respondents from all cities of Pakistan were allowed to participate. Only those respondents who had travelled via Pakistan's airlines were allowed to fill the questionnaire. This approach makes sampling more efficient as opposed to the approach where everyone is allowed to fill the questionnaire only to find out later that many of the responses are irrelevant. The sampling procedure used was non-probability sampling where the members of population do not have an equal chance of being selected (Sekaran & Bougie, 2016). Also, within non-probability sampling, the judgment sampling technique was adopted as not everyone has travelled through Pakistan's airline and hence most of the people did not have the information needed in this research.

At first, the family, friends and other easily accessible members of population were asked to fill the questionnaire and they were subsequently asked to pass it on to their friends which resulted in a snowball effect (Scheffler, 2018). The survey was also posted on some Facebook groups like "Ask A Village", "Islamabad Living" and "The Motherhood Forum" to get more respondents. This approach has been chosen because of convenience but it has a disadvantage because every

member of population does not get an equal chance to be chosen in the study. A total of 346 responses were received between September and October, 2022 out of which 103 respondents travelled by air before 2020 hence those 103 responses were considered invalid and the remaining 243 respondents who travelled within past two years were considered valid.

### **3.9 Construction of the Questionnaire**

Before making the questionnaire available to respondents, it was presented to five individuals for review, who gave valuable feedback about the problems in understanding and meaning of some of the questions. After thorough discussion, the questionnaire was updated and wordings of some of the questions were amended. One of the questions “When did you last travel via a Pakistani airline?” in the first section of the survey was important because it allowed only those respondents to fill the survey who have travelled by a Pakistan airline in past. Also, it allowed limiting the research scope for up to two years only. The responses received from air passengers who travelled earlier than two years were excluded from the analysis of this research.

The measurement scales for various variables used in the research were adapted from previous literature. The survey was divided into nine sections. First section was used to introduce the subject and to get consent of the respondent to fill the survey. Second section collected general information about demography of the respondent and about their air travel details like departure city, year when they travelled last and the airline that they used to travel. This helped in understanding the sample better. Several applicable options were given to answer these questions. Section three to seven each contained items related to each of the five independent variables of SERVQUAL scale (reliability, assurance, empathy, tangibility and responsiveness). Section eight comprised of items related to the mediating variable – customer satisfaction while section nine contained items regarding brand loyalty. All the questions in the survey except for the email address were mandatory. Email address was kept non-mandatory to keep confidentiality in case the respondent wants to remain anonymous. The items included in section three to nine are listed in Table 2 along with the variable that they represent.

Section	Item	Variable
3	REL1: Departures and arrivals of the airplanes is on-time REL2: The check-in procedures are efficient REL3: Handling of baggage is effective and without loss REL4: The airline provides reliable schedules REL5: Reservations and ticketing transactions were easy and error-free.	Reliability (REL)
4	ASR1: The airline has a very good safety record ASR2: Airline is a trusted name in the industry ASR3: Food and drink served on the aircraft during the flight are of high quality and sufficiently varied. ASR4: The meals served on the plane are fresh ASR5: The airline offers a good frequent flyer program	Assurance (ASR)
5	EMP1: The airline offers appropriate services for children EMP2: The airline offers good services for people with special needs. EMP3: The airline staff is courteous and friendly EMP4: The cabin crew give passengers individual attention EMP5: Employees of the airline understand the passenger's specific needs and are able to solve the problems	Empathy (EMP)
6	TANG1: The airplane interior is clean TANG2: The on-board atmosphere is comfortable TANG3: In-flight amenities (like free wi-fi, wet napkins, amenity kits, etc.) provided during the flight are good. TANG4: The airline provides good in-flight entertainment TANG5: The airplane cabin is comfortable	Tangibility (TANG)
7	RESP1: The on-ground staff is available to resolve concerns RESP2: The flight information is accurately and readily available RESP3: The airline handles complaints efficiently and effectively	Responsiveness (RESP)



	RESP4: Information can be easily found on the official website of the airline	
8	CS1: I am pleased with my decision to use this airline as a service provider CS2: I think the airline provides adequate service/value for the airfare. CS3: My choice of this airline as a service provider was a wise one CS4: I feel satisfied with my experience with the airline.	Customer Satisfaction (CS)
9	BL1: I consider the airline to be my first choice for air travel in Pakistani Airline Industry BL2: I would recommend this brand to friends and family BL3: I intend to continue traveling through this airline	Brand Loyalty (BL)

**Table 2: Operationalization of Service Quality, Customer Satisfaction and Brand Loyalty**

Previous research has enhanced Parasuraman's (1988) 22-item SERVQUAL scale to measure quality of service in aviation industry and hence the operationalization of the SERVQUAL variables in this research are mainly based on a study by Zhu (2016). A few questions related to quality of service and operationalization of customer satisfaction variable was based on the research done by Scheffler (2018) in the airline industry. Customer satisfaction variable was operationalized based on the items taken from a study done on customer satisfaction and brand loyalty in banking sector by Ong (2017). One question regarding doing more transactions was removed from Brand Loyalty variables used by Ong (2017) because this question is not applicable in aviation industry. These scales demonstrated satisfactory reliability ( $\alpha$ ) in the original studies.

Apart from section two, all the questions used five point Likert Scale ranging from strongly disagree to strongly agree (1-5). The questionnaire used for the survey for conducting this research is attached in Appendix A.

### **3.10 Statistical Analysis**

The statistical data analysis was performed using IBM SPSS Statistics version 26.0. First, the demographic and flight related general characteristics of the sample were summarized by using frequencies. A descriptive statistics analysis was conducted to get an idea of the composition of sample and its travel detail frequencies.

To check goodness of measures, it is important to ensure that the research instrument is measuring the variable accurately and reliably (Sekaran & Bougie, 2016). To check how well the developed instrument measures the required variable, a validity test was performed using Bivariate Spearman Correlation. For reliability, the Cronbach's Alpha test was run to confirm the consistency and stability of the instrument to measure a concept (Sekaran & Bougie, 2016).

