THE INFLUENCE OF SERVICE QUALITY AND PRIOR KNOWLEDGE ON CUSTOMER SATISFACTION AND REUSE INTENTION IN KOREAN LOW COST CARRIERS

[1]DONG-SU KIM, [2]SANGHAK LEE, [3]YUNHAENG NAM, [4]ANNA SONG, [5]YOUNGKYUNG RYU

[1, 2 3, 4, 5]School of Business, Korea Aerospace University, Korea
Email: [1]dskimcju@naver.com, [2]sanghak.lee@kau.ac.kr, [3]iamnyh56@gmail.com, [4]songanna1002@naver.com, [5]hopeyryu@naver.com

Abstract - This study aimed at finding the ways to improve competitiveness of Korean low cost carriers in the highly competitive air transport market by understanding the relation among the influence of prior knowledge, service quality on customer satisfaction and reuse intention. A questionnaire was administered to 220 customers who had experienced LCCs before. The results revealed that customers who have much prior knowledge are more likely to be satisfied and to reuse. Secondly, the influence of service quality on customer satisfaction and reuse intention was statistically significant. Thirdly, the results revealed that customer satisfaction positively influenced reuse intension.

Index Terms - Low Cost Carrier, Prior Knowledge, Service Quality, Customer Satisfaction, Reuse Intention

I. INTRODUCTION

Over the last ten years, Korean low cost carriers have been rapidly expanding. The market share provided by low cost carriers(e.g. Jeju Air, Jin Air, Air Busan, easterjet, t-way) continues to increase despite the global economic crisis and uncertainties. The steep growth of Korean low cost carriers has contributed to the change of consumption trend and a new air travel culture.

This study was carried out to investigate the ways to improve competitive power of Koreanlow cost carriersin the highly competitive air transport market by understanding the influence of service quality and prior knowledge on customer satisfaction and reuse intention.

The research method combines the literature survey and the real-world study. The survey for the real-world study was conducted targeting customers who have experiences more than once for using the Korean low cost carriers.

II. BASIC STRUCTURE OF THE RESEARCH

Garvin(1984) defines service quality as defined the service quality is a subjectively perceived service quality by customers. Parasuraman et al.(1988) found that customer experience on services affects perceived service quality. Airline service quality refers to the evaluation of customer's expectations and perceptions after experience the quality of service provided by airline.This study will use the scale developed by Yoon Seo Na(2014).In general, prior knowledge is considered to be retrievable from memory and retrieved prior to external search for the product (Alba and Hutchinson,1987).Alba and Hutchison argued that prior knowledge has led consumers to increase the familiarity of products and thus to have a positive product attitude. Through a theoretical review of previous studies, this study has developed a research model to investigate the relationship between customer's prior knowledge level and customer satisfaction and reuse intention in low-cost carrier. The research model is shown in figure 1.

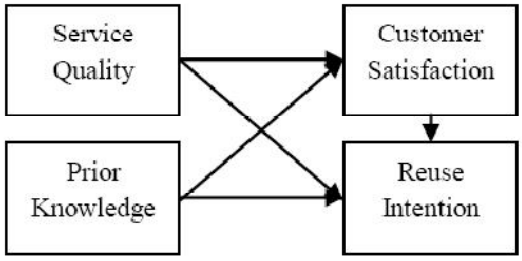

Figure 1 Research framework

III. METHOD

The research method combines the literature survey and the real-world study. The survey for the real-world study was conducted targeting customers who have experiences more than once for using the Korean low cost carriers.

This survey was conducted from December 26, 2015 to January 10, 2016 for customers who have completed their trips at Incheon International Airport and Gimpo Airport and the general public and general employees who use a low cost carrier about 2-3 times a year.250 questionnaires were distributed and 230 copies were collected. 220 validated samples were obtained and used for this analysis.The survey explains the purpose of the questionnaire and how to fill out the questionnaire.In this study, SPSS 22.0 statistical package was used for frequency analysis, factor analysis, reliability analysis, correlation analysis and ANOVA.

