

Customer-Oriented Competitive Advantage in the Airline Industry

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The competitive environment in the service industry requires firms to constantly improve business practices to be profitable and competitive. The airline industry, characterized by human interaction and delivery of services, is most in need of research in competitive advantage. This research explores and identifies the critical sources of competitive advantage from a customer-oriented perspective in the globalized airline market. The data obtained from semi-structured interviews was analysed using qualitative and inductive reasoning. The research identified critical drivers of customer satisfaction in the airline industry establishing a logical and structured rationale for models of strategy development for competitive advantage.

Keywords: airline strategy, customer-oriented, service decisions, qualitative research, structured rationale

INTRODUCTION

With the availability of a huge amount of information made possible through technological advancements, customers are even more aware of the market and its competing forces, and are taking actions to get value for money. Customer relationship with firms have developed over the years, and given the rapid spread of information, customers have taken a dominating position in the firm-customer relationship through enhanced bargaining power. The dominating power of customers has positioned them to become more demanding thereby pushing firms to constantly adopt to meet their needs.

Competition in the service industry is on the rise with the advent of new technologies and the introduction of new business models. This is especially true for the airline industry which is undergoing dramatic changes that considerably affect productivity, efficiency, market structure and performance. With the introduction of new airlines and carriers into a market already saturated with many airlines, gaining competitive edge in the industry is difficult but gainful. Airlines are experiencing extreme challenges due to the rapid changes in the industry and must compete to survive in the current business environment.

The airline industry is indisputably one of the most dynamic service industries in the world. The airline industry provides the only worldwide transportation system which makes the industry very important for global business. The industry generates 31.9 million jobs globally and transports around 2.2

billion passengers annually (IATA, 2010). Air travel has grown approximately 5% annually over the last three decades (IATA, 2010).

In spite of the global growth and importance of the service industry, not many studies have had a focus on competitive advantage. Studies on competitive advantage in the airline industry have had only narrow focus on specific airlines and geographical regions. There is a lack of research on competitive advantage from a service delivery perspective in the airline industry. Thus, there is a real need for studies of competitiveness in the global airline industry.

In light of the existing research gap, the overall goal of this research is to identify critical sources of customer-oriented competitive advantage in the global airline industry. In order to achieve the research goal, three critical objectives have been identified: a) the research will identify the nature of service delivery in the airline industry that enhances customer's satisfaction, b) the research will identify aspects of service delivery that increases customer's loyalty, and c) the research will identify service attributes that facilitate defecting behaviors.

This research aims to determine the primary sources of competitive advantage for an airline from the customer perspective. To find answers to the main research question, several sub-questions were developed. They aim to identify (a) the most essential factors that attract and help retain customers with an airline, (b) the reasons for customers recommending a specific airline, and (c) the impact of customer loyalty or retention on the performance of an airline.

A qualitative research methodology was best suited to the nature of the research. The study used semi-structured interviews to collect primary data from persons of interest to this research. The data collected was analyzed using a matrix which captured all the interviews and the most cited reasons highlighted by informants for recommending an airline. The findings were measured and compared with models and research on competitive advantage. The interview approach was the preferred data collection technique because of its capabilities in exploring phenomenon and generating rich qualitative data.

The remainder of the paper is organized as follows. A theoretical background of the concept of competitive advantage and strategies is given, followed by a literature review of the areas of competitive advantage most often cited in service operations and management literature. The research methodology and data analysis processes are presented, with discussion of the research findings. The paper concludes with strategic observations and areas for further research.

UNDERSTANDING THE CONCEPT OF COMPETITIVE ADVANTAGE

The concept of competitive advantage has gained prominence in the development of business strategy. There are several definitions of competitive advantage and the literature does not support a single definition. A common theme of competitive advantage is value creation. However, there is not much agreement on value as to whom and when. Reichheld, Markey and Hopton (2000) noted that a firm's competitive advantage is explained by having relatively lower retention rate than its competitors.

Competitive advantage is sustainable when operational effectiveness is aligned with strategy. Thus, a firm must perform at a better level than its rivals, in terms of cost structure, or the firm must deliver unique value by doing things differently than its competitors. Such strategy allows a company to outperform its average competitor. Barney (1991) asserted that a firm gained sustainable competitive advantage, when it implements a value creation strategy that is not simultaneously being implemented by any of its competitors. Rahman (2011) suggested that the sustainability of a competitive advantage is a function of the durability of the difference and the capability gap that created it.