Once the validity and reliability of the measures were confirmed, a Bivariate Spearman Correlation test was performed to examine relationships between each of the independent variable with mediating variable in the hypothesis. A Spearman correlation method was used in contrast to Pearson for two reasons. First, Pearson correlation is used in case of continuous variables while we have ordinal variables here for which Spearman correlation is more suitable and secondly, Pearson method is used in case there is a linear relationship between variables (Pallant, 2002), while in this case there is not a strict linear relationship being followed. Apart from this, if Spearman method is used for linear data, it does not have much impact, however if Pearson method is used for non-linear data, then it can result in significant differences. Spearman correlation is a better choice for questions that are based on Likert scale. That is why Spearman method was chosen for correlation. Next, a regression analysis was carried out to investigate the relationship between one dependent and several independent variables (Pallant, 2002). The regression technique is useful as it allows researcher to identify the most effective and important factor contributing towards the dependent variable along with predicting outcome of dependent variable using multiple independent variables (Pallant, 2002).

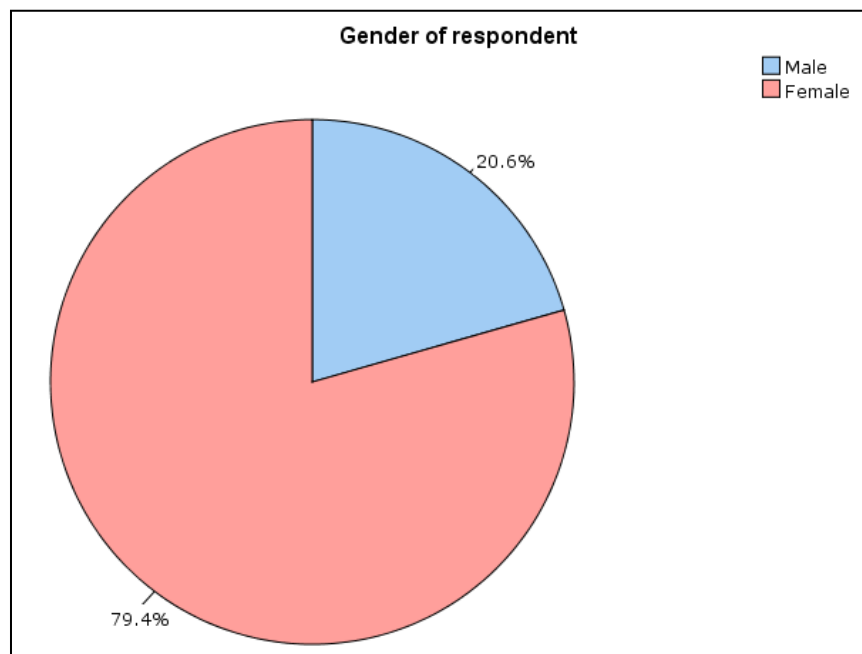
## CHAPTER 4 - RESULTS

### 4.1 Characteristics of the Sample

The second section of the questionnaire was to analyze the demographic and flight related characteristic of the sample. The results of each of the question in this section are discussed below.

#### 4.1.1 Gender of Respondent

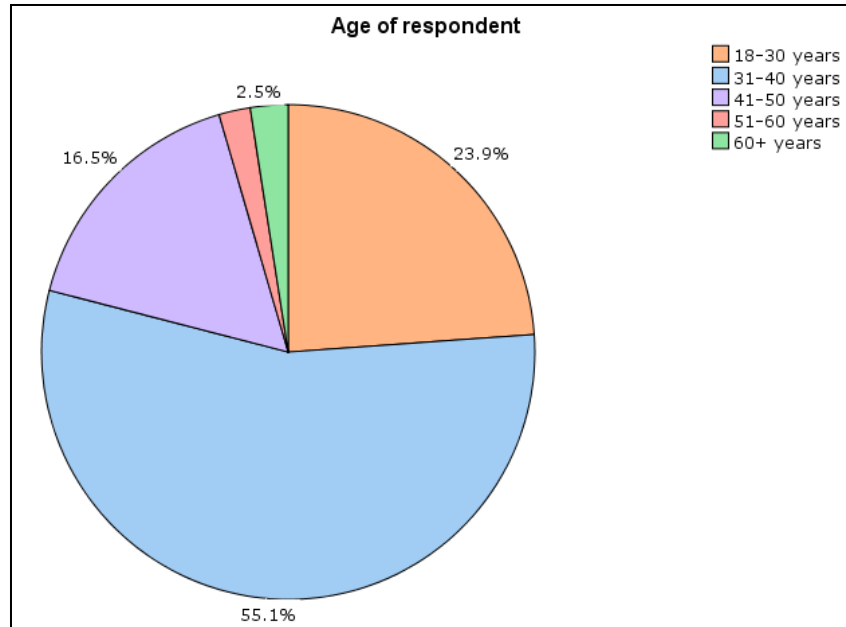
A total of 243 valid responses were included in the research analysis out of which 20.6 percent were males while 79.4 percent were females. The reason of this gender bias is that the survey was rolled out to friends of the researcher who were mostly females and also, it was circulated in women-only Facebook groups. The frequency and percentage of each gender is depicted in below table along with a visual representation in form of a pie chart.



