

**FACTORS AFFECTING CUSTOMER SATISFACTION IN AIRLINE
INDUSTRY: THE CASE OF KENYA AIRWAYS LIMITED**

BY

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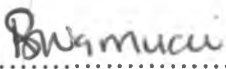
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A management research project submitted in partial fulfillment of the requirements of Masters in Business Administration (MBA) Degree of the School of Business of University of Nairobi.

October, 2009

DECLARATION

This project is my original work and has not been submitted for a degree in any other University.

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DEDICATION

To my husband Francis Maina and son Mwangi for their encouragement and support. Thank you for the late nights when you accepted to be alone as I was trying to study in this programme.

To my parents and in particular my mother Wacuka for always believing in my capability.

May God richly bless you.

ACKNOWLEDGEMENT

There are many people that I am indebted to especially for their contribution towards my undertaking the MBA course. Thanks to my husband Francis for encouraging me to enroll for the programme.

I am deeply indebted to my supervisor Mr. Tom Mutugu, Senior Lecturer, Department of Business Administration. He has patiently and diligently guided me through this research. Without his invaluable advice, this project would not have become a reality.

I also wish to thank all members of staff of the School of Business for their support and advice. I specifically thank Mrs. Kinoti for her valuable advice.

My son for just putting a smile on face even when I was under immense pressure. My siblings for the moral support especially typing out my project. Betty our nanny for just distracting Mwangi while I was studying.

My colleagues for the role each one of you played in making my dreams come true.

The research assistance for being so timely with the data collection process. Kilimo my tutorial fellow.

My sincere thanks go to all my colleagues (MBA students) for their valuable intellectual discussions and suggestions. In particular I wish to thank Carol Ndolo, Makena, Mary Muiruri, Lucy, Murimi and Winnie for being dear friends and companions throughout the course. May God's blessings be upon you.

There are other people who assisted me but have not been mentioned here. I am grateful for all their contributions.

ABSTRACT

This study was conducted with the objective of finding out the factors affecting customer satisfaction in the airline industry and also determine attributes that passengers consider important in judging quality of service delivery.

To achieve these objectives a sample of 150 passengers was picked and questionnaires administered to each of them. The questionnaire had structured and likert scales questions. The top two travel Agents which were BCD Highlight Travel and HRG Elite Travel were picked. 75 respondents were picked from each travel agency. The researcher used random sampling method to pick the passengers. The questionnaires were administered in the passenger's office and it was a 'drop and pick' method used.

Data collected was analyzed using percentages, means and standard deviations. Factor analysis was used to reduce the variables and determine inter relationships.

Analysis of the data indicated that there are many factors that passengers consider important in customer satisfaction. Factors such as reservation and ticketing check in procedures, in- flight services, baggage handling and collection.

The general objective of the study was to investigate factors that affecting customer satisfaction in the Airline industry with special focus on our flag carrier Kenya Airways (KQ). From the study it can be concluded that reservations and ticketing, check-in procedures, in-flight services and baggage handling and collection do affect customer satisfaction in the Airline industry. The results of this project should be viewed and adopted in the light of the limitations of this study which are methodological limitations, research design, resource constrain and under sampling. They however, serve as useful starting point for Kenya Airways wishing to fully embrace good customer service.

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CHAPTER ONE: INTRODUCTION

1.1 Background

Customer demands and expectations are altering in today's world, in the airline industry many of the airline companies have lost track of the true needs and wants of their passengers and are sticking to the outdated views of what airline services are all about (Gustafsson *et al*, 1999). Many airline managers think of passenger needs from their own perspective so their immediate focus is on cost reductions in driving to more efficient operations, keeping customers at a least priority in their strategic planning programs. But the customer should not be ignored (Boland, Morrison and O'Neill, 2002). The airline business must aim at fulfilling the individual customer needs or even reaching beyond these (Gustafsson *et al*, 1999).

The goal of service companies including airlines is to develop services which attract and keep customers who are satisfied, loyal and speak well of the airline (Gustafsson *et al*, 1999). It should be observed that retention of existing customers is much cheaper to acquire a new customer, therefore companies including airlines are putting more emphasis on Customer Relationship Management (CRM) as a tool for managing customer relationships, hence to increase customer satisfaction and loyalty (Khalifa & Liu 2003; Kotorov 2002; Park & Kim 2003; Ngai, 2005) which consequently will increase steady streams of revenue, customer equity and market share (Wang *et al*, 2004; Park *et al*, 2004). Organizations and companies should also notice that they will be more successful if they concentrate on acquiring and sustaining a share of each customer rather than a share of the entire market (Park & Kim, 2003)

Airlines should also know their competitors and consider the market competition and how to overcome and win in the competition campaign. CRM is an essential component of the corporate strategy of airline companies to differentiate themselves from competitors in the eyes of the customer (Boland *et al*, 2002)

This research studies customer satisfaction formation process in the airline industry in Kenya, which is the fundamental notion of CRM (Stefanou et al, 2003). Customer Relationship Management is a new evolving management topic which most business firms are focusing on as a competitive advantage strategy and tool (Khalifa & Liu, 2003; Ngai, 2005), and airline industries are not an exception from this business strategy approach.

Research shows many companies worldwide claiming implementing CRM do not have a full understanding of CRM and mostly only stick to the CRM software systems. Same case is with Kenyan companies, CRM is not well comprehended and applied in its real manner. Managers mostly are not familiar with the holistic manner and definition of CRM and its philosophy. They think CRM is just a service design or even worse an after sales service outline (Kotorov, 2002).

1.1.1 Definition of Customer Service

Service as a concept has been defined differently by different authors. The American Marketing Association (AMA, 1960) for instance, defines service as “activities, benefits and satisfaction which are offered for sale or are provided in connection with the sales of goods.” This definition, however, has been modified by many writers, who have argued that it excludes vital elements of service and that it could be constructed to mean goods not normally considered as service. (Blois, 2000), on the other hand, has defined a service as ; “an activity offered for sale which yields benefits and satisfaction without leading to a physical exchange in the form of a good.” Other writers have defined services as “intangible activities and benefits that satisfy customer wants without the ownership of goods” (Dalrymple et al, 1990). Yet another author has asserted that “services are those separately identifiable, essentially intangible activities that provide want satisfaction, and that are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However, when such use is required there is no transfer of the title (permanent ownership) to these tangible goods”

(Stanton, 1984). Service has also been defined as “any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product (Kotler and Armstrong, 1989). For purposes of this project, the researcher will adopt a combination of the above definitions so as to define service as;

“activities, benefits or satisfaction, which are offered for use or are offered for sale or are offered in connection with the sale of goods without leading to a physical exchange of a good or transfer of its title (if any) being affected.”

This definition has several implications. First, the entity that is under consideration must be intangible although perceivable. Secondly, a marketing exchange occurs and so this excludes services offered as part of a goods transaction, for instance, delivery after purchase. Thirdly, something of value is acquired by the purchaser as an activity, benefit or satisfaction. Finally, no exchange of title of a tangible good takes place although some goods may be offered together with the service, for example, during a bank service transaction when a merchandise “premium” may be offered.

1.1.1.1 Customer Satisfaction

A business term is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business and is part of the four perspectives of a Balanced Scorecard.

In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. There is a substantial body of empirical literature that establishes the benefits of customer satisfaction for firms.

Organizations are increasingly interested in retaining existing customers while targeting non-customers; measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace.

Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behaviors such as return and recommend rate. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization's products.

Satisfaction is basically a psychological state; care should be taken in the effort of quantitative measurement, although a large quantity of research in this area has recently been developed. Work done by Berry (Bart Allen) and Brodeur between 1990 and 1998 defined ten 'Quality Values' which influence satisfaction behavior, further expanded by Berry in 2002 and known as the ten domains of satisfaction. These ten domains of satisfaction include: Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter-departmental Teamwork, Front line Service Behaviors, Commitment to the Customer and Innovation. These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for satisfaction measurement as an integrated model. Work done by Parasuraman, Zeithaml and Berry (Leonard L) between 1985 and 1988 provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the measurer with a satisfaction "gap" which is objective and quantitative in nature. Work done by Cronin and Taylor propose the "confirmation/disconfirmation" theory of combining the "gap" described by Parasuraman, Zeithaml and Berry as two different measures (perception and expectation of performance) into a single measurement of performance according to expectation.

According to Garbrand, customer satisfaction equals perception of performance divided by expectation of performance.

The usual measures of customer satisfaction involve a survey with a set of statements using a Likert Technique or scale. The customer is asked to evaluate each statement and in term of their perception and expectation of performance of the organization being measured.

1.1.1.2 Customer Satisfaction in the Airline Industry

Customer satisfaction in the airline industry is dependent on various factors that range from reservation and ticketing, check in procedure, in- flight services and luggage handling. These elements shall be used to develop a questionnaire which shall be used by the researcher to know if the Kenya Airways passengers are satisfied. With the increased competition within the Kenya Airline industry, Kenya Airways has to be careful to ensure that it's passengers are satisfied at all times.

1.1.2. Airline Services

Air transport has become an essential economic and social conduit throughout the world. Beyond the benefits of fast and inexpensive transcontinental travel, air transport also has become a vital form of shipping for high-valued items that need to come to market quickly, such as agricultural products subject to spoilage. Modern jet aircraft are capable of crossing vast distances at high speeds. Their main infrastructure needs are at the beginning and end of their destinations, and can be built to create large economies of scale. Airliner capacity has grown significantly over the last 60 years, from the Douglas DC-3 capable of carrying 32 passengers and a maximum load of 4.6 tonnes to the recently introduced Airbus 380 with a seating capacity of 555 and a maximum load of 338 tonnes for the freight version.

Other modes of transportation in Kenya today include road, water and rail. With the increased number of car accidents due to the poor road network, many passengers have opted to fly when traveling long distances. As for the water and rail transport system, we can say that these are quite 'under developed' in Kenya as compared to the developed country. Currently the rail system is used within Nairobi to transport passengers to and fro some residential areas. There is also a train from Mombasa to Nairobi which is not to popular especially because the Mombasa Nairobi route is populated by the low cost carriers such as Jetlink, Fly540 and Airkenya.

1.1.3. Industry Overview

Air travel remains a large and growing industry. It facilitates economic growth, world trade, international investment and tourism and is therefore central to the globalization taking place in many other industries.

In the past decade, air travel has grown by 7% per year. Travel for both business and leisure purposes grew strongly worldwide. Scheduled airlines carried 1.5 billion passengers last year. In the leisure market, the availability of large aircraft such as the Boeing 747 made it convenient and affordable for people to travel further to new and exotic destinations. Governments in developing countries realized the benefits of tourism to their national economies and spurred the development of resorts and infrastructure to lure tourists from the prosperous countries in Western Europe and North America. As the economies of developing countries grow, their own citizens are already becoming the new international tourists of the future.

Business travel has also grown as companies become increasingly international in terms of their investments, their supply and production chains and their customers. The rapid growth of world trade in goods and services and international direct investment have also contributed to growth in business travel.

Worldwide, IATA, International Air Transport Association, forecasts international air travel to grow by an average 6.6% a year to the end of the decade and over 5% a year from 2000 to 2010. These rates are similar to those of the past ten years. In Europe and North America, where the air travel market is already highly developed, slower growth of 4%-6% is expected. The most dynamic growth is centered on the Asia/Pacific region, where fast-growing trade and investment are coupled with rising domestic prosperity. Air travel for the region has been rising by up to 9% a year and is forecast to continue to grow rapidly, although the Asian financial crisis in 1997 and 1998 will put the brakes on growth for a year or two. In terms of total passenger trips, however, the main air travel markets of the future will continue to be in and between Europe, North America and Asia.

Airlines' profitability is closely tied to economic growth and trade. During the first half of the 1990s, the industry suffered not only from world recession but travel was further depressed by the Gulf War. In 1991 the number of international passengers dropped for the first time. The financial difficulties were exacerbated by airlines over-ordering aircraft in the boom years of the late 1980s, leading to significant excess capacity in the market. IATA's member airlines suffered cumulative net losses of \$20.4bn in the years from 1990 to 1994.

Since then, airlines have had to recognize the need for radical change to ensure their survival and prosperity. Many have tried to cut costs aggressively, to reduce capacity growth and to increase load factors. At a time of renewed economic growth, such actions have returned the industry as a whole to profitability: IATA airlines' profits were \$5bn in 1996, less than 2% of total revenues. This is below the level IATA believes is necessary for airlines to reduce their debt, build reserves and sustain investment levels. In addition, many airlines remain unprofitable.

To meet the requirements of their increasingly discerning customers, some airlines are having to invest heavily in the quality of service that they offer, both on the ground and in the air. Ticketless travel, new interactive entertainment systems, and more comfortable

seating are just some of the product enhancements being introduced to attract and retain customers.

A number of factors are forcing airlines to become more efficient. In Europe, the European Union (EU) has ruled that governments should not be allowed to subsidize their loss-making airlines. Elsewhere too, governments' concerns over their own finances and recognition of the benefits of privatization have led to a gradual transfer of ownership of airlines from the state to the private sector. In order to appeal to prospective shareholders, the airlines have to become more efficient and competitive.