Porter (2008) noted that competitive advantage is at the heart of a firm's performance in competitive markets. Porter identified three strategies as cost leadership, differentiation, and a successful focus strategy. He argued that competitive advantage develops fundamentally out of the value a firm is able to create for its buyers which exceeds the firm's cost of creating it.

Different Perspectives of Competitive Advantage

Rahman (2011) emphasized that competitive advantage is a term that is generally used to describe the relative performance of rivals in a given market environment. The definition of competitive advantage is a combination of a market position perspective of competitive advantage that is grounded in an industrial economics perspective, and a resource-based perspective focusing on the firm's internal characteristics. The next section presents the definition of the market position and the resource-based perspective of competitive advantage.

The Market Position Perspective

The market position perspective of competitive advantage is deeply rooted in economics. Market positions are the critical sources of competitive advantages that lead to superior performance. The definition suggests that competitive advantage is ascribed to external characteristics. Firms that successfully adapt to market pressures and requirements will survive and grow, whereas those that fail to adapt are set for failure.

Porter's five forces framework of competitive advantage is a contribution recognized within this perspective (Barney, 2002). Porter's (1994) theory of positioning is based on the concept of sustainable competitive advantage compared to other market participants. He noted that competitive advantage derives from discovering and implementing ways of competing that are unique and distinctive from those of rivals, and that can be sustained over time. He suggested three generic strategies through which a company can strive for a unique position within a specific industry as cost leadership, differentiation, and focus.

Porter (2008) found similarities between the resource-based perspective and his own concept of the value chain. According to him, the resource-based perspective pushes the value chain logic further by examining the resources a firm must possess in order to ensure consistent operations. Although Porter recognized that specific skills and assets can yield a distinctive market position, he also emphasized that it is not competencies, capabilities or resources that are valuable, but internally consistent strategies.

Resource-based Perspective

The resource-based perspective was developed to counteract the market position perspective. The general philosophy of the resource-based perspective is that the market position perspective simplifies the strategic analysis (Priem and Butler, 2001), and that informed decisions about a firm's market position must take the resources that constitute its competitive advantage into consideration.

There are three assumptions upon which the resource-based perspective is anchored. First, it assumes that firms within an industry are heterogeneous with respect to the strategic resources they control. Second, it assumes that these resources are not perfectly mobile across firms, and that heterogeneity therefore can last longer. Thirdly, not all resources of a firm hold the potential to ensure a sustained competitive advantage. To utilize this potential, Barney (1991) asserted that the resource must be valuable, be rare, and must be imperfectly imitable or non-substitutable.

According to the resource-based perspective, the primary task of management is to maximize value through the optimal deployment of available resources and capabilities, while developing the firm's resource base for the future (Grant, 1996). The type, magnitude, and nature of a firm's resources and capabilities are valued as important determinants of its profitability (Priem and Butler, 2001). Peteraf and Bergen (2003) noted that it is not the resources and capabilities that matter, but their functionality and how they are utilized.

Sources of Competitive Advantage

There are two cardinal sources of competitive advantage often cited in the literature. Bharadwaj, Varadarajan and Fahy (1993) identified two major sources of competitive advantage as unique resources and distinctive skills. Superior skills are characterized as the distinctive capabilities of a firm's personnel that set them apart from the personnel of competing firms.

The two sets of sources allow a firm to perform the various primary and secondary value activities that constitute its value chain at a lower cost. They create competitive positional advantages in the form of superior customer value by differentiated products and/or lower relative costs through cost leadership. Firm-specific skills and resources are also considered as drivers of cost and/or differentiation advantages. There are varieties of drivers in the literature including resource-based drivers such as economies of scale and scope, brand equity, and reputation, and skills-based drivers such as the skills underlying the innovativeness and superior quality of a business' offerings.

Superior skills and resources do not give a business a competitive advantage. They only offer the business an opportunity to use its skills and resources to achieve competitive cost and/or differentiation advantages. Thus, a firm must identify the skills and resources that have the greatest potential to provide enduring competitive advantages. It is essential to note that multiple sources of competitive advantage are important for a business to compete successfully.

VALUE OF CUSTOMER-ORIENTED COMPETITIVE ADVANTAGE

Research has postulated that service quality is a key factor for customer satisfaction, and that quality service is considered as an essential strategy for success and survival (Yap et al., 2012). Empirical findings suggest that almost half of the satisfaction experienced by customers is obtained from perceived service quality with a strong correlation between service quality and satisfaction. The findings suggest that the level of satisfaction that customers obtained is a good indicator of the preference for the service and their commitment to it.