**Figure 2: Gender of Respondent**

#### 4.1.2 Age of Respondent

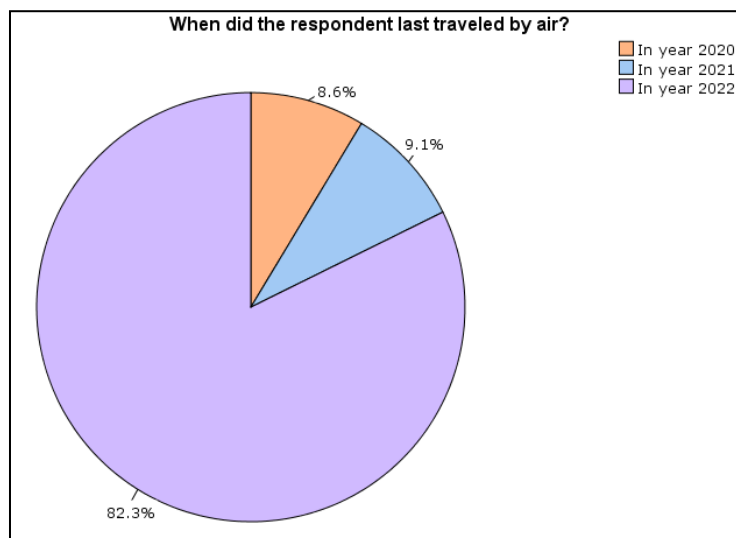
The age of most of the respondents (55.1%) was between 31 to 40 years. 28.9% of the respondents fell in 18 to 30 years range. There were 16.5% of the respondents who belonged to the group of 41 to 50 years. The frequency and percentage of each age bracket is shown in below table, along with a visual representation in form of a pie chart.



**Figure 3: Age of Respondent**

### 4.1.3 Last Traveled by Air

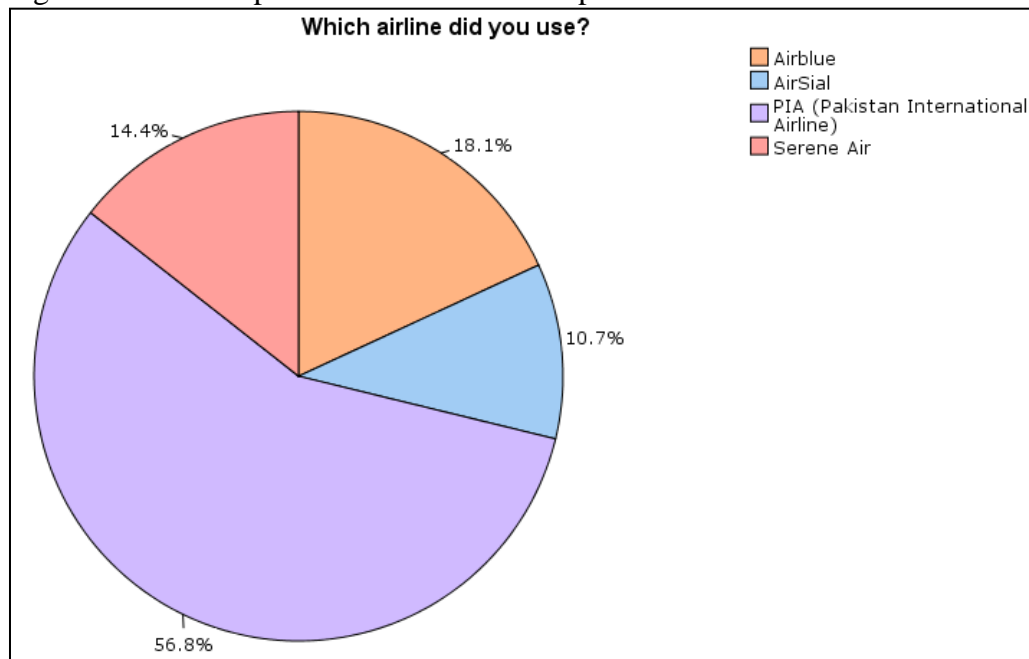
According to the analysis, 82.3% of the respondents travelled in last twelve months, 9.1% travelled prior to one year while 8.6% of the respondents travelled 2 years ago. This proves that most of the data was taken from those people who travelled by air recently. As discussed before, the questionnaire had a total of five options which helped in removing data of those people who travelled before 2 years of time. The frequency and percentage of last travel time is shown in below table, along with a visual representation in form of a pie chart later.



**Figure 4: Last Traveled by Air**

#### 4.1.4 Airline Used by Respondents

A very interesting observation was that 56.8 percent of the respondents travelled through the national carrier of Pakistan, PIA (Pakistan International Airline). Airblue stood at second with 18.1 percent of respondents travelling through it. 14.4 percent of the respondents travelled via Serene Air while Air Sial which is a relatively new airline is surprisingly the fourth most traveled airline of the research sample. The item also included Shaheen Air International in the options but none of the respondents had travelled via Shaheen Air International in the past two years. The frequency and percentage of each airline traveled by the respondents is shown in below table, along with a visual representation in form of a pie chart later.