Deregulation is also stimulating competition, such as that from small, low-cost carriers. The US led the way in 1978 and Europe is following suit. The EU's final stage of deregulation took effect in April 1997, allowing an airline from one member state to fly passengers within another member's domestic market. Beyond Europe too, 'open skies' agreements are beginning to dismantle some of the regulations governing which carriers can fly on certain routes. Nevertheless, the aviation industry is characterized by strong nationalist sentiments towards domestic 'flag carriers'. In many parts of the world, airlines will therefore continue to face limitations on where they can fly and restrictions on their ownership of foreign carriers.

Despite this, the airline industry has proceeded along the path towards globalization and consolidation, characteristics associated with the normal development of many other industries. It has done this through the establishment of alliances and partnerships between airlines, linking their networks to expand access to their customers. Hundreds of airlines have entered into alliances, ranging from marketing agreements and code-shares to franchises and equity transfers.

The outlook for the air travel industry is one of strong growth. Forecasts suggest that the number of passengers will double by 2010. For airlines, the future will hold many challenges. Successful airlines will be those that continue to tackle their costs and improve their products, thereby securing a strong presence in the key world aviation markets.

1.1.4 Kenya Airways

Kenya Airways is the flag carrier airline of Kenya, based in Nairobi. It started operations on 4 February 1977, and operates scheduled services throughout Africa and to Europe and the Indian subcontinent, with its main base at Jomo Kenyatta International Airport, Nairobi. Moi International Airport in Mombasa serves as a focus city.

The airline was established in February 1977, after the break-up of the East African Community and the consequent demise of East African Airways and was wholly owned by the Kenyan government until April 1996.

In 1986, *Sessional Paper Number 1* was published by Kenya's government, outlining the country's need for economic development and growth. The document stressed the government opinion that the airline would be better off if owned by private interests, thus resulting in the first attempt to privatise the airline. The government named Mr Philip Ndegwa as Chairman of the Board in 1991, with specific orders to privatise the airline. He heads a renewed company cabinet. In 1992, the *Public Enterprise Reform* paper was published, giving Kenya Airways priority among national companies in Kenya to be privatized.

Commercialization. Also, in 1994, the International Finance Corporation (IFC), was appointed to provide assistance in the privatization process. In 1995, Kenya Airways restructured its debts and made a master corporation agreement with KLM that bought 26% of the shares in Kenya Airways and became the largest single shareholder. In 1996, shares were floated to the public, and the airline started trading on the Nairobi Stock Exchange. In October 2004, the company cross-listed its shares at the Dar-es-Salaam Stock Exchange. In April 2004, the company re-introduced Kenya Airways Cargo as a brand and in July 2004, the company's domestic subsidiary Flamingo Airlines was re-absorbed.

In 2005, Kenya Airways changed its livery. The four stripes running the length of the fuselage were replaced by the slogan "Pride of Africa". The KA tail logo was replaced by a styled "K" encircled with a "Q" to evoke the "KQ" call letters for the airline. In the 6 months ending 30 September 2005, profits after tax rose 48% vs 2004-5 to Kshs 2.231 Billion (US\$30 Million) and over 1.2 million passengers were carried.

In the 6 months ending 30 September 2004, profit after tax was \$19.5 million, compared to \$4.5 million for the same period the previous year. This has been attributed to KTAP (Kenya Airways TurnAround Project) overhauling the airline's revenue management, cost structures and route and fleet planning.

In the full-year results ending 31 March 2005, profits after tax almost tripled over 2003-4 to Kshs 3.882 Billion (US\$50 Million) and over 2 million passengers were carried. Kenya Airways announced record profit growth for 2005-06. After-tax profits increased from 3.88 billion Kenya shillings (about \$54 million USD) to 4.83 billion shillings. In March 2006, Kenya Airways won the 'African Airline of the Year' Award for 2005, for the fifth time in seven years.

Passenger numbers in the fiscal year 2006 (April 2006 – March 2007) were a record 2.6 million. On September 4, 2007, SkyTeam, the second-largest airline alliance in the world, welcomed Kenya Airways as one of the first official SkyTeam Associate Airlines. The airline is owned by individual Kenyan shareholders (30.94%), KLM (now Air France-KLM) (26%), Kenyan government (23%), Kenyan institutional investors (14.2%), foreign institutional investors (4.47%) and individual foreign investors (1.39%). It has 2,408 employees (at March 2007). Kenya Airways also owns 49% of Precision Air in Tanzania.

Kenya Airways codeshares with KLM and Air France, giving passengers access to European destinations, including Glasgow, Athens, Rome, Zurich, Birmingham, Manchester, Madrid, Copenhagen, Berlin, Frankfurt and Barcelona. Service to Seoul is codesharing with Korean Air.

Premier World entertainment on the Boeing 777 is AVOD (Audio Video on Demand). It includes around 10 to 15 movies and some t.v shows. Economy class has NVOD as entertainment; it is almost the same as AVOD. In Premier World you can choose the movie you want to watch anytime you like. Both classes include 12 audio channels that work throughout your flight.

1.2 Statement of the Problem

Airlines are one of the most critical service companies in Kenya that customers are mostly facing dissatisfaction. Focusing on Kenya Airways which the research shall be conducted, the airline is suffering from very intense competition on its international market. The airline is not only enduring from low market share on most routes which other airlines are also having flight operations but also losing the market share on some others

Competitor airlines such as Qatar, Emirates British Airways and Virgin Atlantic are strongly competing with Kenya Airways. An overview of the top 150 airlines ranked by their on flight services in 2008 (Travel Truth Ratings Of The Major International Airlines 2009) shows that the major Kenya Airways competitors Qatar, Emirates, Virgin Atlantic and British Airways are rated 1,2, 5, 9 respectively among the 150 airlines while Kenya Airways is rated 98. A glance at the statistics given, shows that Kenya Airways is far behind the airlines competing in its market. What we notice is that Qatar is leading and yet a very new airline.

According to the KATA Publication (1999) Travel Agencies surveyed agreed that 90% of the complaints that came through to their office from the travelers were sadly from Kenya Airways. It took such a long time for the airline to resolve the complaints and subsequently most lost faith in the carrier. The complaints were on various things with which the customers were dissatisfied at Kenya Airways Ltd.

Lastly, various projects have been studied at the University of Nairobi and other high learning institutions all of which are practical within the Kenyan setting. The airline

industry is very dynamic and we experience lots of changes. Travelers are starting to embrace air travel as a convenient and faster mode of transport, and many air travel agents coming up. With that said, I wish to undertake a study that explores and discusses the factors that are affecting customer satisfaction in the Airline industry with special focus on our flag carrier Kenya Airways(KQ).

1.3 Objectives of the Study

The objectives of this study were:

- i. To determine factors that affect customer satisfaction in the Airline Industry.
- ii. To determine attributes that passengers consider important in judging quality of service delivery.

1.4 Importance of the Study

This study will be of interest and useful to:

Kenya Airways Ltd. It is expected that the study will help the Kenya Airways management to improve the quality of service to their customers with a view to attract more business and increasing loyalty.

The government may support as a support in making policies concerning air travel and controls on all the industry players.

The travel agents in understanding their travelers needs better and pin point the exact areas to influence the Kenya Airways team to improve on.

Academicians by providing important information on factors affecting customer satisfaction. This will act as an eye opener to the future researchers who would like to carry out a similar research in a different industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Service marketing literature has, to a large extent, been found lacking owing to the lack of both a conceptual and taxonomical framework for both practitioners and academicians. As such, a review of the literature on the concept of service and the suggested taxonomies throws light on the nature of the present study. With this frame of reference, a review of the unique characteristic and problems of service marketing and some special problems of service suggest that the general circumstances under which Kenya Airways is in a people-intensive industry where interaction between service providers and consumers is high. The concept of interaction marketing, therefore, puts into perspective the role of the 'contact' personnel, in such an industry, in giving satisfaction to the consumer.

To a large extent, to be able to give satisfaction to a consumer the service provider must have in perspective the elements that are involved in the satisfaction/ dissatisfaction process. A consumer comes into the production process (in service production) with his own expectations, compares these with what he perceives the actual service to be and the outcome of this evaluation starts a chain reaction on his demand for the same service. Thus the marketing concept can be used here as a tool towards better service by starting with a more consumer oriented approach.

It is therefore, within context that the Service Quality, model, advanced by Franceschini and Cinetti (1998), is reviewed. It may be reasonable to say that the perception of service lies in the "eyes" of the perceiver, but more specifically, it depends on the functional quality, the technical quality and the image of the service in question.

2.2 The Concept of Service Marketing

2.2.1 Definition of Service

Kotler (2003, p444) defines service as: “service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical production”.

Services can be defined as “economic activities that produce time, place, form, or psychological utilities. Services are acts, deeds, or performance, they are intangible”. (Haksever et al. 2000, p.3).

A functional synthesis, by the researcher, of the definitions offered may clarify the concept of ‘services’. For the purposes of this project, therefore, services may be defined as:

“activities, benefits or satisfaction, which are offered for sale or are offered in connection with the sale of goods where no physical exchange of a good or transfer of its title (if any) is effected.”

This definition has several implications. First, the entity that is under consideration must be intangible although perceivable. Secondly, a marketing exchange occurs and so this excludes service offered as part of a goods transaction, for instance, delivery after purchase. Thirdly, something of value is acquired by the purchaser as an activity, benefit or satisfaction. Finally, no exchange of title of a tangible good takes place although some goods may be offered together with the service, for example, during a flight from point A to point B.

More specifically, services represent either intangibles yielding satisfaction indirectly (for example insurance), intangibles yielding satisfaction directly such as transportation and housing, or intangibles yielding satisfaction jointly when purchased either with

commodities or other services such as credit and delivery. Often, these commodity-associated services make separate classification and reporting of services activities difficult. This will be discussed again later in the chapter.

2.2.2 Taxonomies of Service

Attempts to classify services have produced lists and examples which, as time passes may only serve as headings of service (see converse et. Al., 1958). However, some taxonomical advances have been made in the literature.

First, the services can be classified in relation to two considerations; how is the service rendered; and what type of equipment and people render the service (Thomas, 1978). This results to a spectrum along which a service may be placed as either people- based or equipment based. For example, in air transportation service is equipment based but with a very high level of people orientation such that it appears to a great extent people- based. This classification is vital to service organizations because they can readily plan for equipment and 'contact' personnel during the production process.

Secondly, services can be classified by degree of customer contact in the creation of the service (Chase, 1978). Again, the result is a spectrum where high contact systems would tend towards the people-oriented service like airlines. During the production process, there is an extremely high level of interaction between the customer and the service production process.

Thirdly, Rathmell (1966) classifies service according to the buying motive exhibited by the buyer. There are those intended for the ultimate consumption (for example, medical services, civil aviation and therapy), and those that are intended for business (for example freight transportation, property insurance and others).

Finally, the literature has suggested classification based on the degree of some distinctive features of the service, such as, the degree of durability, the degree of tangibility and the

CHAPTER ONE: INTRODUCTION

1.1 Background

Customer demands and expectations are altering in today's world, in the airline industry many of the airline companies have lost track of the true needs and wants of their passengers and are sticking to the outdated views of what airline services are all about (Gustafsson *et al*, 1999). Many airline managers think of passenger needs from their own perspective so their immediate focus is on cost reductions in driving to more efficient operations, keeping customers at a least priority in their strategic planning programs. But the customer should not be ignored (Boland, Morrison and O'Neill, 2002). The airline business must aim at fulfilling the individual customer needs or even reaching beyond these (Gustafsson *et al*, 1999).

The goal of service companies including airlines is to develop services which attract and keep customers who are satisfied, loyal and speak well of the airline (Gustafsson *et al*, 1999). It should be observed that retention of existing customers is much cheaper to acquire a new customer, therefore companies including airlines are putting more emphasis on Customer Relationship Management (CRM) as a tool for managing customer relationships, hence to increase customer satisfaction and loyalty (Khalifa & Liu 2003; Kotorov 2002; Park & Kim 2003; Ngai, 2005) which consequently will increase steady streams of revenue, customer equity and market share (Wang *et al*, 2004; Park *et al*, 2004). Organizations and companies should also notice that they will be more successful if they concentrate on acquiring and sustaining a share of each customer rather than a share of the entire market (Park & Kim, 2003)

Airlines should also know their competitors and consider the market competition and how to overcome and win in the competition campaign. CRM is an essential component of the corporate strategy of airline companies to differentiate themselves from competitors in the eyes of the customer (Boland *et al*, 2002)

degree of commitment when purchasing the service (Wilson, 1972). However, this classification is not evident in practice. Blois suggests a classification according to the degree of essentiality, the degree to which one can postpone the consumption of the service and the degree of cost while Zeithamal (1983) adds the degree of inseparability, and also search, experience and credence qualities.

This taxonomical variation implies the difficulty of categorizing service into clearly delineable segments that would lend themselves to generalized approaches and techniques. Civil aviation becomes difficult to classify under any of these taxonomies due to its varied characteristics, but it can be classified as aimed at ultimate consumption with a high customer contact people- orientation, although equipment based.

2.2.3 The Goods- Service Continuum

One of the suggested ways of differentiating a 'good' from a 'service' is to consider the nature of the offering's utility (Rathmel, 1966). Does the utility lie in the physical characteristics of the product, or in the nature of the action of performance? Applying this test, there are very few 'pure' physical products and services, implying that every marketed entity has an element of service and physical product. The degree of variation will determine the approach taken to market the offering.