IV. RESULTS

<Table 1> shows that the group with high quality of service evaluation had higher average of customer satisfaction (mean = 3.75 [.629]) and re-use intention (mean = 3.72 [.588]) than those of the middle or lower service quality evaluations. In addition, since the F = 40.362 (p = .000) of customer satisfaction and F = 18.356 (p = .000) of reuse intention in the one-way ANOVA were smaller than the significance level p = .05, the difference between the three groups was statistically significant. Therefore, there is a difference between customer satisfaction and reuse intention by service quality groups.That is, the higher the quality of service, the more positive it affects customer satisfaction and reuse intention.

Second, the influence of prior knowledge on customer satisfaction and reuse intention was statistically significant. The group with high prior knowledge level showed higher average value of customer satisfaction (mean = 3.59 [.617]) and reuse intention (mean = 3.60 [.712]) than the group with middle or lower prior knowledge level. Table 2 shows the results of the analysis.

Table 1:Average value of Customer Satisfaction and Reuse Intention by Service Quality group

Individual variables	Customer Satisfaction				Reuse Intention			
	Group	N	Mean (Standard Deviation)	95 percent confidence interval	Group	N	Mean (Standard Deviation)	95 percent confidence interval
Service Quality	Low	74	2.94(.629)	[2.79, 3.08]	Low	74	3.05(.761)	[2.88, 3.23]
	Medium	75	3.39(.474)	[3.28, 3.50]	Medium	75	3.37(.627)	[3.23, 3.52]
	High	71	3.75(.522)	[3.63, 3.87]	High	71	3.72(.588)	[3.58, 3.86]

Table 2:Average value of Customer Satisfaction and Reuse Intention by Prior Knowledge group

Individual variables	Customer Satisfaction				Reuse Intention			
	Group	N	Mean (Standard Deviation)	95 percent confidence interval	Group	N	Mean (Standard Deviation)	95 percent confidence interval
Prior Knowledge	Low	63	3.08(.663)	[2.91, 3.25]	Low	63	3.09(.734)	[2.90, 3.27]
	Medium	97	3.39(.566)	[3.28, 3.50]	Medium	97	3.43(.645)	[3.30, 3.56]
	High	60	3.59(.617)	[3.43, 3.75]	High	60	3.60(.712)	[3.41, 3.78]

ANOVA analysis showed that the difference between the three groups were statistically significant, because F = 10.954 (p = .000) for customer satisfaction and 8.97 (p = .000) for reuse intention, which were smaller than significance level p = .05.

Therefore, there is a difference in customer satisfaction and reuse intention among groups with different prior knowledge levels. In other words, the higher the customer's prior knowledge, the higher the customer satisfaction and reuse intention.

The hypotheses H1, H2, H3, H4, and H5 of the present study are all supported by the customer's prior knowledge about low-cost carrier's service quality and low-cost carrier characteristics.

The result indicates that customers who have much prior knowledge are more likely to satisfy and reuse. Lastly, the influence of customer satisfaction on reuse intention was statistically significant. The influence of service quality on customer satisfaction and reuse intention reached the same research result compared with the existing literature. ANOVA is the method used for the test of hypothesis in this study.

Satisfaction induces customer to reuse. Putting a lot of effort into the research on customer satisfaction and repurchase as the core factor as well as survival factor of a successful airline is essential.

The intention of reuse is an important factor in order to secure frequent flyers and create the new demand.

Table 3: Summary of hypothesis test results

Hypotheses	Results
H1: Service Quality of Korean low cost carriers will be positively related to customer satisfaction.	Accept
H2: Service Quality of Korean low cost carriers will be positively related to reuse intention.	Accept
H3: Prior knowledge of Korean low cost carriers will be positively related to customer intention.	Accept
H4: Prior knowledge of Korean low cost carriers will be positively related to reuse intention.	Accept
H5: Customer satisfaction of Korean low cost carriers will be positively related to reuse intention.	Accept

CONCLUSION

The result of this study indicates a significant implication because the present study for the influence of prior knowledge on satisfaction and reuse intention is still insufficient. The prior knowledge turns out to be one of the important factors to create corporate's profits because the higher prior knowledge is stored in the memory of customer, the better the customer is likely to satisfy and reuse. In other words, Korean low cost carriers must focus on marketing strategy and management with a variety of ways such as PR, advertisement, online activities, experience programs, etc. in order to keep customers informed of Korean low cost carriers' characteristics that the airlines provide customers with affordable fares on the basis of the low cost structure by minimizing unnecessary services and realizing cost savings.

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