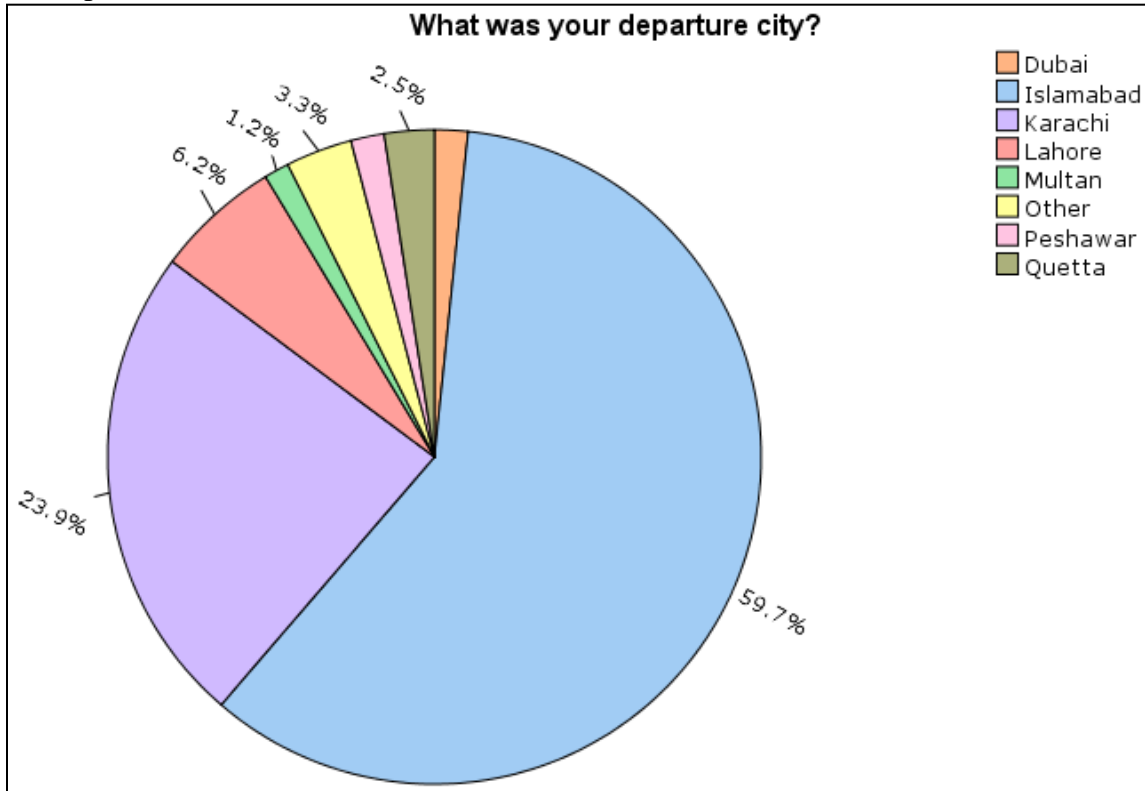


**Figure 5: Airline Used by Respondents**

#### 4.1.5 Departure City of Respondents

The research was conducted online due to which it got possible to have representations from various cities. However, as mentioned before a snow-ball effect was generated by friends and family of the researcher, 59.7 percent of the responses came from Islamabad followed by 23.9 percent responses from Karachi. Data of cities whose percentage of representation in the sample was less than 1 percent, was merged with 'Other' option. These cities whose data was merged with 'Other', included Chitral, Skardu, Sukkur and Doha. The frequency and percentage of

departure city of the respondents is shown in below table, along with a visual representation in form of a pie chart later.



**Figure 6: Departure City of Respondent**

## 4.2 Reliability Analysis

Before going forward with further analysis, the consistency and stability of the questionnaire was checked ensured by running a reliability analysis. Cronbach's Alpha is the most frequently used metric that examines internal consistency of items of a variable to gauge the reliability of a scale (Abdel & Rady, 2018). The value of Cronbach's Alpha ranges from 0 to 1 but acceptable value for a scale in social sciences is 0.7 (Abdel & Rady, 2018).

To undergo a reliability analysis, the value of Cronbach Alpha was calculated for each of the variable being represented by a number of items. The results of Cronbach's Alpha for each instrument are discussed below.

The value of Cronbach's Alpha for each of the variable is listed in Table 9. All of these values are above 0.7 which shows that the items have high internal consistency and hence they are a reliable measure of their respective variables.

Variable	Mean	Std. Deviation	Cronbach's Alpha	No. of Items
REL	3.8337	0.85106	0.821	5
ASR	3.2716	0.84304	0.778	5
EMP	3.2181	0.90014	0.878	5
TANG	2.9770	0.93868	0.870	5
RESP	3.4660	0.88819	0.857	4
CS	3.2963	1.15291	0.949	4
BL	3.1399	1.30253	0.954	3

**Table 3: Reliability Statistics**

### 4.3 Correlation analysis

Correlation determines the strength and direction (positive or negative) of relationship between two variables (Pallant, 2002). SPSS v26 was used to perform the correlation analysis. The research uses Spearman Bivariate correlation to determine the strength and direction of relationship between two variables. The correlation matrix is shown in Table 9.

		REL	ASR	EMP	TANG	RESP	CS	BL
REL	Correlation Coefficient	1.000	0.628**	0.578**	0.532**	0.646**	0.707**	0.664**
	Significance	.	0.000	0.000	0.000	0.000	0.000	0.000
ASR	Correlation Coefficient		1.000	0.622**	0.624**	0.663**	0.744**	0.689**
	Significance		.	0.000	0.000	0.000	0.000	0.000
EMP	Correlation Coefficient			1.000	0.624**	0.670**	0.649**	0.571**
	Significance			.	0.000	0.000	0.000	0.000
TANG	Correlation Coefficient				1.000	0.684**	0.705**	0.628**
	Significance				.	0.000	0.000	0.000
RESP	Correlation Coefficient					1.000	0.755**	0.691**
	Significance					.	0.000	0.000
CS	Correlation Coefficient						1.000	0.882**
	Significance						.	0.000

\*\* Correlation is significant at the 0.01 level (2-tailed).

**Table 4: Correlations Table**

It can be seen from the table that all the correlations are highly significant since for all the variables  $p < 0.01$ . Beginning with the first five hypothesis based on relationship of service quality with that of customer satisfaction, it is seen that a significant and high positive correlation exist between reliability and customer satisfaction ( $r = 0.707$ ,  $p < 0.01$ ), assurance and customer satisfaction ( $r = 0.744$ ,  $p < 0.01$ ), tangibility and customer satisfaction ( $r = 0.705$ ,  $p < 0.01$ ) and, responsiveness and customer satisfaction ( $r = 0.755$ ,  $p < 0.01$ ). However; there is exists a significant and moderately positive correlation between empathy and customer satisfaction ( $r = 0.649$ ,  $p < 0.01$ ). Also it is seen that there is a very high positive and significant correlation between customer satisfaction and brand loyalty ( $r = 0.882$ ,  $p < 0.01$ ). This data shows that if the quality of service in terms of reliability, assurance, tangibility, responsiveness and empathy increase, the customer satisfaction will also increase. Similarly, if customer satisfaction increases, the brand loyalty increases as well.