Most goods, whether consumer or industrial, require supporting services in order to be useful and most services require supporting goods in order to be useful. The result is a continuum on which all offerings of business entities lie, with 'pure' services on one extreme and 'pure' physical products on another extreme. A 'pure' service business is one in which the service is the primary entity that is marketed while the goods component is incidental to the service production, although there is no transfer of title to the physical good (for example the food and drinks on a flight). The reverse is true for 'pure' products. In other words, there are only industries whose service components are greater or less than those of other industries. Levitt's (1972) 'Marketing Myopia' exhorts businessmen to think in exactly this generic way about what they market so that they can

easily concepts but adapt them to suit their type of firm. In effect, therefore, this means that the service sector of any economy is not merely composed of the service industries such as banking, airlines, insurance and others; it also includes the entire abundance of product related services supplied by manufacturers and sales- related services supplied by retailers. This is mainly because certain 'real things' belong in the description of the total entity. For instance, tangibles such as food, drink, decoration, hostesses, and so forth, can dramatically alter the reality of an airline in the mind of the passenger.

The concept of the continuum has its limitation in the lack of a clear description of service which so far, seems to be everything else. For example disposable food plates have a built- in service of convenience. Are they services in contrast to goods? Are institutionalized services like retailing really services?

2.3 Unique Problems of Service Marketing and Suggested Solutions

The special nature of services stems from several distinctive characteristics which lead to quite unique problems in services marketing. The main problem has been the difficulty in developing a concrete easily perceivable service offering that fits that which is conceptualized by service purchasers. This difficulty arises from the: intangible nature of the market offering; inseparable nature of the production, consumption and marketing processes; lack of a standardized marketed entity; and perishability or fluctuation of demand and supply of services.

2.3.1 Intangibility- The Key Difference

The fundamental and the universally cited peculiarity of services is that of intangibility (see for example, Berry (1980); Levitt (1972, 1976, 1981); Shostack (1977); and others).

Service can be thought as being doubly intangible. First, they cannot be 'touched' in the physical sense and secondly, they are abstract and extremely difficult to grasp mentally. For example, what really is insurance? Intangibility can, therefore, be said to be critical

goods- service distinction from which all other differences originate because the objects of transaction cannot be seen, felt , tasted or touched in the same manner in which goods can, and therefore they cannot be sampled or evaluated concretely before purchase. In some cases, such as air travel, sampling may mean satisfaction of the need and therefore no necessity for further purchase.

Due to this fact of intangibility, there are major marketing problems to which the literature has tried to suggest solutions. First, there is no tangible or easily perceivable offering to be communicated to the prospective purchaser of the service. Promotion therefore becomes a nebulous task relying mainly on expounding the benefits of the service (Shaw et. al., 1981). For example, an airline will dramatize the virtues of 'fast' and 'comfortable' transportation or its décor and air stewards (Kraar, 1979). A lot is also staked on the physical representation of the service, such as the (neat and smart stewards', the 'spacious seats' (shostack, 1977 and George, 1974). This may include management of the environment within which the service is performed (like setting) in this case the reservation and ticketing offices, the check- desks, the aircraft, the ground airport , and others. It may also involve integrating evidence such that there is continuity in the concept of that service- that is a uniform presentation of the service when promoting. Some service firms also use the profile techniques where personality, like satisfied customer is used as a referent especially for word-of- mouth communication. Gronroos (1978) recommends strengthening the organization image to combat this deficiency. Reputation helps to relate directly the provider of the service to the quality of the service because usually, a service cannot hide behind brand names and distributors and must portray a good image at the forefront. Even in cases where we so obviously have a physical good branded by its manufacturer, its part in the service process is internalized t mean, that eventually, the service itself is the one being evaluated and not equipment.

Secondly, there is no tangible base for costing the service and, therefore price, more often than not, is arbitrary, (Dearden, 1978). Even where a product is involved, the price ends up being arbitrary in as far as apportionment of costs to other cost centres is concerned.

For instance, airline executives have not yet found a way to cost 'love, kindness and concern' given by an air hostess to harassed travelers. How does her education and experience account for her performance (or output)? Dearden (1978) can only suggest a solution for those services that decidedly have a physical good component to the service—by costing the associated product. Airlines that are members of IATA rely on rates calculated this organization but again, the final figure must reflect the costs of the factors of production employed by each airline in its respective country.

Finally, there is no physical good to be transported and stored, raising the problem of fluctuating supply and demand (Sasser, 1976). This leaves the manager without an important buffer that is available to product managers. In addition, because services cannot be transported, the consumer must be brought to the service delivery system or the system to the consumer. This means that demand by more than one customer (or more than the established capacity) “floods” the system and lack of demand renders the capacity idle. As an illustration, overbooking of a flight causes distress to passengers who cannot travel, and cancellations render seats idle (loss of passenger miles) and sometimes the flight has to depart with or without those particular passengers.

To deal with this problem, (Sasser, 1976) suggests a process of matching demand and supply by demand leveling strategies and or supply-control strategies. Demand leveling strategies approach the problem from a demand side by trying to alter it. For example, appointment and booking systems can regulate the “flow” of consumer complimentary services can be used to shift demand from peak periods; reduced rates at off-peak periods, and many others.

Controlling supply is a measure of adjusting supply to fluctuating demand. Because this is a strategy more readily available to the manager, it lends itself to more application. The manager can introduce strategies such as, sharing capacity strategies: employ part-time employees during peak periods: introduce customer participation like self service: and many other strategies.

Intangibility quite obviously raises great difficulties in “product” planning and other components of marketing mix

2.3.2 Inseparability (Simultaneous Production and Consumption)

Whereas goods are first produced, sold and then consumed, services are first sold, and then consumed simultaneously with the consumer wholly or partially entering the production process. (Regan, 1963; Shostack, 1977; Zeithal, 1985). There is a high interaction: between consumer and physical/ technical resources: between the consumer and other consumers: between the consumer and “contact” personnel; and between the consumer and his own peculiar characteristics. On one hand, therefore, a customer is a source of productive capacity. On the other hand, his role in the process creates uncertainty for the managers about the process time (like queues), the product’s quality (for example when the customer comes with his own peculiar circumstances to the production process), and the facility’s accommodation of the customer’s needs and expectations (like in the case of special treatment for a disabled person on an aircraft and throughout the trip). Due to the intimate contact with the process, consumers influence each other especially by word-of-mouth and other social contacts. Moreover, this contact means that in most cases, if the consumer is not present the service is not produced.

The simultaneous nature of production and consumption implies that consumption occurs in the service “factory” and many of these are required to deal with the demand. For example, more reservations and check-in desks may effectively deal with the queues in airlines. However, these compound the problem of non-standardization because of the variation in contact personnel and also in the variation in combinations of contact personnel and consumers. Nevertheless, quality can be standardized procedures (Shostack, 1977) and uniform training of employees (Hostage, 1975; George, 1977). It must, however, be noted that in such cases, quality control must be carefully guarded because a bad experience in one outlet can affect business in other outlets owing to the high level of halo effect in service business.

Centralized mass production of services is difficult (Sasser and Arbeit, 1978) and the situation is made worse by the difficulty of storage. To this end Levitt (1976) suggests industrialization of service by technology.

2.3.3 Heterogeneity (Lack of Standardized 'Product')

This concerns the high potential for variability in the performance of services (see for example, Berry (1980); Zeithaml (1985); and others). The quality and essence of a service can vary from producer to producer (due to people-orientation) or from customer to customer (due to peculiarities in the human nature) and from time to time (due to extraneous factors). Example, a football match. This is because service is performed "out there in the field by distant and loosely supervised people working under highly variable and often volatile conditions" which may lead to varied features and quality of the service (Levitt, 1972:42). Moreover, during personal service, discretion is given and discretion is the enemy of order, standardization and quality. The problem raised here is a consistent product that can be promoted, displayed, priced and distributed using standard methods.

Again, as a measure against inconsistency, we resort to Levitt's (1976) industrialization of service where technology (both equipment and pre-planned systems) replace the personal operations in service. Moreover, the service provider must think of himself as a 'manufacturer' rather than as a 'servant' thereby introducing an element of production engineering.

On the other hand, Shostack's (1977) standard procedures are more appealing to service firms because there is retained that element of 'people' and personal contact which is an age-old virtue of service.

Conversely, Sasser and Arbeit (1978) suggest customization of service where there is no expectation of similarity in services rendered to a number of people at any one time or a different time. Airline business is a mass transit business and yet people expect

individualized service which is different to give, given the ratio of service which is difficult to give, given the ratio of service providers and equipment, to service consumers.

2.3.3 Perishability (Fluctuation of Demand and Supply)

This implies that services cannot be saved, no can they be stored or reclaimed (Sasser, 1976). Passenger seats not purchased cannot be reclaimed with passage of time and neither can they be inventoried for the purpose of creating 'stocks' or buffer to handle fluctuating demand. Unused services thus represent business lost forever to the operations of that firm. This is the merchandising problem.

Due to the involvement of the customer, demand cannot be forecast and affectively planned for, and thus, demand and capacity can only be adjusted simultaneously for a closer fit (Sasser, 1976); or demand-leveling strategies employed and at the same time supply control strategies used. In addition, establishing and measuring capacity levels for a service operation are often highly subjective and qualitative tasks that disrupt schedules of operation.

The above overview of the unique problems of service marketing sheds some light on the conditions under which an airline, usually operating as a service firm, operates. Kenya Airways is no exception as a service firm and indeed, like any other firm it often falls back on models and strategies in goods research, often due to the fact that the suggested solutions in service marketing are conceptual and generalized.

2.4 Customer Satisfaction

Customer satisfaction is an important concept in business and marketing as the notion of satisfying customers' needs and wants (Mittal & Lassar, 1998; Spreng, MacKenzie, & Olshavsky, 1996). It has long been regarded as a fundamental determinant of long-term consumer behavior, such as repeat-buy behavior (Oliver, 1980; Yi, 1990). Researchers agree that more satisfied customers mean greater retention (Anderson & Sullivan, 1993;

Fornell, 1992). The positive word-of-mouth is generated by these customers (Schneider & Bowen, 1999), and the firms who serve them will benefit financially (Fornell et al., 1995). Thus, satisfying customers increasingly becomes the ultimate goal of every business. Recognizing its potential impact on retention and future profitability, organizations dedicate substantial energies to tracking customer satisfaction, which is also a fundamental measure of performance (Anderson, Fornell, & Lehmann, 1994).

Although the definitions of customer satisfaction vary in the literature, researchers generally agree that an essential element underlying customer satisfaction is an evaluation process (Back & Parks, 2003; Yi, 1990). Based on previous theoretical and empirical evidence, (Day, 1984) defined customer satisfaction as a post-choice evaluative judgment concerning a specific purchase selection. (Bitner and Hubbert, 1994) described customer satisfaction as an overall evaluation of performance based on prior experiences with a provider. (Oliver, 1980) stated that customer satisfaction results when customers experience a specific service and compare it with what was expected. (Kotler, 1991) defined customer satisfaction as the post-purchase evaluation of products or services given expectations before purchase. These conceptualizations implied that customer satisfaction is an overall judgment process of the perceived discrepancy between prior expectation and actual consumption experiences. Indeed, this evaluative process-oriented approach has been widely adapted by numerous researchers and is regarded as an effective way to measure the level of CS (Oliver, 1997; Yi, 1990).

Customer satisfaction has frequently been conceptualized as an emotional response to direct product/consumption experiences. Specifically, satisfaction itself has been conceptualized as an emotional response to the judgmental disparity between product performance and a corresponding normative standard (Cadotte, Woodruff, & Jenkins, 1987; Halstead, Hartman, & Schmidt, 1994; Woodruff, Cadotte, & Jenkins, 1983). However, (Hunt, 1977) described satisfaction as “the evaluation rendered that the experience was at least as good as it was supposed to be, and it is not the pleasurable-ness of the (consumption) experience” (p. 459). He clearly distinguished satisfaction from emotional response. (Westbrook, 1987) further argued that satisfaction essentially

integrates an evaluation of the emotional responses generated in consumption or the emotional aspects of the antecedent consumption emotions elicited by product usage. Further, (Oliver, 1997) suggested that satisfaction should be conceptualized as an evaluation involving both affective and cognitive components. In other words, for the cognitive constituent of the customer satisfaction judgment, the customer evaluates how well the product performance met expectation levels or needs.

On the other hand, for the affective constituent of the customer satisfaction judgment, the customer evaluates the level of emotional benefits of the product. Consistent with (Hunt, 1977) and (Westbrook's, 1987) research, in (Oliver's, 1997) study; customer satisfaction was clearly described as an evaluation process rather than an emotional response to a specific consumption. Since satisfaction judgments differ along a hedonic continuum, one issue that possibly occurs is whether customer satisfaction is conceptually distinguishable from consumption emotions (Westbrook & Oliver, 1991). On the basis of this theoretical support (e.g., Hunt, 1977; Oliver, 1997; Westbrook, 1987), customer satisfaction in this study involves an evaluation of the emotional responses to specific consumption and is a distinguishable theoretical construct from consumption emotions. Satisfied customers are likely to remain loyal to the product and engage in positive word of mouth (Oliver, 1997). According to (Oliver, 1997), remaining loyal to the product involves making repeat purchases of the product/service as well as intending to make repeat purchases of the product/service. Although satisfaction is not the only strategy for retaining customers, a key driver of retention is satisfaction. Customer satisfaction can be considered the most essential outcome of all marketing activities.