Improved service level and perceived service quality are important strategic considerations for service firms given the exponential rise in customer purchasing power and the increased competition in the market for customers (Peppard, 2000). In service industries in general, and in airline industry in particular, customer's perceived quality of service is considered an important determinant of business performance (Sureshchandar, Rajendran and Anantharaman, 2002). Therefore, a company wishing to gain loyalty and improve customer retention must offer services that are superior compared to its rivals.

Another study conducted by Zeithaml et al. (1996) examined the behavioral consequences of service quality. Their research framework categorized service quality as superior and inferior. Superior service quality led to favorable intentions, such as loyalty, increased spending, better price premiums and positive information about firms. Inferior service quality led to defection, decreased spending, increased complaining and negative information about firms. The outcome of their study supports the idea that superior service enhances customer loyalty and is directly related to business performance in the airline industry.

Quality in the service industry is often derived from human resources, and these are essential in driving competitive advantage. Personnel in the service industry are the image and face of the firm (Reichheld, 2003). Employees are faced with the most demanding jobs in service organizations, as they are expected to be fast and efficient at performing operational tasks and friendly and helpful at the same time. Some researchers have suggested that human capital itself is a source for sustainable competitive advantage by adopting the resource-based view of competitive advantage. They claimed that employees at all levels form the resource pool for a company's competitive advantage (Wright, McMahan and McWilliams, 1994). Another approach to the subject takes the view that the source of competitive advantage is the capacity and talent to manage human capital. According to the latter approach, it is the path-dependent, socially complex and causally ambiguous properties of knowledge and the dynamics of relationships embedded in the human capital, rather than the capital itself, that drive competitive advantage (Chan et al., 2004).

Thus, the concepts of service quality and the associated competitive advantage translate in the operational environment into a set of customer perspectives on the service, or airline to be specific. These factors then become the drivers for the strategic decisions that determine the competitive offering. Described below are factors of quality and competitiveness from the customer perspective.

Customer Relationship Management

Customer relationship management focuses on customers as a critical asset to the firm. The competitive advantage is gained by creating a relationship with customers, built on quality, innovation, dialogue and learning. This is not copied by competitors as easily as technology-based solutions. Richard and Jones (2008) found that one of the core benefits of managing customer relations is that it improves the efficiency and effectiveness of customer service. They asserted that customer service is a crucially important function, because it operates at the frontline of an organization. Customer relations is a value-driver and pursuing long-term relationships with customers is profitable for a company (Nguyen and Mutum, 2012). Hendricks and Singhal (2001) agree with this and state that an organization's long term success is contingent upon customer retention over customer acquisition, noting that it is more profitable to build long-lasting relationship with existing customers than continually recruiting new customers.

Customer Loyalty and Financial Performance of Firms

Customer loyalty has been widely researched and recognized as a critical element for long-term profitability, success and competitive advantage (Yang and Peterson, 2004). The concept of loyalty is somewhat uncertain in studying the factors leading to loyalty. Customer retention is essential for cash flow for the simple reason that the longer the duration of the relationship, the more the resulting revenue. Customers represent a firm's future cash flow and should be viewed as assets; and business strategies should be developed to prevent assets from defecting. The fewer customers that defect, the more profitable the firm becomes with the cash flow (Reichheld et al., 2000). Studies have shown that customer defection can have significant negative effect on profits. Reichheld (2003) noted that loyal customers tend to purchase more frequently. Other studies showed that firms have been able to charge more from loyal long-term customers as they are more willing to do business with long-term partners (Reichheld and Sasser, 1990). Many studies have highlighted that loyal customers often recommend the firm to colleagues (Keller and Fay, 2012).

Trust and Commitment

Trust and commitment have been found in many studies as key drivers of loyalty (Martin, Gutierrez and Camarero, 2004). Morgan and Hunt (1994) noted that trust exists when a party has confidence in another partner's reliability and integrity. They pointed out the value of communication in creating trust and warned parties to avoid opportunistic behaviors that can lead to distrust. Ball, Coelho and Vilares (2006) studied the relationships between trust and loyalty. They explored the European Customer Satisfaction Index (ECSI) and added two new elements to the earlier ECSI framework. In summary, the quality of service has a positive impact on satisfaction and trust, and trust has a positive effect on loyalty.