#### **4.4 Regression Analysis**

The impact of service quality variables on customer satisfaction was observed using the multiple linear regression technique as there are multiple independent variables being studied. In first part of the regression analysis, the SERVQUAL's five variables were treated as independent variables while the mediator variable, customer satisfaction was treated as a dependent variable. For linear regression, R-square is considered as a goodness-to-fit measure for a theoretical model. For small sample sizes, SPSS adjusts the value of R-square to cater for the inconsistency. Since we had an appropriate sample size of 243, there was not much difference between the value of R-square and adjusted R-square so the value of R-square is considered in this research. The R-square value shows how much change in customer satisfaction is occurring because of a specific independent variable. This regression model suggested that the R-square value is 0.720, which means that the service quality variables (SERVQUAL) cause 72.0 percent change in customer satisfaction. R-square caters for the amount of variance in dependent variable that is predicted by a set of independent variables when taken as a group. So R-square value of 0.720 shows that when taken as a group, our independent variables REL, ASR, EMP, TANG and RESP account for 72.0% of the variance in Customer Satisfaction.

The ANOVA table showed that the p-value of the model is 0.000 which is less than 0.01; hence there is a significant relationship between the independent variables of service quality and customer satisfaction. This means that the regression model is statistically significant and when



the five independent variables are taken in a group, the predict the customer satisfaction significantly. The overall model is significant but a deeper analysis of the factors of service quality is needed to study significance of the individual independent variables. The regression model is summarized in Table 10.

<b>R-square</b>	<b>Std. Error of the Estimate</b>	<b>Significance</b>
0.720	0.61669	0.000

*Independent Variables: RESP, ASR, REL, TANG, EMP*

*Dependent Variable: CS*

**Table 5: Regression Model**

A detailed analysis of the regression of independent variables can be done using the regression coefficients in Table 11. First, all the independent variables except empathy have a significant relationship with customer satisfaction with a p-value of 0.000 ( $p < 0.01$ ). Empathy has a p-value of 0.501 which is less than 0.05 which means that the relationship of empathy with customer satisfaction is not significant.

<b>Model</b>	<b>Coefficient Beta (<math>\beta</math>)</b>	<b>t-value</b>	<b>Significance</b>
REL	0.233	4.772	0.000
ASR	0.302	5.743	0.000
EMP	0.035	0.674	0.501
TANG	0.185	3.580	0.000
RESP	0.244	4.247	0.000

*Independent Variables: RESP, ASR, REL, TANG, EMP*

*Dependent Variable: CS*

**Table 6: Regression Coefficients**

For reliability (REL), a beta value of 0.233 indicates that the change in the reliability of airline by one unit will bring about a change in the dependent variable that is customer satisfaction (CS) by 0.233 units ( $\beta=0.233$ ). Furthermore, the beta value is positive which shows that there is a positive relationship between reliability and customer satisfaction. In other words, it can be said that when reliability of airline increases by one unit, the customer satisfaction will also increase by 0.233 units. For assurance (ASR), the beta value is 0.302 which shows that a change in assurance of an airline by one unit will bring a change in customer satisfaction (CS) by 0.302 units ( $\beta=0.302$ ). The positive beta value signifies that a positive relationship exists between assurance and customer satisfaction that is with a unit increase in assurance, the customer satisfaction increases by 0.302 units. Similarly, the beta values of tangibility ( $\beta=0.185$ ) and

responsiveness ( $\beta=0.244$ ) also indicate a positive relationship with dependent variable that is customer satisfaction; which shows that a unit increase in tangibility will increase the customer satisfaction by 0.185 while a unit increase in responsiveness will increase the customer satisfaction by 0.244. The beta coefficient for empathy (EMP) is 0.035 which is positive but is very low (close to zero). This means that one unit increase in empathy will result in only 0.035 units increase in the dependent variable that is customer satisfaction ( $\beta=0.035$ ). This increase is almost negligible and hence supports the result of empathy being insignificant with relation to customer satisfaction.

The t-value indicates the level of confidence of a coefficient as a predictor of dependent variables. A higher t-value shows greater confidence of a coefficient as a predictor while a low t-value indicates the low reliability of a coefficient's predictive power. If t-value is 0, it implies that the sample results completely support null hypothesis. In regression analysis of the research, it was found that all t-values except that of empathy were high (REL t-value=4.772, ASR t-value=5.743, TANG t-value=3.580 and RESP t-value=4.247). For a coefficient to be a strong predictor, the t-value should be higher than +2 or lower than -2. The four variables of reliability, assurance, tangibility and responsiveness are above this range so these variables are strong predictors of customer satisfaction. On the other hand empathy has a t-value of 0.674 which is close to zero and falls in the range of +2 to -2. Hence, the confidence of empathy as a predictor of customer satisfaction is very low.

Also, it can be seen that the largest beta coefficient is of assurance dimension at 0.302. This shows that this dimension has the strongest impact to explain the level of customer satisfaction. With some recent airplane crashes in Pakistan, it is not surprising that the element of safety and trust is most important to the passengers while selecting an airline service. The second largest contributor to customer satisfaction is responsiveness with beta value 0.244 closely followed by reliability with a beta value of 0.233. Responsiveness dimension mostly deals with readily available information and customer services while reliability is related to the ease and timeliness of the services.

#### **4.5 Mediation Analysis – Hayes Process Macro**

The mediating role of customer satisfaction between independent variables (reliability, assurance, empathy, tangibility and responsiveness) with that of the dependent variable (brand loyalty) is explored using the Hayes Process Macro (v4.2) in SPSS. This macro was developed by Andrew F. Hayes to study the mediating role of one or multiple mediating variables. The

model 4 of process macro supports the theoretical framework of this study hence; model 4 was selected to run the mediation analysis. Since Hayes Process Macro allows running mediation analysis on only one independent variable at a time, first a mean of all the independent variables (reliability, assurance, empathy, tangibility and responsiveness) was taken to determine a single value for service quality (SQ). Next the mediation of customer satisfaction was checked between service quality and brand loyalty. The model summary tables are summed up in Table 12.