Early consumer research viewed customer satisfaction as being formed within a cognitive disconfirmation framework. Specifically, consumers make a comparison between expectation of a product/service and actual performance. Satisfaction occurs when actual performance is greater/ equal to expectation, and dissatisfaction arises otherwise (e.g., Oliver, 1980; Yi, 1990). This traditional cognitive-centered view has been changed to a more affect-centered view that sees affect, such as emotions, moods, and feelings, as significant antecedent to satisfaction and as a necessary component to explaining the

formation of satisfaction (Oliver, 1997). Many researchers have emphasized the significance of consumption emotions to satisfaction formation in numerous fields (Evrard & Aurier, 1994; Oliver, 1993; Westbrook, 1987). In an empirical approach, (Westbrook, 1987) explored the effect of emotions elicited in consumption on satisfaction, along with expectation and disconfirmation belief. He found that two distinct dimensions of emotions, namely positive and negative emotions, and positive/negative emotion affect positively/negatively customer satisfaction with cable television. (Oliver, 1993) expanded the determinants of overall satisfaction by including attribute satisfaction/dissatisfaction and positive/negative affect as well as disconfirmation belief.

Numerous studies in the consumer behavior literature support the adequacy of the multi-components approach to consumption emotions in illustrating satisfaction formation. (Westbrook and Oliver, 1991) investigated consumption emotion response patterns and their corresponding satisfaction evaluation. They identified various patterns of emotional experiences and found that satisfaction evaluation was correlated with these complex emotional experiences. In the context of extended service transaction, (Dube and Menon, 2000) proposed that the multiple components of emotional experiences differently affect satisfaction.

According to their explanation, a two-dimensional view of emotions in satisfaction formation would not sufficiently explain the relationship between emotions and satisfaction in various extended service transactions. Post-purchase satisfaction may be determined by the retrospective overall emotional responses as well as by the instant impact of in-process emotions on psychological and interpersonal antecedents of satisfaction in subsequent phases of the service process (Dube & Menon, 2000). In the service sector, (Han and Back, 2007) examined underlying dimensions of consumption emotions and their relationship with customer satisfaction. In their study, six of the seven dimensions identified were significantly associated with satisfaction, and different types of consumption emotions had different levels of effects on satisfaction. These studies with a multidimensional view verified the emotion-satisfaction relationship in greater detail than simple positive and negative emotions. This multi-dimensional approach to

emotion in the satisfaction process enables precise assessment of complex emotional experiences in various consumption situations (Dube & Menon, 1998; Han & Back, 2007; Westbrook & Oliver, 1991) and helps us further understand the role of various types of consumption emotions in satisfaction formation, particularly in the context of service consumption (Dube & Menon, 2000). The diversity and complex nature of the consumption experience in illustrating satisfaction formation cannot be adequately assessed by combining emotions into separate positive and negative summary factors (Westbrook & Oliver, 1991).

2.4.1 Factors Affecting Customer Satisfaction

Most of the factors that are affecting customer satisfaction revolve around the 8Ps (Lovelock, Wright 1999). A common source of frustration results from inappropriate trade-offs between productivity and quality, when a firm tries to boost productivity and quality, when a firm tries to boost productivity without thinking about its impact on customers. Perhaps some of the product elements are poorly executed. Or maybe the service processes in which you are involved are badly organized. Shortcomings in delivery- place, cyberspace and time- are common. For example, a service may be unavailable where and when you want it; or a web site may not be functioning satisfactorily. Failings in physical evidence include ugly or poorly maintained facilities and dirty or poorly fitting staff uniform.

Price and other user outlays are a major source of complaints. You can probably recall occasions when you felt you were overcharged, were kept waiting too long, or endured unnecessary hassles. Your disappointment with a service may also have resulted from promotion and education strategies that promised too much (thus raising your expectations too high), or failed to instruct you properly in how to use the service. And perhaps you were inconvenienced or annoyed at some point by the behavior of the people in a service environment- either customer- contact personnel or other customers.

Research around the world has exposed the sad fact that most people do not complain, especially if they don't think it will do any good. And even when they do communicate their dissatisfaction, managers may not hear about complaints made to the customer-contact personnel.

2.5 Interactive Marketing Concept

One of the basic characteristics of services as discussed is inseparability of production, marketing and consumption processes. The consumer and the producer /marketer are engaged in a relationship that has several marketing implications since the customer will, in most cases, see and meet a representative of the service firm in the seller /buyer interactions. The consumer influences the service offering in one way or another since he enters the production process entirely:-

The consumer himself takes part in the production process and consequently directly or indirectly influences what he gets. For instance, if a patient does not accurately describe the symptoms, the doctor may not arrive at the correct diagnosis and subsequent treatment. In air travel, if a passenger has flying phobia, very little can be done to make him, 'comfortable' – he may thus not benefit fully from the comfort of the seat, the food, the courtesy and friendliness of the hostesses, and so forth.

The presence of other customers consuming the service at the same time will influence what the customer perceives as the service he gets. Queues at the check in desks create part of the service of an airline (this shows its inability to cope with demand) and thus influences the length of time taken to be served, and also the nature of the interaction with the 'contact' person (like in cases when moods are sour due to queuing).on the other hand, a crowd at the dance helps to create a 'happy atmosphere. In addition, the interaction allows for personal communication which influences both the purchaser's expectations and perceptions of the service.

Customers may also have a desirable or undesirable impact on the customer /personnel communication due to various reasons like: There are various customers – personal combinations of the human element depending on the type of customer and the type of employee. This relationship, fundamental to people- intensive firms, causes a personal and direct impact on the contact personnel and the eventual outcome of the service production process. And the peculiar circumstances of each customer bring a new and peculiar situation to the service provider, so he has to deal with it in a new way.

Interactive marketing, therefore, allows for accessibility of a service through management of the human and technical resources (Gronroos, 1978). This is perhaps the most crucial part of rendering a service since the customers derive their image of the firm from their experience with the ‘contact’ personnel as they produce and sell the service. Employees must, therefore, be selected and trained for both production and selling of a service. Frequently, the employees have been engaged as performers of the service and not as sellers as well. However, (Gronroos, 1978), and (hostage, 1975) suggest that the ‘contact’ personnel are the shop front of a service firm and their attitude must be influenced to accept the fact that they also sell the service. Repeat purchase very often depends on how they render the initial service. In effect, the firm must ‘sell’ the firm’s services to the employees before it sells to the customers so that they are aware of the ‘correct’ image to ‘sell’.

2.6 The Disconfirmation Paradigm

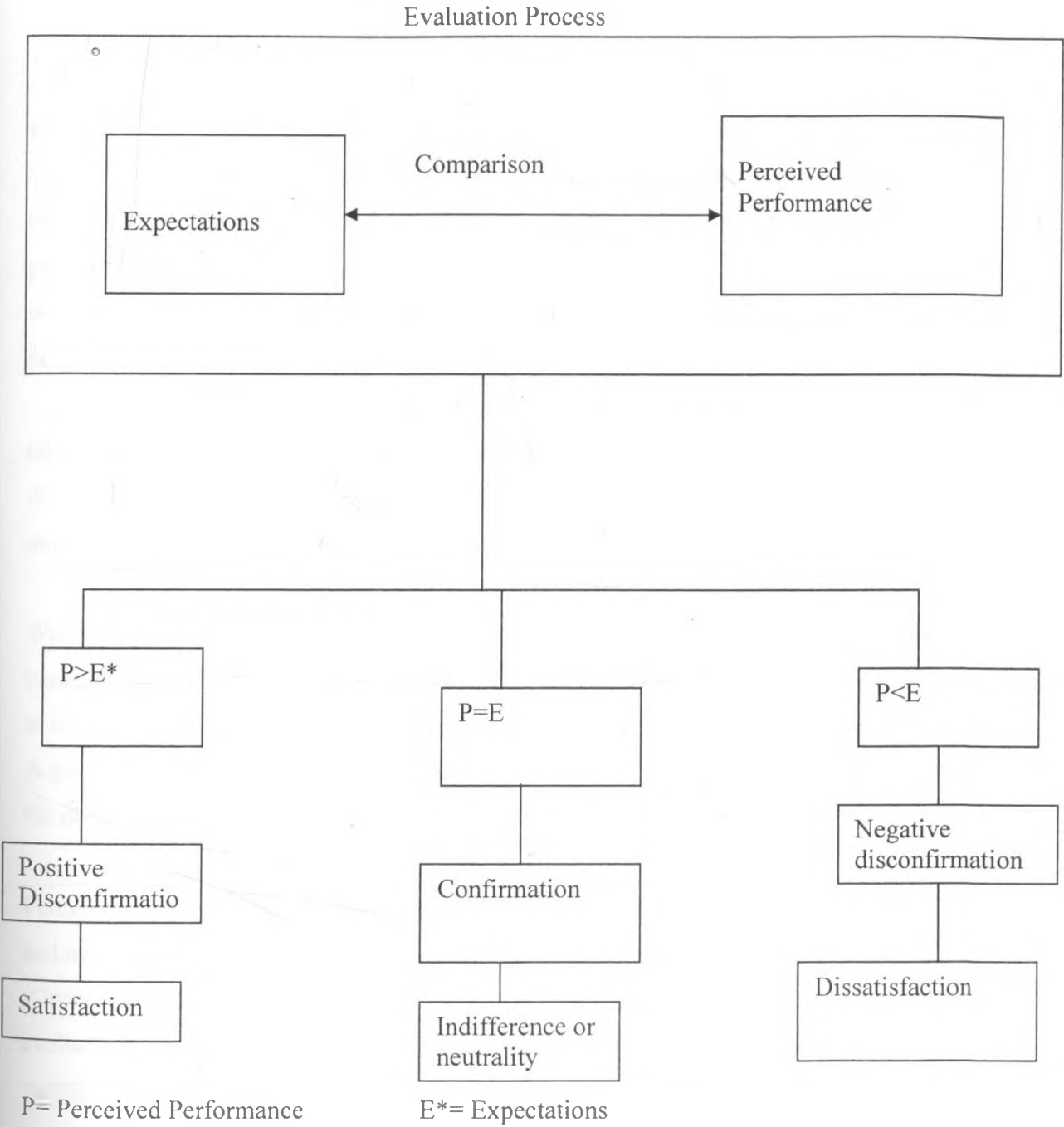
In the satisfaction/dissatisfaction literature, a lot of what has been written centers around the confirmation /disconfirmation paradigm, which is a plausible basis of explaining and predicting satisfaction or dissatisfaction for both goods and services.

The key elements of the satisfaction or dissatisfaction process can be said to be: some prior basis of evaluation such as, expectations of the product performance; comparison of perceived performance with expectations; and a post purchase judgment that the experience was noticeably better than expected, as expected or worse than expected,

leading to feelings of satisfaction, neutrality or dissatisfaction respectively (Churchill and suprenant (1982)

Figure 2.1: This paradigm may be more explicitly presented diagrammatically.

THE DISCONFIRMATION PARADIGM



An expectation is a perceived likelihood that a product possesses a certain characteristics or attribute, or will lead to a particular event or outcome (Olson and Dover, 1979).it is first, an expected level of performance and satisfaction, and secondly, it is the user's estimate of how likely it is that the expected level of performance would, in fact, be realized when the product is used. (Churchill and Suprenant, 1982) cite Miller as having identified four types of expectations: ideal, expected, minimum tolerable and desirable. All of these establish some form of level to which the purchaser expects the product to perform, thus establishing a standard or norm for his own evaluation. However, expectations can also be negative, that is, undesirable depending on the basis of these expectations. Expectations can be said to be a function of the product attributes or the product itself' prior experience with the product ' information from referent s through word of mouth or observation of referents' usage of the product ' and marketing activities, such as advertising, price , distribution , image and others.

Oliver (1980) suggested that one's expectations perform the function of an adoption level in that they define the standard against which subsequent performance is judged, that is, a norm.

Woodruff, Cadotte and Jenkins (1983), on the other hand, suggest that expectations are based on experience (product and brand), and some interval around a performance norm is likely to be considered equivalent to the norm. They call this the zone of indifference. A passenger is, therefore, willing to 'excuse' the 'bad' service so long as it falls within his defined norm or expectations.

Perceived performance, although a complex area can be said to be a function of both technical (instrumental) and functional (psychological) elements of the product (Gronroos, 1983; swan and combs, 1976). in addition, the ability of the consumer to evaluate the product will vary by the characteristics of the offering itself – i.e. search qualities – attributes which are very tangible and can be evaluated by examination prior to purchase (a quality which distinctly lacks in service evaluation)' experience qualities –

attributes that can only be evaluated during or after consumption (a quality that greatly characterizes most services) (Nelson, 1970)' and credence qualities – attributes which a consumer may find impossible to evaluate even after purchase and consumption especially so in service business.