Switching Cost

Studies have been conducted to investigate the link between customer loyalty and switching costs. Beerli, Martin and Quintana (2004) studied customer loyalty in retail banking market. Their empirical analysis using structural equation modeling demonstrated that both satisfaction and switching costs are antecedents to loyalty. Their results confirm findings of earlier studies in which high switching costs arising from the additional costs incurred in changing from one firm to another, and the accompanying decreased appeal of other alternatives, were found to affect the probability that customers remain loyal. Even in relationships with weak satisfaction, switching costs can act like a binding element as found by Sharma and Patterson (2000) in a study on financial planning services. The result indicated that the impact of satisfaction is weaker under situation of high switching costs than under alternative situations. They argue that a customer will tend to continue the current relationship even when the relationship is less satisfactory, if the perceived psychological and economical costs of creating a new relationship are too high.

Satisfaction

Satisfaction is a critical factor for customer loyalty to firm. Oliver (1999) defined satisfaction as the pleasurable fulfillment of expectations. Beerli et al. (2004) noted that satisfaction is closely associated with perceived value. Yu and Dean (2001) studied satisfaction and stated that customer satisfaction has two sides, the cognitive component and the emotional component. They noted that several studies on satisfaction have been conducted from the cognitive perspective, which refers to customers' evaluation of perceived performance in terms of its value and adequacy, contrasting it to their expectation standards. Their study suggests that positive emotions are stronger indicators for loyalty than cognitive factors, while negative emotions might lead to negative behavior.

Bolton (1998) investigated the effect of satisfaction on the duration of a customer's relationship. His study revealed that the level of satisfaction evolves with time, and customers who have spent longer time with a firm attach greater value to the firm. These customers weigh the prior service quality more heavily and place less weight on the new information. Thus firms should give more attention to new customers who are yet to receive good experiences, and who are more likely to defect if a conflict arises.

Personalization of Services

In the service industry, a key area upon which firms can built their business strategies is personalization. Through building relationship with existing customers, firms can develop stronger relationships with customers and their services can be tailored to the needs of specific group of customers. Studies in the field of banking suggest that firms should provide their key customers highly personalized services to enhance customer's satisfaction (Coelho and Henseler, 2012). Kish (2000) noted that as firms know their customer better, they provide better services. This approach supports theories suggesting that firms should strive to please customers' personal preferences to gain loyalty. The research supports earlier studies where the role of employees was highlighted as relationship mediators between a company and its customers.

Service Failures

Manrai and Manrai (2007) studying service failures in the banking industry in USA identified four dimensions of customer satisfaction as personnel related considerations, financial consideration, facility atmosphere and convenience. Thus, customers are less likely to defect from a bank that has good and kind staff, positive service atmosphere and convenience. Further, banks could differentiate their offerings by marketing these factors more precisely, rather than focus on interest rates and service fees. Similarly, Clemes, Gan and Zhang (2010) studying service failures in the banking industry in a Chinese bank environment showed that reputation, effective advertising, switching costs, price, and service quality, all affected customers' switching behavior. They noted that age and income affect switching behaviors, as young and high-income groups are more likely to switch banks.

Superior Customer Experience

Providing a superior customer service is critical to building customer loyalty and relationship. Studies show that the quality of service and customer satisfaction may actually be declining as customers often experience service that falls well below their expectations (Frow and Payne, 2007). The concept aims to guide firms in considering ways to create and deliver superior customer encounters. The theory states that superior encounters lead to superb customer experience resulting to loyalty. Employees are the key factor in a firm's ability to deliver a perfect customer experience. Teamwork is important in ensuring a perfect customer experience throughout the business cycle. Mascarenhas et al. (2006) agreed that firms should provide real emotional experiences to their customers by delivering entertainment, friendly and caring service, belongingness and memorable and engaging experience. Meyer and Schwager (2007) added that customer experience does not improve until it is the top priority of a company reflected in its business processes.

Thus, the customer perspective has a major impact on satisfaction and loyalty that is important in the attraction and retention of customers and the competitive advantage of a service business. It should be

noted that the common characteristic of a service business is the customer involvement in the process leading to the customer-oriented perspective. The airline industry has seen enormous growth in recent years and the research is lagging, but the research from other more established service industries is equally valid for the airline industry.

RESEARCH DATA AND METHODOLOGY

This section discusses the various methods used in conducting the research including the methodology for selecting informants, and the data collection and analyses.

Discussion on the Research Methodology

A qualitative method was used to explore and identify sources of competitive advantage in the airline industry. Silverman (2005) indicated that qualitative research studies a situation or phenomenon in detail. Denzin and Lincoln (2000) emphasized that qualitative research explores a socially constructed reality and put the researcher into the situation being studied.