Relationship	Variables	R-square	p-value
IV>MV	SQ>CS	0.7030	0.0000
IV,MV>DV	SQ,CS>BL	0.7814	.0000
	SQ >BL	0.2038	.0371
	CS>BL	0.8862	0.0000
IV>DV	SQ>BL	0.5987	0.0000

**Table 7: Mediation Analysis**

According to these results, the variance that occurs in mediator (customer satisfaction) due to the independent variable (service quality) is 70.3% (R-square=0.7030). It means that an increase in 1 unit of service quality will increase customer satisfaction by 0.703 units. Also, the relationship between service quality is significant as  $p < 0.01$  ( $p = 0.0000$ ) in this case. Apart from this, the overall R-square for affect of both independent variable (service quality) and mediator (customer satisfaction) on dependent variable (brand loyalty) is significant. Service quality and customer satisfaction accounts to 78.14% variance in brand loyalty. However, the details show that the p-value of relationship between service quality and brand loyalty is 0.0371 while the p-value of the relationship between customer satisfaction and brand loyalty is 0.0000. The p-value of relationship of service quality with brand loyalty is quite high as compared to the p-value of relationship between customer satisfaction and brand loyalty, but it is still significant ( $p\text{-value} < 0.05$ ). The positive values of R-square show, that an increase in one unit of service quality will increase brand loyalty by 0.2038 units while an increase in one unit of customer service will increase brand loyalty by 0.8862 units. The relationship of service quality with that of brand loyalty is highly significant as p-value is equal to 0.0000 ( $p\text{-value} < 0.01$ ). Also, the positive R-square value of 0.5987 shows that an increase in one unit of service quality, will result in an increase of 0.59 units in the brand loyalty.

In mediation, the total effect on dependent variable can be broken down into direct and indirect effects. The direct effect refers to the effect of an independent variable (service quality) on dependent variable (brand loyalty) in absence of a mediator (customer satisfaction). The indirect effect shows the effect of an independent variable (service quality) on dependent variable (brand loyalty) in presence of a mediator (customer satisfaction). For significant mediation, in indirect effect there should be no zero crossing in bootstrap upper and lower bounds. The results of total, direct and indirect effect of mediation analysis are listed in Table 13.

<b>Relationship</b>	<b>Mediation</b>	<b>Effect</b>	<b>Lower Bound</b>	<b>Upper Bound</b>	<b>p-value</b>
<b>SQ&gt;CS&gt;BL</b>	Total effect	1.3584	1.2172	1.4995	0.0000
	Direct effect	0.2038	0.0122	0.3953	0.0371
	Indirect effect	1.1546	0.9650	1.3579	No zero crossing

**Table 8: Total Effect, Direct Effect and Indirect Effect**

The p-values in Table 13 depict that there is a significant indirect effect of independent variables with that of the dependent variables in presence of a mediator as there is no zero-crossing between the upper and lower bounds. The direct effect of independent variables with dependent variable is also significant as p-value=0.0371, which is less than 0.05.

In the effects column, it is observed that the variance in brand loyalty in indirect effect (effect=1.1546) is more than the variance in brand loyalty in direct effect (effect=0.2038). This shows that the relationship of service quality and brand loyalty strengthens in presence of the mediator that is customer satisfaction. Both the indirect effects are positive and significant hence; it is established that the mediator variable, customer satisfaction partially mediates between the independent variable that is service quality and the dependent variable that is brand loyalty. Since the both direct and indirect effects are significant, hence partial mediation exists between service quality and brand loyalty with customer satisfaction being used as a mediator.

From Tables 11 and 13, it can be established that hypotheses H1, H2, H4, H5, H6 and H7 are confirmed and significant while hypothesis H3 is insignificant. The hypothesis results are listed in Table 9.

	<b>Hypothesis</b>	<b>Results</b>
<b>H1</b>	Quality of service with respect to assurance positively influences customer satisfaction.	Confirmed/Significant
<b>H2</b>	Quality of service with respect to reliability positively influences customer satisfaction.	Confirmed/Significant
<b>H3</b>	Quality of service with respect to empathy positively influences customer satisfaction.	No Confirmed/Insignificant
<b>H4</b>	Quality of service with respect to tangibles positively influences customer satisfaction.	Confirmed/Significant
<b>H5</b>	Quality of service with respect to responsiveness positively influences customer satisfaction.	Confirmed/Significant
<b>H6</b>	Service quality has a direct positive influence on brand loyalty.	Confirmed/Significant
<b>H7</b>	Customer Service has a mediating effect on the relationship between Service Quality and Brand Loyalty.	Confirmed/Significant (Partial mediation exists)

**Table 9: Hypothesis Result**

## **CHAPTER 5 – DISCUSSION AND CONCLUSION**

### **5.1 Discussion**

This research explores the factors contributing to customer satisfaction of the air passengers in Pakistan and studies its effect on brand loyalty. The practical and academic contributions of the study are discussed below.

The research contributes to the existing body of knowledge by proving the relationship of variables of SERVQUAL on customer satisfaction. The results are in line with the previous findings listed in literature review section (Baloch & Jamshed, 2017; Saleem et al., 2017; Scheffler, 2018; Zhu, 2016). It was found that there is a positive significant relationship among the variables of service quality and customer satisfaction. This research incorporates those service quality dimensions that are more applicable and relevant in Pakistan's context. The impact of reliability, assurance, tangibility and responsibility on customer satisfaction in the results of this research aligns with current literature (Baloch & Jamshed, 2017). At the other hand, the relationship of empathy with customer satisfaction turned out to be insignificant. The items associated with empathy were mostly related to needs in special circumstances and individual attention of airline crew to the passengers. This can open avenue for further research whether empathy is low because less people encountered special circumstances in which empathy matters.

The increasing competition among airline companies forces the marketers to focus more on the reduction of airfares (Saleem et al., 2017) instead of focusing on improving the quality of service to increase brand loyalty. The results of this research indicates that airlines companies of Pakistan need to focus on their service quality as the passengers give more weightage to quality of service as compared to price. Also there is an interesting role of mediation of customer satisfaction between customer service and brand loyalty.