Many psychologists (for example, Yankelovich, 1966) have concluded that the way a person perceives a thing is a function of his environment and his frame of reference – his beliefs, attitudes, value system, and cultural frame of reference. As individual's frame of reference is a result of his interaction with current and past stimuli and is also related to the stimuli about which the organism is now trying to deal with. In addition, a person's perception tends to be selective in nature, and the criterion for selection is the frame of reference. Therefore when assessing the quality of services performance, the passenger 'sees what he wants to see', based on his already established expectations or norm. Consumers can, therefore, be said to make perceptual judgments based on a complex of cues, including the physical product and also brand name and packaging, and response to such cues depends on prior learning and experience (Robertson, 1970).

Perhaps it is important to note at this juncture that, performance is the central focus point of satisfaction. The primary importance in the satisfaction literature has been as a standard of comparison by which to assess disconfirmation. Though it is reasonable to assume that increasing performance should increase satisfaction, the magnitude of the performance effect, vis-à-vis expectations and disconfirmation effects has not been indicated in the literature. If performance judgments are assimilated towards the expectations, we might expect an increase in performance to have relatively little impact on satisfaction if expectations remain constant. In effect, expectations must change with the level of performance and that of satisfaction.

The evaluation process, according to Churchill and Suprenant (1982), results in to confirmation or disconfirmation of the purchaser's expectations. An individual's expectations are: Positively disconfirmed when performance exceeds expectations, negatively disconfirmed when performance is below expectations; and confirmed when

performance equals expectations although it is assumed that this is a state of indifference or neutrality. Disconfirmation arises from discrepancies between prior expectations and actual performance. It is presumably the magnitude of the discrepancy or disconfirmation effect that generates satisfaction and dissatisfaction.

Anderson (1973) suggests that in predicting the effects on product evaluation and customer satisfaction, or the disparity between expectations and actual or objective product performance, at least four psychological theories may be considered, namely;

Firstly, cognitive dissonance (assimilation) by Festinger (1957). Here, any discrepancy between expectations and product performance will be minimized or assimilated by the consumer's adjusting his perceptions of the product to be more consistent (less dissonant) with his expectations, by seeking social support of others (Strait, 1964, 1964:63). Dissonance should be less when the alternatives under consideration are essentially similar (like in airlines) but greater following the purchase of a more unusual item (Strait, 1964).

Secondly, contract theory, suggested by Hovland, Harvey and Sheriff (1957) assumes that the customer will magnify the difference between the product performance is highly discrepant from expectations (analogous to a subject evaluating a message as being highly discrepant from his own position, thus placing the evaluation in the latitude of rejection), one would tend to contract his evaluation with his original expectation. If the discrepancy is slight, one would tend to assimilate his evaluation.

Thirdly, generalized negativity is a theory suggested by Carlsmith and Aronson (1963) and supported by Olshavsky and Miller (1972). Here, any discrepancy between expectations and reality results in a generalized negative hedonic state, causing the product to receive a more unfavorable rating than if it had coincided with expectations. The consumer, as it were, regards discrepancy as lack of consistency in product quality.

Lastly, assimilation-contrast approach is a synthesis of the assimilation and the contrast theories. Here, there are zones or latitudes of acceptance and rejection in consumer perceptions. The consumer tends to adjust perceptions towards the 'indifference zone' to meet his expectations (Olson and Dover, 1977; Olshavskya and Miller, 1972), performance which is above or below the norm, but within the indifference zone, leads to differences.

From his evaluation process emerge three outcomes as already mentioned above. Positive disconfirmation logically leads to satisfaction which, in turn, leads to positive responses such as brand loyalty, favorable word of mouth and 'complimenting behavior'. Satisfaction is a major outcome of marketing activity and serves to link processes culminating in purchase and consumption with post purchase phenomena such as attitude change, repeat purchase and brand loyalty. It is often regarded as an evaluation that concludes that the product or service was at least as good as expected or was supposed to be. Satisfaction is, therefore, an outcome of purchase and use, resulting from the buyer's comparison of the rewards and costs of the purchase in relation to the anticipated consequences. Operationally, satisfaction can be assessed as the sum of the satisfaction with the various attributes of the product or service, (in this case the check-in services, the in-flight services, the reservation and ticketing services, and the post-flight service) which means the total quality is up to the expectations or above the expectations of the customer.

Positive disconfirmation can be said to raise the level of expectation based on the experience of the prior performance. In effect, a much higher level of performance should be achieved to sustain satisfaction. Any 'slackening' is perceived as a 'failure' if the product or service performance renders its rating low.

Negative disconfirmation, on the other hand, leads to dissatisfaction which in turn leads to a tendency towards negative word of mouth (Richins, 1983). Cardozo (1965) showed that a negative disconfirmation of an expectation (that is, results were poorer than

anticipated) produced an unfavorable product evaluation and therefore the quality of the product must not be overstated to the customer.

However, this notion is refuted by Olshavsky and Miller (1972; 21) on the grounds that Cardozo's research design was faulty and hence the faulty conclusion. They state that:

“While business ethics and consumerism may clearly direct the promoter to make realistic claims for his product, the results here suggest that overstating the quality of a complex, multidimensional product apparently contributes to a more favorable evaluation and understatement to a less favorable evaluation.”

As has been stated earlier, expectations are a function of, among other things, marketing activities and prior experiences. If expectations are set too high by these elements, dissonance is most likely to occur because the consumer finds that after all, what he receives falls far short of his expectations which may have been set by high promises by the advertiser. This in turn affects directly, the image (perceived performance) of the product or service). There is a feeling that the product is not of a 'high standard'.

Churchill and Suprenant (1982) found that for durable products (services are not always durable), performance differences (if any) are the major determinants of satisfaction. Their results indicated that the effects of expectation, disconfirmation and performance on satisfaction may differ for durable and non durable products.

Performance levels as per set have a direct impact on satisfaction judgments in addition to their impact on disconfirmation. This suggests that satisfaction with the durable product could be increased only by increasing performance and not necessarily by minimizing negative disconfirmation. Theoretically, the same may apply for services like civil aviation – that is high performance of a service yields more satisfaction than an attempt to either lower the expectations or reduce dissonance. Managers can more readily choose a level of performance and hence satisfaction, than they can be expectations for the customers which are a combinations of several factors. Consumer research evidence

in this direction can help ascertain the level of performance that would yield maximum satisfaction at minimal cost.

The centrality of the satisfaction concept is reflected by its inclusion in the marketing concept. That profits are generated through the satisfaction of a consumer's needs and wasn't. The need to translate this philosophical statement of the marketing concept into pragmatic operational guidelines directs attention to the development of consumer satisfaction in organizations by trying to meet the expectations of the consumer.

2.6.1 The Marketing Concept in Service Marketing

Literature suggests that goods marketing area made great strides in combating dissatisfaction by using marketing concept (see for example, McNamara, 1972). But it is ironic that service businesses, which are necessarily in the most direct contact with consumers, seem to be the last kind of industry to adopt a consumer-oriented marketing concept. The marketing concept tries to trace the root of dissatisfaction back to the needs of the customer. The four components of the marketing concept provide an integrated approach to consumer needs especially in the 'people' – intensive business.

Consumer orientation: - attention is focused on the consumer, his needs and requirements rather than on the product or service. Consumer orientation is particularly vital for service industries because of the high interaction between the consumer and the service seller and his (the customer's high involvement in the production process. In addition, in service, the customer expects individualized attention even while he seeks a mass service like air transportation. To a large extent, the fact that a service is a performance requires that the performer is thoroughly familiar with what outcome the consumer expects so that performance is geared towards this 'goal' from the beginning. A goods marketer has successfully, so far, used marketing research to satisfy this component.

Integrate marketing- all the activities of the organization are geared towards the needs of the consumer as established in the consumer orientation effort. As it were, the consumer

becomes the focal point of planning, implementation and controlling activities of the organization. Again, it becomes more pronounced in service marketing where the simultaneous production, marketing and consumption activities dictate integrated and coordinated operations from all the departments (which are usually embodied in the same people) such that the ultimate goal is consumer satisfaction.

Consumer satisfaction- production hopes to ultimately satisfy the needs of the consumers by solving their problems i.e. satisfying their real needs). A need, for instance, to travel from point A to point B can only be satisfied if the problem is approached from the traveler's point of view and not from that of the transporter. One cannot therefore, for instance, schedule flights according to the convenience of the airline or airport but that of the traveler.

Long term consumer welfare- this new development encompassed the tenets of the latest era in consumer satisfaction (Cunningham and Cunningham, 1981). Consumerism, environmentalism and many other philosophies are an effort by both the business world and the consumers themselves to prolong the period of benefit (profit) from business. There is no point in satisfaction today that jeopardizes the chances of long term of future satisfaction. For example the advent of the 'Concorde' brought speed and luxury to air travel but with it came the noise pollution than in itself, is a dissatisfying can be said to be the basis of this new development (Carrol, 1980) although it is opposed by some academicians and practitioners such as Friedman (1970).

The marketing concept, however, is not a humanitarian or ethical tenet. It cannot survive without profit .a business can only satisfy the consumer if it makes a profit to support both its operations and the search for better offerings from the consumer's point of view. A 'loss' business, more often than not, minimizes the effort to find the root causes of the consumers dissatisfaction in an attempt to cut back on costs. The marketing concept is therefore interested in the long term situation rather than the short term situation.

Gronroos (1978) suggests that due to the inseparability of production, marketing and consumption 'and the people – centeredness of services, quality standards lie in the eyes of the beholder and hence are available. Too often, marketers and researchers think of the quality of a service as a variable itself and not as a function of a range of resources and activities. For instance, the quality of an airline's services is a function of all that which the airline offers to its customers, although it is also true that 'high' quality is one of their offerings. The marketing task is therefore to organize the service quality such that the consumer of the service is satisfied. Satisfaction or dissatisfaction depends on the performance of the service provider (and the equipment) relative to the expectations of the consumer (Oliver, 1977). thus :

“the consumer compares his expectations with the service he perceives he has received, the result of this process is perceived quality of service.(Gronroos, 1978).

Consequently, it is reasonable to say that perceived quality of a given service is the outcome of an evaluation process, where the consumer compares his expectations with the service he perceives he has received. This evaluation, according to Gronroos is done from the three dimensions of the quality of service;

Technical quality, which is the outcome of the production process, is concerned with what the consumer receives at the end of the production process. This dimension of quality corresponds to the instrumental performance of a product as identified by (Swan and Combs, 1976) and can be objectively measured based on physical and technical resources used in the production process. In service, the technical outcome as a service process may be similar even if not identical, depending on the type of physical or technical resources used. For example, food in aircrafts is required to meet certain international standards but it varies greatly in the way it is served. Many airlines use aircrafts from the same manufacturers like Boeing, McDonnell Douglas, and others and although some are custom made, they are basically similar in technology.

Functional quality is the processes itself, which is a result of the interactive marketing process during simultaneous production and consumption – that is how is the service delivered , in what's surroundings and under what circumstances? This dimension of quality corresponds to the expressive performance of a product or service as identified by (Swan and Combs, 1976). This is largely as a result of the interaction between the customer and other elements within the production process. These includes interaction of the customer with: employees or producers (sellers) of the service during the consumption; other customers or consumers who have also entered the production process ; the physical or technical resources ; the customers own effect on the process due to the peculiar circumstances that he brings to the organization. These interactions, to a large extent, influence what the purchaser of a service perceives he has received.

Corporate image can be regarded as a double edged concept. The image of a firm is a quality dimension that is, it influences the perception that a consumer has of a service. On the other hand, it is the result of perceived service provided by a firm, evaluated by the consumer of the service based in technical quality and functional quality, therefore, one can reasonably state that the image of a firm is fist created by the two dimensions of technical quality and functional quality and then institutionalized to form a quality dimension. To illustrate m, the reputation of an airline (image) is formed by an evaluation of its aircraft , its human resources , safety and other factors , bas ed on past experience. On the other hand, image will influence repeat purchase of the service and the word or mouth communication of consumers, customers or prospective customer s.

An informal survey by (Gronroos, 1978) found that functional quality , in fact , seemed to be a very important dimension of the perceived service, according to his sample or executive businessmen, in some cases, it covered up for unsatisfactory technical quality , for example 'good care' during aircraft delay may make excuses for an airline's old equipment. However, (Swan and Combs, 1976) established that satisfactory instrumental performance (technical quality) of a product is a necessary although not sufficient condition for customer satisfaction, because n amount of functional quality will make up

for a service not performed. If the expressive performance (functional quality) “is not considered satisfactory.

The customer will still feel unsatisfied irrespective of the degree of satisfaction caused by the instrumental performance.” (Swan and Combs, 1976). This view is supported by Foote (1961) when he states that the basic functional values of a product (the technical performance) are taken for granted but if they are missing in a product, the consumer is extremely offended. For example, an aircraft’s performance is taken for granted until there is a mishap and then criticism leveled the type of aircraft, its age and others.