Our analysis confirms that the customer satisfaction positively and significantly mediates between service quality and brand loyalty. This finding is in line with that of the previous literature (Baloch & Jamshed, 2017; Forgas et al., 2010), which supports customer satisfaction being a vital factor for customer loyalty to the brand. Customer satisfaction's role as a mediator for brand loyalty is also referred to by Cronin & Taylor (1994).

Also, it is observed that the relationship of empathy with that of customer satisfaction is insignificant. However; its indirect relation with brand loyalty through the mediation of customer satisfaction is significant. This infers that in order to achieve brand loyalty, empathy is an important factor.

Another interesting finding is that assurance, responsiveness and reliability are the most important factors contributing to customer satisfaction and in turn, to brand loyalty. In order to create brand loyal customers, Pakistan's airline companies must focus on building a positive image around factors related to safety, trust, customer services, information availability, timeliness and convenience.

Our reliability statistics in Table 10, show that the mean of tangibles is the lowest in Pakistan's airlines. Tangibles refer to the equipment on the plane, the cleanliness of the aircraft interior and cabin comfort (Scheffler, 2018). In case the airlines want to increase their level of customer satisfaction, they need to work on their tangibles as this is the area where most of the aircrafts are lacking. An airline can gain competitive advantage by working on tangibles as a differentiating factor.

## **5.2 Conclusion**

As per the discussion above, it is concluded that brand loyalty of customers in aviation industry is dependent upon customer satisfaction and quality of service. The aviation companies need to focus on service quality along with other factors for example price, make their customers loyal to the brand. Airline companies should try to be more connected with the passengers to create a sense of assurance, reliability and responsiveness. Airlines should try to satisfy their customers to gain more brand loyal customers in today's competitive world. Since customer service strongly mediates the factors of service quality and brand loyalty, hence, it can be concluded that in order to create brand loyalty, the airlines should create customer satisfaction and improve the quality of their service. Results stated that the first two and last three hypothesis were confirmed while the third hypothesis was not confirmed.

## **5.3 Practical Implications**

The practical implications of this research for airline managers are discussed in this section. Previous literature shows that customers are important for success of a company and to make it

profitable (Ekiz et al., 2006). However, what the customer values and which service elements will increase customer satisfaction, are often not clear to organizations. This research shows that assurance is the most prominent predictor of customer satisfaction which eventually mediates brand loyalty. The airline companies should invest more in inculcating the element of safety and trust in their brand. For this purpose, the maintenance of the aircrafts should be done more often and the pilots and aircraft crew should be properly trained for all the special circumstances that can occur in air.

The second and third most important factors contributing to customer satisfaction were responsiveness and reliability (respectively). These mostly deal with the employees of an airline company and the processes involved in air travel like check-ins, flight schedules and baggage handling. The airline companies should make their processes seamless to make the air travel more convenient for their customers. In Pakistan, it is common for the flights to get delayed and change schedules without informing the customers. The results are in accordance with this observation as the airline customers would want the airlines to fix the uncertainties in reliability of flight schedules and responsiveness of the airlines to any changes in schedules. The airline crew must be trained to assess and resolve the problems of individuals that can occur before, during or after the flight. There is a room for improvement in internal marketing of the aviation companies which intends to motivate the employees who are the point of contact for passengers to improve the service encounter in airline industry (Scheffler, 2018). This can lead to better service quality which results in customer satisfaction and eventually brand loyalty.

Another aspect is the tangibles of the aircraft which although did not result in a high beta coefficient, however, it is still significant. The first impression of the service quality of an airline comes from the environment of the airplane which is the service landscape for aviation industry (Scheffler, 2018). This means that if the environment of an airplane is clean, comfortable and provides convenience, the passengers will take a positive first impression of the airline company. The airlines can develop guidelines for quality and process of internal maintenance which will eventually result in customer satisfaction.



## **5.4 Managerial Implications**

Practitioners and managers can apply the knowledge gained through this research in the airline industry. First, the results of the study clearly suggest that there should be a constant emphasis on increasing the quality of service to improve customer experience and satisfaction. Once the customer is satisfied, they will eventually lead to brand loyalty and customer retention. This is also evident in the previous literature (Saleem et al., 2017). Including new service features that create value for the customers along with meeting the customer expectation by fulfilling promises, increases customer satisfaction. When customers are satisfied, they perform repeat purchases which increases brand loyalty to the airline.

There are three stages of encounter between air passengers and the airline – pre-flight services, in-flight services and the post-flight services (Saleem et al., 2017). Hence, based on the previous discussion, the airline marketers must focus on improving the customer experience on all these three stages of the customer encounter. Pre-flight encounter can be improved by improving the process of reservation and ticketing and making it convenient and error-free. The check-in procedures need to be efficient so that the passengers do not have to wait in long queues before the flight. The flight schedules provided should be reliable and if there is a change in schedule, the customers should be informed in time. The maintenance of the aircrafts must be done on regular basis to ensure safety and improve trust and assurance among passengers. Pre-flight services can also include providing an online tool “to facilitate destination planning, flight booking and calculation of flight cost” (Scheffler, 2018). Such measures will ensure engagement of the customer with an airline for a longer duration, hence resulting in more trust and positive first impression of the service.

The in-flight services can be improved in terms of taking care of special diet requirements of the passengers, serving fresh and a variety of food, stable internet connectivity and better entertainment options. The airplane staff should be courteous and should be able to understand individual needs. There is a lack of appropriate services for children and people with special needs that needs improvement. The cabins in the airplane and the service landscape i.e. the aircraft should be clean and comfortable so that the customers can have a positive impression of the airline, hence increasing the brand image and customer satisfaction.