Functional quality can therefore be strengthened to gain competitive advantage. A reassessment of several facets of functional quality include; strengthening customer oriented physical and technical resources; making the firm’s services more accessible through improved interactive marketing processes; developing consumer – oriented self service systems; maintaining continuous contact with customers

What then, in a service firm, has an effect on these variables of quality? First, promises through traditional marketing activities like advertising, sales promotion, and others; and through word of mouth from consumers of that service, influence expectations and consequently have an impact on expected service. For example, advertising a certain image sets the expectation level. Thus establishing the criterion for evaluation in the mind of the customer. If he perceived service remains on the same level as before, then the discrepancy between the expected and the perceived service will grow, leading to conflict arousal and dissatisfaction, which in turn leads to further deterioration of the firm’s image.

Secondly, previous experience with the service itself sets levels of confirmed performance that are internalized by the consumer as a norm. If the perceived performance declines, there is likely to be dissatisfaction because the customer is aware that a certain level can be achieved. On the other hand, depending on the image of the firm, the customer may make excuses for this new lower level of service performance.

Bad service on a reputable airline may be blamed on chance phenomena like bad weather.

Finally, the attributes which form the image of the service as it stands, set levels of expectation and hence the necessity to maintain these levels taking care to give realistic promises.

The service quality model, therefore provides a framework within which to assess what constitutes the quality of the service provided by Kenya Airways given the special circumstances of the service industry and more so, the airline industry.

In conclusion, the literature reviewed above indicates that service, being basically intangible calls for a more service oriented approaches to marketing. Its unique characteristics make it difficult, if not useless, to adopt physical goods oriented research, models and approaches without modification. However, the disconfirmation paradigm, developed for the physical goods marketing, is a good starting point in understanding the perceived quality of the service offered by a service firm. The quality can be said to be a function of what the person perceives he has received, how he has received the service and the corporate image he associates with what he receives as service.

The inseparability of the production and marketing processes from the consumption process make the airline industry highly interactive calling for emphasis on the functional quality (how service is rendered). To be able to satisfy the consumer, the service providers ('contact' personnel) must anticipate the consumer's expectations through consumer research in order to assure some degree of parity between what he (the service provider) is selling and what is expected of him by the consumers.

2.8 Special Problems of Airline Marketing

Air transportation share all the problems of service marketing by virtue of the fact that it is a service. However, due to its own special features, it has problems peculiar to it.

First, the service which air transport provides is not desired for itself. The passengers and even the mail and cargo only require being in point B at a certain point in time. The journey is no more than a necessity to overcome the disability of separation which inhibits the attainment of the real objective. It is, therefore, more difficult for airlines to convince the prospective traveler that the best and only way to attain his real objectives (of being in point B) is by traveling by this particular airline.

Secondly, the product is frequently undifferentiated. In very many cases, the offer by airlines is essentially the same. IATA members have standardized rates and they may operate and offer similar schedules and times. In this case, it takes a special promotional effort to differentiate airline A from B. very often, the decor, the hostesses and gifts make the whole difference in the mind of the passenger. Thus airlines largely thrive on image rather than on real product differences.

Thirdly, the weather and its vagaries largely affect the 'output' of an airline. Technical improvements in flying and navigation aids improve the situation all the time but it is still evident that bad weather can thoroughly disorganize the "product" through cancellation of flights, delays, accidents, and so on. To a large extent it affects the sales emphasis if nothing else.

Fourthly, there has been an increased rate of air piracy or what has been termed as international terrorism. This together with other political issues have introduced a very peculiar problem to the airline executives. Governments and the United Nations organizations may intervene but it nevertheless has affected sales of particular airlines and air travel in general.

Finally, the most obvious peculiarity is that of external controls. Practically all transport, being part of economic infrastructure of trade and industry, operates under some sort of government control, and it is form, extent and strength of these controls that affect individual marketing practice, especially for national carriers. There are regulations to

ensure safety and to minimize noise population. In addition , 'freedoms' are agreements between contracting parties to allow the airlines of the se contracting countries to fly from country A to country B over a specifically defined network of routes. Sometimes, an element of protection is stressed in these freedoms.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlines the overall methodology which was used in the study. This includes the research design, population of the study, sample size, sample frame, data collection methods, research procedures and data analysis and presentation.

3.2 Research Design

This research was a descriptive survey to establish the factors affecting customer satisfaction in the airline industry. According to Donald and Pamela (1988), a study concerned with finding out who, what, which and how of a phenomenon is a descriptive study design. Mugenda and Mugenda (1999) also supports that descriptive survey seeks to obtain information that describes existing phenomenon by asking individuals about their perception, attitudes, behavior or values. Therefore, the study sought to establish factors affecting customer satisfaction in Kenya Airways Ltd. The process of relating an empirical test to support or refute a knowledge claim involves making decisions on what type of data is required, where the data was be found, techniques of data collection, analysis and interpretation.

3.3 Population

According to (Nachmias, 1996) a population is the total collection of elements about which we wish to make some references. The target population of the study consisted of one hundred and fifty Kenya Airways Ltd corporate passengers located in Nairobi. Corporate passengers are those corporate passengers who are traveling for business purpose and/or do not purchase the ticket but the employer purchases on their behalf. A comprehensive list of regular Kenya Airways corporate passengers was obtained from the top two travel Agents in Kenya. Regular corporate passengers for the purpose of this study are corporate passengers who have traveled at least five times by air in the past

twelve months. A comprehensive list of travel agencies was obtained from the Kenya Association of Travel Agencies (KATA).

The targeted group for the study was the corporate passengers from the top two IATA Registered Travel Agencies located in Nairobi. A list of the 150 corporate passengers was obtained from the two Travel Agencies using random sampling on each Agency. The population of study was therefore one hundred and fifty corporate passengers from the Top Two IATA Registered Travel Agencies in Nairobi. The list was further divided into 50 business corporate passengers and 100 economy class travelers.

3.3.1 Sampling Design

According to (Bell, 1999), a sample is a subset of the population. The systematic sampling was used where the Travel Agencies was chosen based on their market share, i.e. the top two agents, while the corporate passengers from the Agencies were selected using the simple random sampling method.

3.4 Data Collection Method

The data collection instrument was a questionnaire which contained closed ended structured questions developed by the researcher. This data collection method was ideal to capture the general objectives and specific objectives of the study. It was also easier for the respondents to answer the questions as asked. The data was collected by the researcher and two research assistants recruited by the researcher using a “drop and pick later” method. The questionnaires were used to collect general information on, customer’s satisfaction on the services rendered by the Kenya Airways. The respondents were therefore the corporate passengers selected from the top two travel agencies.

3.5 Data Analysis and Presentations

Once data was collected it was first edited to detect errors and omissions and where necessary. The analysis was quantitative. Percentages and frequency tables were used to analyze the data. SPSS (Statistical Program for Social Scientists) was used in the analysis process to present graphs, pie chart and frequency tables.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1: Introduction

The chapter presents data analysis, findings and discussion of the study in line with the research objective. The general objective of the study was to investigate the factors affecting customer satisfaction in the Airline industry with special focus on our flag carrier Kenya Airways (KQ).

4.2: Characteristics of the Respondent Firms

A total of 150 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 150 questionnaires issued, only 118 were returned. This represented a response rate of 78%, which the study considered adequate for analysis

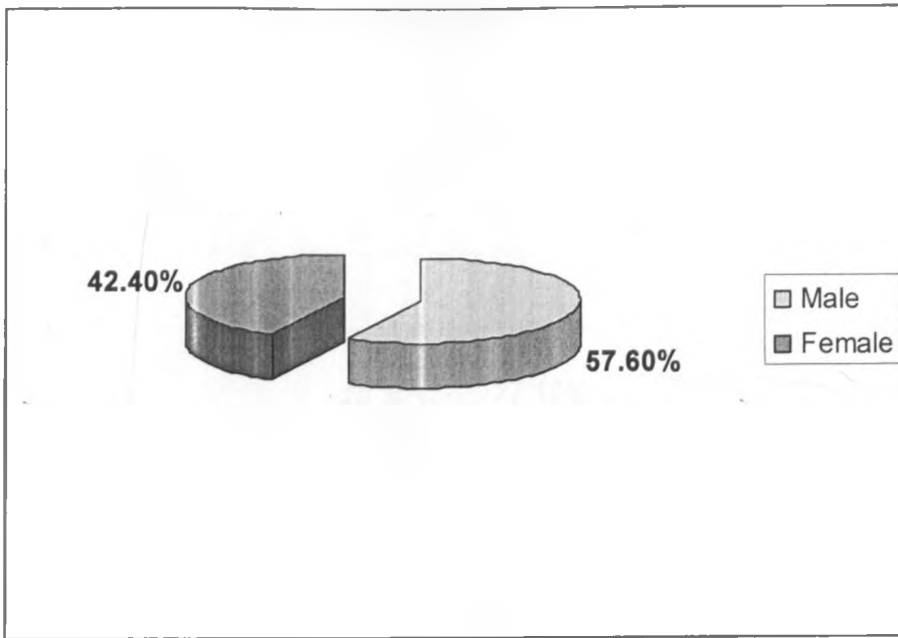
4.3: Demographic and Respondents Profile Information

The demographic information considered in this study included the gender and the age group of the respondents.

4.3.1: Gender of the Respondents

As can be observed in Figure 4.1, the respondents were made up of 57.6 % male and 42.4% female.

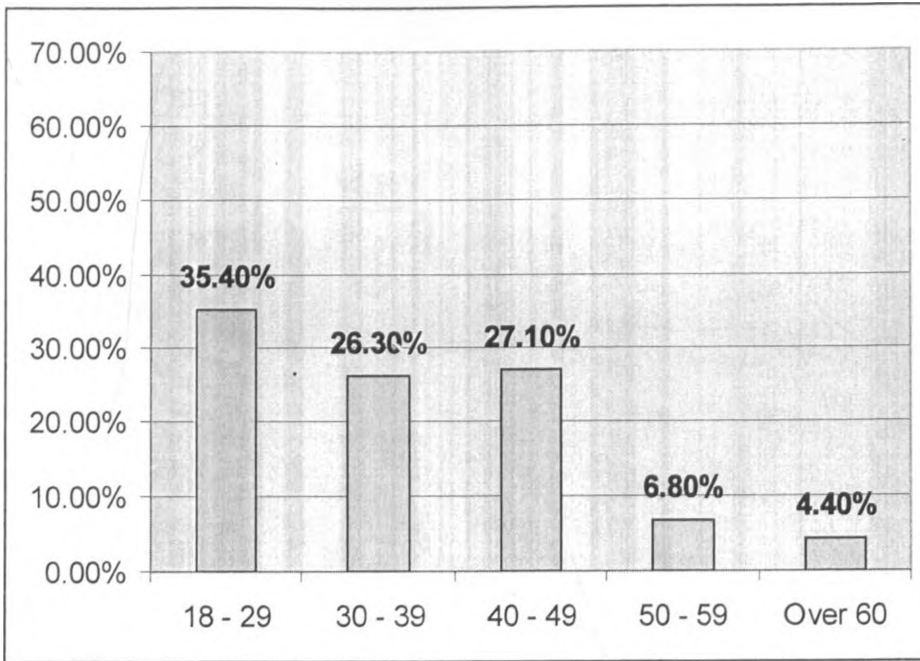
Figure 4.1: Gender of the respondents



4.3.2: Age of the respondents

Majority of the respondents (35.4%) were between the ages of 18 and 29 years, 27.1% were 40 – 49 years, 26.3% were between 30 and 39 years while 6.8% were 50 – 59 years old and a small proportion of 4.40% were over 60 years as illustrated in Figure 4.2. This shows that majority of those traveling were young and these may be attributed to those going abroad for studies.

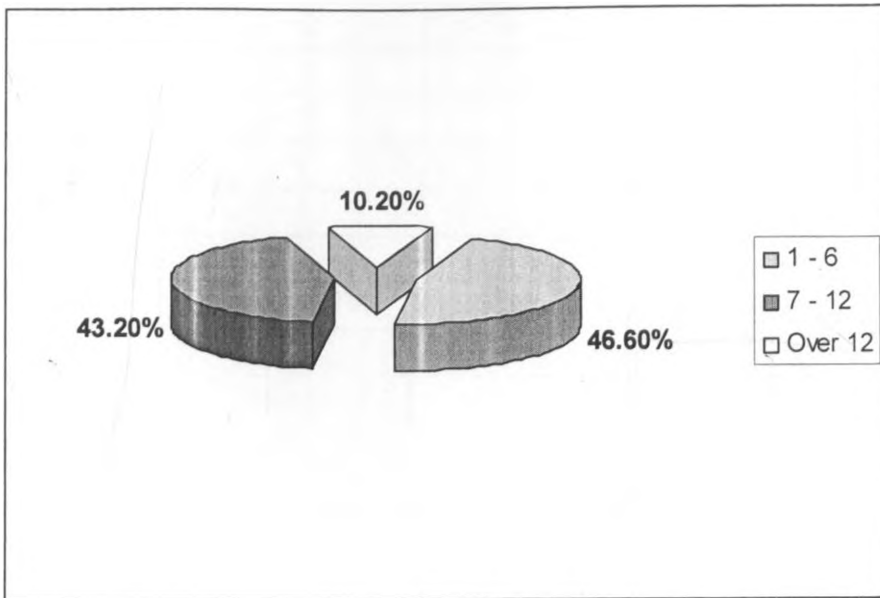
Figure 4.2: Age of the respondents



4.4.1: Number of flights taken with Kenya Airways

The analysis in Figure 4.3 shows that majority of the respondents (46.60%) have taken between 1 and 6 flights in the last 12 months, 43.2% had taken 7 – 12 flights while 10.20% of the respondents had taken over 12 flights. A large proportion of the respondents were not frequent travelers or they used other flights.