Finally, the post-flight experience can be improved by paying attention to the inconvenience experienced during the flight or before the flight. The airline staff should be equipped to taking remedial measures in case of service failures that caused inconvenience. The airline should be able to assist the passenger with recovery claims in case of baggage loss, provide refunds for canceled or delayed flights, and in case of customer missing a connecting flight, the airline should help in finding a replacement flight. Along with this, the airlines should provide valuable frequent flyer programs to enhance loyalty to the brand. These steps can improve the post-flight experience for the customers of an airline.

Apart from this, the customer satisfaction has a significant role in creating brand loyal customers. With the emergence of new players like AirSial and Fly Jinnah (Pakistan's first low cost carrier), there is an increased competition in the aviation industry of Pakistan, which has led to a growing emphasis on customer satisfaction. In order to stand out, the airlines need to come up with strategies that can identify the customer needs and wants, so that the airlines can offer services that provide optimal value for airfare. This can be done by taking feedback from customers after a service encounter, to address customer issues.

## **5.5 Limitations and Future Research**

Generally, no research is carried out in perfect circumstances and limitations have to be considered while conducting a study. The first aspect limiting this study is its sample. Non-probability sampling and snowball effect was applied to get responses on the questionnaire which led to a large sample but majority of the respondents were females. Future studies can comprise of more realistic representation of a population with a 50-50 percentage of males and females.

Secondly, the study discusses customer satisfaction as a moderator between quality of service and brand loyalty. There can be other factors impacting brand loyalty for example, brand image or word of mouth can be explored in further research on this topic. Also, as per this study, service quality variables that were included in the model, account for 72% of the variance in customer satisfaction ( $R\text{-square}=0.720$ ), however; there are still other factors that can affect customer satisfaction. For example price can be of importance to customers as they compare the value provided by airlines to the airfare charged to the customer. In future, research can be conducted on effect of other factors like price or customer relationship on customer satisfaction.

# APPENDIX I - QUESTIONNAIRE

## Introduction

Dear Participant,

I am a student of Business Administration at Bahria University. I am working on my Masters thesis regarding the impact of Service Quality on Brand Loyalty in **Pakistan Airline Industry**. The purpose of this research is to investigate the impact of airline service quality dimensions on customer satisfaction and brand loyalty. I am conducting my pilot study through this questionnaire. I would appreciate if you could fill out the questionnaire.

The survey is likely to take 5-10 minutes. Your information will not be shared with any organization. Should you need any further information, you may contact me at shumaila.islam1@gmail.com.

Thank you for your participation.

Shumaila Islam

## General Information

- a. Your email: \_\_\_\_\_ (non-mandatory question)
- b. Gender
  - Male
  - Female
- c. Age
  - 18-30 years
  - 31-40 years
  - 41-50 years
  - 51-60 years
  - 60+ years
- d. When did you last travel via a Pakistani airline?
  - In year 2022
  - In year 2021
  - In year 2020
  - In year 2019

- Before year 2019
- e. Which airline did you use?
- PIA (Pakistan International Airline)
  - Airblue
  - AirSial
  - Shaheen Air International
  - Serene Air
- f. What was your departure city? (Please mention city name in case of Other)
- Islamabad
  - Lahore
  - Karachi
  - Peshawar
  - Quetta
  - Multan
  - Faisalabad
  - Sialkot
  - Other: \_\_\_\_\_

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>

<b>Questions</b>		<b>Scale</b>				
<b>Reliability (Zhu, 2016)</b>						
1	Departures and arrivals of the airplanes is on-time.	1	2	3	4	5
2	The check-in procedures are efficient.	1	2	3	4	5
3	Handling of baggage is effective and without loss.	1	2	3	4	5
4	The airline provides reliable schedules.	1	2	3	4	5
5	Reservations and ticketing transactions were easy and error-free.	1	2	3	4	5

<b>Assurance (Zhu, 2016)</b>						
6	The airline has a very good safety record.	1	2	3	4	5
7	Airline is a trusted name in the industry.	1	2	3	4	5
8	Food and drink served on the aircraft during the flight are of high quality and sufficiently varied.	1	2	3	4	5
9	The meals served on the plane are fresh.	1	2	3	4	5
10	The airline offers a good frequent flyer program.	1	2	3	4	5
<b>Empathy (Zhu, 2016)</b>						
11	The airline offers appropriate services for children.	1	2	3	4	5
12	The airline offers good services for people with special needs.	1	2	3	4	5
13	The airline staff is courteous and friendly.	1	2	3	4	5
14	The cabin crew give passengers individual attention.	1	2	3	4	5
15	Employees of the airline understand the passenger's specific needs and are able to solve the problems.	1	2	3	4	5
<b>Tangibles (Zhu, 2016)</b>						
16	The airplane interior is clean.	1	2	3	4	5
17	The on-board atmosphere is comfortable.	1	2	3	4	5
18	In-flight amenities (like free wi-fi, wet napkins, amenity kits, etc.) provided during the flight are good.	1	2	3	4	5
19	The airline provides good in-flight entertainment.	1	2	3	4	5
20	The airplane cabin is comfortable.	1	2	3	4	5
<b>Responsiveness (Zhu, 2016)</b>						
21	The on-ground staff is available to resolve concerns.	1	2	3	4	5
22	The flight information is accurately and readily available.	1	2	3	4	5
23	The airline handles complaints efficiently and effectively.	1	2	3	4	5

24	Information can be easily found on the official website of the airline.	1	2	3	4	5
<b>Customer Satisfaction (Scheffler, 2018)</b>						
25	I am pleased with my decision to use this airline as a service provider.	1	2	3	4	5
26	I think the airline provides adequate service/value for the airfare.	1	2	3	4	5
27	My choice of this airline as a service provider was a wise one.	1	2	3	4	5
28	I feel satisfied with my experience with the airline.	1	2	3	4	5
<b>Brand Loyalty (Ong et al., 2017)</b>						
29	I consider the airline to be my first choice for air travel in Pakistani Airline Industry.	1	2	3	4	5
30	I would recommend this brand to friends and family.	1	2	3	4	5
31	I intend to continue traveling through this airline.	1	2	3	4	5

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