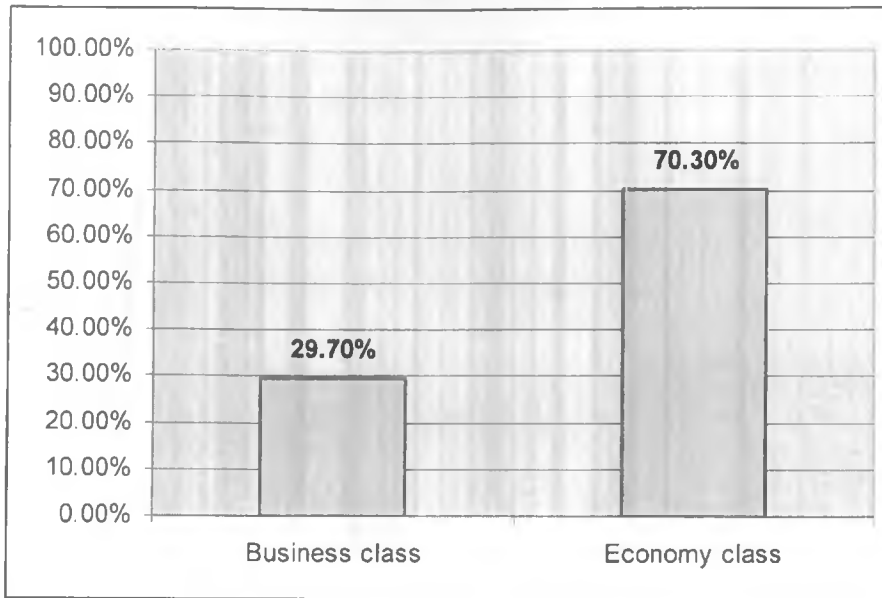
Figure 4.3: Number of flights taken with Kenya Airways



4.4.2: Cabin used when flying with Kenya Airways

The results presented in Figure 4.4 shows that 70.30% of the respondents normally use economy class when traveling while 29.70% of the respondents travels on business class. The two classes differs on cost and therefore those who have difficulty with money will most likely use economy class which is cheaper compared with business class.

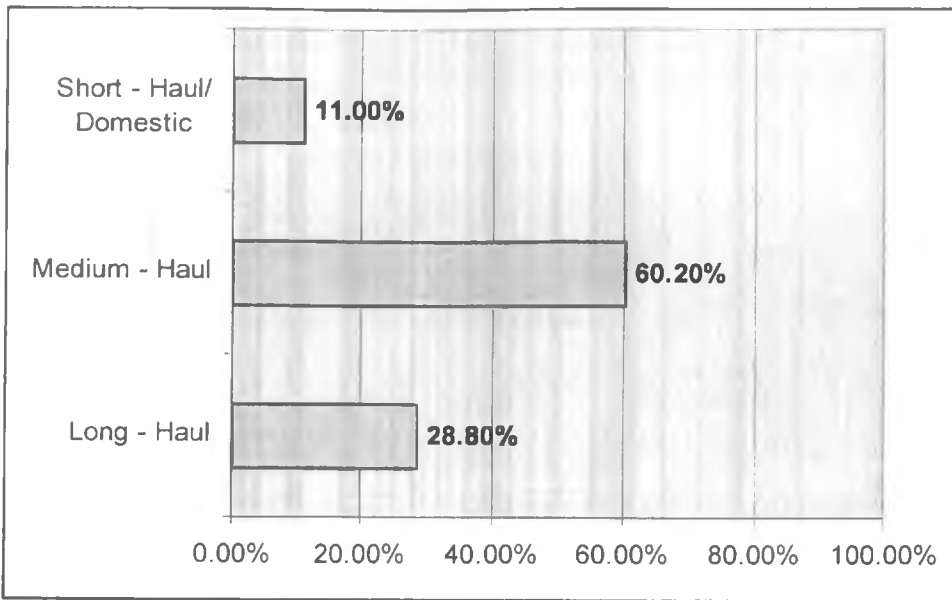
Figure 4.4: Cabin used when flying with Kenya Airways



4.4.3: Type of flight typically with Kenya Airways

The findings as illustrated in Figure 4.5, shows that 60.2% of the respondent's travels with medium-haul, 28.8% said they traveled with long-haul while 11.0% said they traveled using short-haul. The distance to be covered determines the type of flight to be used and therefore short is accessible using short-haul while long distance is through long-haul.

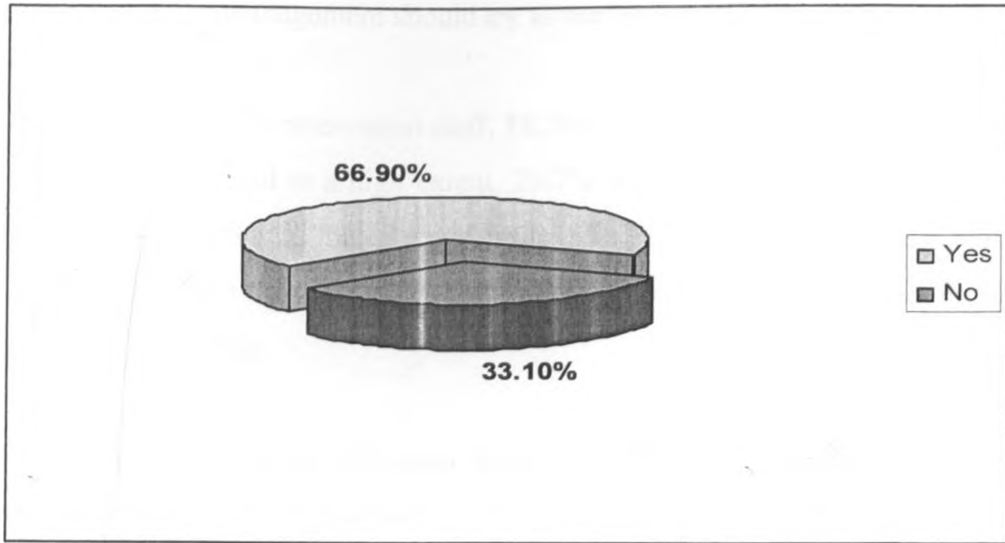
Figure 4.5: Type of flight typically with Kenya Airways



4.4.4: Traveled with another airline

Majority of the respondents (66.9%) as illustrated in Figure 4.6, had traveled with another airline before while 33.1% of them had not traveled with any other airline. Kenya Airways may not be traveling through some destinations and therefore these forces those traveling to that destination to use other flights or the services of KQ may be poor and thus customers preferring other airlines.

Figure 4.6: Traveled with another airline



4.5.1: Reservation and Ticketing

As shown in Table 4.1, majority of the respondents (50.8%) rated Kenya Airways as not providing adequate information to a very high extent, 39.8% of them rated adequacy of information not supplied to a high extent while 9.3% were average. The response shows that the airline company does not provide its customers with sufficient information which they needed.

The findings on timeliness of information shows that, as high as 55.1% of the respondents were of the opinion that it was not provided, 30.5% said that it was to a very high extent, 12.7% were average while only 1.7% said it was provided on time to a low extent. The airline customers should receive information at the time they need it for them to make their own decisions and therefore the response shows that the organization does not provide the information when it's needed.

The courtesy of reservation staff is so essential for any organization to succeed and in this regard 55.1% of the respondents rated the staff courtesy as high, 30.5% said it was to a very high extent, 7.6% of the respondents said it was average while 2.5% were of the opinion that it was to a low extent. Although majority of the respondents said the staffs

had courtesy, the small proportion who said they were to a low extent may not be ignored and therefore the management should try to correct the perception.

On the helpfulness of reservation staff, 58.5% of the respondents were of the opinion that they were not helpful to a high extent, 29.7% said they were not helpful to a very high extent while 11.9% said they were average. The findings show that the reservation staffs were not helpful to the customers and therefore they should be strengthened to serve customers adequately.

The findings on ticketing efficiency shows that 57.6% of the respondents said that they were not efficient to a high extent, 32.2% said it was to very high extent while 10.2% said it was average. The efficiency of ticketing saves customers a lot of difficulties and therefore it should be improved to serve customers quickly. On efficiency of confirmation of flights, 45.8% of the respondents were of the opinion that the airline does not provide the confirmation efficiently to a very high extent, 40.7% said it was to a high extent while 13.6% were average. The confirmation of flights to customers is so crucial for an organization to maintain customers as if they misses their flights they will blame the company and thus losing its customers.

Table 4.1: Reservation and Ticketing

| | | Very High | High | Average | low | Total |
|----------------------------------|----|-----------|------|---------|-----|-------|
| Adequacy of information | of | 50.8 | 39.8 | 9.3 | - | 100% |
| Timeliness of information | of | 30.5 | 55.1 | 12.7 | 1.7 | 100% |
| Courtesy of reservation staff | of | 39.0 | 50.8 | 7.6 | 2.5 | 100% |
| Helpfulness of reservation staff | of | 29.7 | 58.5 | 11.9 | - | 100% |
| Ticketing efficiency | | 32.2 | 57.6 | 10.2 | - | 100% |
| Efficiency of | | 45.8 | 40.7 | 13.6 | - | 100% |

| | | | | | |
|-------------------------|--|--|--|--|--|
| confirmation of flights | | | | | |
|-------------------------|--|--|--|--|--|

4.5.2: Check in procedures

The respondents were to give their independent opinion on the level of satisfaction on check in procedures at KQ. The range was 'Very high (5)' to 'very low' (1). The scores of very low/low have been taken to present a variable which had mean score of 0 to 2.4 on the continuous Likert scale ;($0 \leq S.E < 2.4$). The scores of 'average' have been taken to represent a variable with a mean score of 2.5 to 3.4 pm the continuous Likert scale: $2.5 \leq M.E. < 3.4$) and the score of very high/high have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; $3.5 \leq L.E. < 5.0$). A standard deviation of >0.8 implies a significant difference on the impact of the variable among respondents.

Table 4.2: Check in procedures

| | Mean | Std. Deviation |
|---|--------|----------------|
| Speed of check-in | 1.8898 | .67664 |
| Courtesy of check-in staff | 2.0678 | .60945 |
| Friendliness of check-in staff | 2.0254 | .76752 |
| Efficiency of check-in staff | 2.0678 | .80308 |
| Departure time | 1.6610 | .77592 |
| Information during delays | 2.2712 | .94878 |
| Care during delays | 1.9915 | .91049 |
| Efficiency of connection while in transit | 1.9068 | .75092 |

The findings show that, the respondent's satisfaction with the check in procedures at KQ were below their expectation. The customers were not satisfied with any of the services being offered by the airline company which included; speed of check-in, courtesy of

check-in staff, friendliness of check-in staff, efficiency of check-in staff, departure time, information during delays, care during delays and efficiency of connection while in transit.

4.5.3: In-flight services

The respondents were to give their independent opinion on in-flight services offered by KQ. The range was 'Very high (5)' to 'very low' (1). The scores of very low/low have been taken to present a variable which had mean score of 0 to 2.4 on the continuous Likert scale ;($0 \leq S.E < 2.4$). The scores of 'average' have been taken to represent a variable with a mean score of 2.5 to 3.4 pm the continuous Likert scale: $2.5 \leq M.E. < 3.4$) and the score of very high/high have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; $3.5 \leq L.E. < 5.0$). A standard deviation of > 0.8 implies a significant difference on the impact of the variable among respondents.

Table 4.3: In-flight services

| | Mean | Std. Deviation |
|-------------------------------------|--------|----------------|
| Courtesy of crew | 4.1739 | .76065 |
| Friendliness of crew | 4.0652 | .64029 |
| Efficiency of crew | 2.8261 | 1.1412 |
| Quality of food | 4.3478 | .72541 |
| Timeliness of food service | 4.2391 | .75994 |
| In-flight entertainment | 2.9746 | 1.4047 |
| Comfort of seat | 3.7522 | .87109 |
| Amount of leg room | 3.4013 | 0.9770 |
| Amount of cabin storage space | 3.6522 | 0.8998 |
| Cleanliness of washrooms/toilets | 3.5435 | 1.2239 |
| Attractiveness of aircraft interior | 3.4348 | 1.2229 |

The findings in table 4.3 above show that only two factors had a mean ranking of below 3.4 (average). These two factors describe instances where the level of influence is low and their low ratings (mean 2.97 for efficiency of crew and 2.83 for in-flight entertainment) indicate the factors do not affect customer satisfaction. However there was a high degree of variation among respondents, an indication that some factors do affect customer satisfaction. This is indicated by standard deviation of 1.14 and 1.40 for efficiency of crew and in-flight entertainment respectively.

On the other hand, the results indicate quality of food affect customer satisfaction to a great extent with a mean and standard deviation of 4.34 and 0.73 respectively; timeliness of food service, with a mean ranking of 4.24 and standard deviation of 0.76; these are closely followed by courtesy of crew with mean ranking of 4.17 and standard deviation of 0.76. The results also indicate that friendliness of crew (a mean ranking of 4.07, standard deviation of 0.64) affects the perception of customers towards the airline. The same applies to: comfort of seat, amount of cabin storage space, cleanliness of washrooms/toilets, attractiveness of aircraft interior and amount of leg room with a mean ranking of 3.75, 3.65, 3.54, 3.43, 3.40 and standard deviation of 0.87, 0.90, 1.22, 1.22 and 0.98 respectively. Specifically factors with mean of 4 and above are considered to have a great influence on customer satisfaction.

4.5.4: Baggage Handling and collection

The findings in table 4.4 below shows that 48.3% of the respondents were of the opinion that efficiency in tagging traveler's baggage was to a high extent not satisfactory, 39.8% said it was to a very high extent while 10.2% were average and only 1.7% of the respondents said it was to a low extent. The efficiency in tagging baggage ensures that customer's baggages are well tagged thus reducing chances of misplacement.

The safety of customer's baggage reduces the conflict which may arise between the customer and the airline. Majority of the respondents (61.9%) said the airline safety on

baggage was to a very high extent poor while 28% said it was to a high extent and only 6.8% were average while the remaining 3.4% said it was to a low extent. Misplacement of customers luggage was rated at 57.6% by those who said it was very high, 26.3% said misplacement was high while 16.1% of the respondents were average. The misplacement of baggage looks like it's a norm and therefore the management needs to ensure customers belongings are taken care off.

Majority of the respondents, (47.5%) were opinion that the attractiveness of aircraft interior affected them to a low extent, 33.9% of the respondents said it was a factor to consider to a high extent, 12.7% were average while 5.9% of the respondents said it matters a lot to a very high extent. The respondents were less bothered by the attractiveness of aircraft interior which may be in good shape or they may be less bothered with it anyway.

Table 4.4: Baggage Handling and collection

| | Very High | High | Average | low | Total |
|--|-----------|------|---------|------|-------|
| Efficiency in tagging traveler's baggage | 39.8 | 48.3 | 10.2 | 1.7 | 100% |
| Safety of baggage | 61.9 | 28.0 | 6.8 | 3.4 | 100% |
| Misplacing baggage | 57.6 | 26.3 | 16.1 | - | 100% |
| Attractiveness of aircraft interior | 5.9 | 33.9 | 12.7 | 47.5 | |

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary Findings

In summary, the study shows that majority of the respondents have taken a flight with Kenya Airways in the last twelve months which gives them an opportunity to understand more about the airlines services. Majority of the respondents use economy class when flying as this is the cheapest class which can be afforded by majority of those flying and also some organizations insist on their staff using the class when traveling as a way of reducing costs. The type of flight used depends on the destination of the respondents as long distance is suitable for long haul which can travel long distance before being refueled while short distance is suitable for short-haul which can be accommodated by the local airports.

It was apparent that majority of the passengers have traveled with another airline before and this may be due to the fact that KQ was not plying the route they were going to or they wanted to test how the other airline takes care of their interest. It is worth noting that KQ has suspended plying to some local routes due to recarpeting of the runway in Kisumu and lack of customers in Eldoret route and therefore some of the passengers may have used other airlines due to the suspension by the carrier.

Respondents were of the opinion that they were not given adequate of information by the airliner company when they wanted and therefore they could not make sufficient decision and this case tarnishes the name of the company as the customers will be telling the friends on what they encountered. Timeliness of information is so essential in that customers needs to told in advance what will affect them so that they can make prior arrangements and therefore avoiding being inconvenienced but in this case the company does not provide such services as expected. Some of the airline reservation staff had no courtesy to the customers and this will make some of the customers to be using other airlines at the expense of the company. The reservation staff should be helpful to the

passengers when they needed most their services but the reservation staff was not doing enough according to the passengers. Ticketing efficiency was also not being done to the satisfaction of the passengers and therefore the organization needs to change the way they are issuing tickets so that it can be faster. Efficiency of confirmation of flights was not being practiced by the company adequately as the passengers needs to be informed in advance of their bookings in advance so that they could prepare themselves adequately.

From the findings of check in procedures the respondents had reservations or in other words disagreed on most of the check in procedures thus indicating that indeed the following check in procedures do affect/ influence customer satisfaction at KQ. These factors include; speed of check-in, courtesy of check-in staff, friendliness of check-in staff, efficiency of check-in staff, departure time, information during delays, care during delays and efficiency of connection while in transit.

It was noted that specific factors which have a great influence on customer satisfaction regarding in-flight services were; courtesy of crew, friendliness of crew, quality of food, timeliness of food service, comfort of seat, amount of leg room, amount of cabin storage space, cleanliness of washrooms/toilets and attractiveness of aircraft interior. Respondents strongly felt that; there was no efficiency in tagging traveler's baggage, the safety of passenger's baggage was lacking, there was high rate of misplacement of passenger's baggage while attractiveness of aircraft interior was considered as not a factor being considered by the passengers mostly as affecting their satisfaction.

5.2 Conclusions

From the research findings and the answers to the research questions, some conclusions can be, made about the study. The general objective of the study was to investigate factors that affecting customer satisfaction in the Airline industry with special focus on our flag carrier Kenya Airways (KQ). From the study it can be concluded that reservations and ticketing, check-in procedures, in-flight services and baggage handling and collection do affect customer satisfaction in the Airline industry.

5.2.1 Reservations and Ticketing

Reservation and ticketing is very vital for the functioning of any organization. The study however showed that little has been so far done by the airline to ensure that the passengers interest are well taken care off and also improvement of the efficiency with which they issue passengers with the tickets, aspects that are very important in the current airline industry. It is therefore crucial the government and airport management put into consideration the urgency of addressing the reservation staff behaviour, information provision and ticketing efficiency so that the airline company can be in a better position to compete with world best airlines and also be a state of the airline company that would meet the expectation of the customers.

5.2.2 Check in Procedures

There certain organizational factors that is very crucial for any organization to remain on top of its game. For instance aspects such as courtesy of check-in staff, efficiency of check-in staff, information during delays, care during delays and efficiency of connection during transit are very important if an organization is to gain and sustain competitive advantage over its competitors. The study carried out at KQ has indicated that passengers were not satisfied at all with the procedures. It is therefore very important the KQ enhance their check-in procedures.

5.2.3 In-flight Services

Members of staff are an important asset for any organization that intends to meet its goals. Therefore it is very vital that KQ takes more initiative train the crew members on how to relate well with the passengers and also they should improve on the services which they are offering passengers while on flight. Although some of the factors emanates from the manufacturer of the aircraft the company can do the part which they can to ensure passenger service satisfaction.

5.2.4 Baggage Handling and Collection

The care accorded to the passenger baggage makes the passenger to have faith with the airline in that they are assured that their baggage will be handled with care, will not be misplaced and therefore the safety of their property is guaranteed. It is therefore prudent that the company management puts in place measures to ensure that passengers baggage safety is well taken care off.

5.3 Recommendations

The study recommends the following:-

5.3.1. Reservations and Ticketing

The KQ reservation and ticketing section needs a major facelift since the world has changed and passengers want value for their money or else they use other airlines. From the study, it has been indicated that there is a problem with staff who did not have the courtesy, it is therefore very crucial that the staff should be trained on how to relate with the passengers. The management itself should ensure that they provide information to the passengers when they need it for them to make timely decisions.

5.3.2 Check in Procedures

It is also recommended the airline management put into consideration the aspect of informing the passengers during delays so that they are updated on where the problem lies and also for the management to take care of the passengers during the delays as it was not their fault. The check-in staff should also be trained on how to handle the passengers even when they are wronged and also the check-in speed be hastened to reduce long queues resulting from slow check-in speed.

5.3.3 In-flight Services

The in-flight services provided to the passengers should be improved so that the passengers feel that the airline takes care of their interest which in turn advises their friends and colleagues later when they want to travel on the services of the company thus resulting in increased customers to the company. The crew members should also be trained on how to relate with the passengers.

5.3.4 Baggage Handling and Collection

The management of the airline company should put in place measures to ensure that the passengers' baggage is handled with care so that in case there was something delicate it does not get destroyed or broken up. The safety of passenger baggage is so crucial also and therefore the airline company should have mechanisms in place which ensure that the passengers' baggage does not get lost especially when connecting flight but in case it gets lost the airline should compensate the passenger via having an insurance policy to take care of such eventualities.

5.4 Recommendations for Further Research

The research sought to investigate the factors affecting customer satisfaction in the airline industry with special focus on our flag carrier Kenya Airways (KQ). However, there are other factors that may influence or affect customer satisfaction in public organizations which the researcher may not have dwelt with. As a result, therefore, there is a gap the researcher would suggest that further research is done on some of the factors.

5.5 Limitations of the Study

This study was based on a sample limited to Kenya Airways (KQ). It did not cover other airline companies. The scope and depth of study was also limited by the time factor and financial resource constraints. This put the researcher under immense time pressure. The

researcher also encountered immense problems with the respondents' unwillingness to complete the questionnaires promptly. Some of them kept the questionnaires for too long, thus delaying data analysis.

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DATE..... OCTOBER 2009

TO WHOM IT MAY CONCERN

The bearer of this letter ROSEMARY WAMUCII WANG'ONDU

Registration No: DG1/P/7242/2005

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you. UNIVERSITY OF NAIROBI
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MBA OFFICE
P. O. Box 30197
NAIROBI

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

PASSENGER EVALUATION FOR KENYA AIRWAYS

Dear Passenger,

To help us provide the best possible service, tell us a little more about travel requirements and your views on the services we provide by completing this questionnaire. Your response will be treated with strict confidence.

1. How many flights have you taken with Kenya Airways in the last 12 months?

1-6 Flights

7-12Flights

12+ Flights

2. Thinking of these flights, please tell us:

a) In which cabin do you normally fly with Kenya Airways?

Business Class

Economy Class

b) What type of flight do you typically with Kenya Airways

Long- Haul

Medium- Haul

Short- Haul/ Domestic

c) Have you ever traveled by any other line before? Yes No

3. Please indicate on the scale below, by ticking [✓], the level of your expectation of service performance by Kenya Airways for the following services:-

a. Reservation and Ticketing

| | Very High | High | Average | Low | Very Low |
|-------------------------------|-----------|----------|----------|----------|----------|
| Adequacy of information | 5 [] | 4 [] | 3 [] | 2 [] | 1 [] |
| Timeliness of information | [] | [] | [] | [] | [] |
| Courtesy of reservation staff | [] | [] | [] | [] | [] |

| | | | | | |
|---------------------------------------|-----|-----|-----|-----|-----|
| Helpfulness of reservation staff | [] | [] | [] | [] | [] |
| Ticketing efficiency | [] | [] | [] | [] | [] |
| Efficiency of confirmation of flights | [] | [] | [] | [] | [] |

b. Check- in Procedures

| | | | | | |
|--|-----|-----|-----|-----|-----|
| | 5 | 4 | 3 | 2 | 1 |
| Speed of check- in | [] | [] | [] | [] | [] |
| Courtesy of check-in staff | [] | [] | [] | [] | [] |
| Friendliness of check-in staff | [] | [] | [] | [] | [] |
| Efficiency of check-in staff | [] | [] | [] | [] | [] |
| Departure time | [] | [] | [] | [] | [] |
| Information during delays | [] | [] | [] | [] | [] |
| Care during delays | [] | [] | [] | [] | [] |
| Efficiency of connections while in transit | [] | [] | [] | [] | [] |

c. In- Flight Services

| | | | | | |
|----------------------------|-----|-----|-----|-----|-----|
| | 5 | 4 | 3 | 2 | 1 |
| Courtesy of crew | [] | [] | [] | [] | [] |
| Friendliness of crew | [] | [] | [] | [] | [] |
| Efficiency of crew | [] | [] | [] | [] | [] |
| Quality of food | [] | [] | [] | [] | [] |
| Timeliness of food service | [] | [] | [] | [] | [] |
| In- flight entertainment | [] | [] | [] | [] | [] |
| Comfort of seat | [] | [] | [] | [] | [] |

| | | | | | |
|-------------------------------------|-----|-----|-----|-----|-----|
| Amount of leg room | [] | [] | [] | [] | [] |
| Amount of cabin storage space | [] | [] | [] | [] | [] |
| Cleanliness of washrooms/toilets | [] | [] | [] | [] | [] |
| Attractiveness of aircraft interior | [] | [] | [] | [] | [] |

d. Baggage Handling and Collection

| | | | | | |
|--|-----|-----|-----|-----|-----|
| | 5 | 4 | 3 | 2 | 1 |
| Efficiency in tagging traveler's baggage | [] | [] | [] | [] | [] |
| Safety of baggage | [] | [] | [] | [] | [] |
| Misplacing baggage | [] | [] | [] | [] | [] |
| Compensation of lost baggage | [] | [] | [] | [] | [] |

e. Select your Age Group

- [] 18- 29 yrs
- [] 30- 39 yrs
- [] 40- 49 yrs
- [] 50- 59 yrs
- [] 60 + yrs

f. Select your Gender

- [] Male
- [] Female

g. Enter your Nationality

Thank you for taking time to fill out this questionnaire. We value your opinion as we strive to serve you better!