The aspects of competitive advantage that are explored in this study are about identifying the types of service delivery by airlines that increase customers' satisfaction; enhance loyalty and the service attributes that facilitate defecting behavior in customers. Consistent with the premises of exploratory research to identify sources of competitive advantage, a total number of thirty interesting subjects were interviewed. By research standards, this number is large enough for the generalization of the research findings.

Unlike quantitative research which focuses on measurement and analysis of causal relationships between variables, the purpose of qualitative research is exploratory and is intended to not establish causal relationship but to describe the key sources of competitive advantage in the airline industry. The key method used in this study for data collection is interview. Interviews provide the possibility to generate rich data from subjects and assess the meaning of subjects' experiences (Myers, 2009).

Data Collection

The primary research data was obtained through interviews of thirty persons. The interviews followed a standard process described below and allowed for the collection of first-hand information from respondents. Secondary data was collected through websites, internet searches and exploration of relevant journals.

The interviews were semi-structured based on a questionnaire developed for the interview. There was opportunity for informal discussions and generation of sufficient data. The pre-formulated questions guided the conversation, with flexibility provided in the process for the generation of rich data. There was no strict adherence to pre-formatted interview questionnaire, and follow-up questions as well shadow questions were raised on the basis of the interviewee's responses. Flexibility during the interview improves the quality of data and provides the interviewee the opportunity to add additional essential insights as they come up during the conversation.

The approach to the interview process followed the one adopted by Reichheld (2003). The one survey question, which served as the most useful predictor of customers' loyalty and companies' growth was "How likely is it that you would recommend company X to your friend or colleague?" This question has been found to be superior to commonly used approaches used in customer satisfaction surveys. The structure of the interviews was built around the single survey question. The beginning question in every interview was: "Which airline would you recommend to your colleague who wants to travel?" The narrative part of the interviews was designed to find out the reasons behind the interviewees' answer to the first question, and to discover the customer's behavioral factors such as duration of the relationship and recommending patterns.

Data Analysis

After completion of the interview, the interviewer transcribed the interview content to ensure that the interviews were well written and easy to read. After all the interviews were conducted and transcribed, a matrix was developed to capture all the issues/sources of competitive advantage that were raised during the interviews. The researcher read through each interview and captured on the matrix all the issues/sources of competitive advantage highlighted by the interviewees. This process allowed for the identification of all issues considered to be essential to customers in the airline industry.

The first part of the analysis focused on the data from individual interviews to identify factors leading to customer loyalty and factors facilitating defection. The second process then studied the competitive advantage side. The target was to identify the service attributes that would make a customer recommend an airline to a friend, and to gain an understanding of the factors of competitive advantage. The objective was to make a critical assessment of competitive advantage as discussed in the literature, and to articulate the critical areas of competitive advantage in the airline industry.

The Quality of the Research

To distinguish academic research from common sense, quality control procedures have to be applied across the entire research. The two key tests developed to measure the quality of a research are reliability and validity. Reliability and validity are measures of the degree of objectivity of the research and its credibility (Silverman, 2001).

Reliability is defined as the degree to which the same results and conclusions can be obtained if the study is repeated. It ensures that other researchers would be able to use the same research methodology and procedures as a template for conducting the same research and arrive at the same results and conclusions. Yin (2003) noted that the goal of reliability is to minimize the errors and biases in a research.

A critical requirement for enabling other researchers to repeat an earlier research is documentation of the procedures followed in the research. An important way to fulfill this requirement is to continuously document the method of data collection. In this research, interview was the method of primary data collection. The interview questionnaire and the interviewees conducted are documented and is available for other studies to replicate the data collection used. The collection of secondary data was performed through Internet searches and access to academic research journals. Thus, the secondary data can be replicated using the references given in this paper. However, the replication of this study in its entirety might be difficult as the study population is not static or restricted to particular organizations. Consequently, the documented method of data collection and the collected data may be a more adequate measurement for the reliability of this study.

Validity can be defined as the extent to which information gathered in the study truly reflects the subject under study. It measures how well results and arguments truly reflect the subject under study and focuses on how well the chosen research methods and tools describe the reality. Validity is divided into the three categories of construct validity, internal validity and external validity. Construct validity requires the correct operational measures for the concepts under study. Internal validity measures the logic of interpretation and quality of the analysis of the research, while external validity measures the degree to which research results can be generalized.

To assure validity in this study, interviewees with personal connections to airlines were not allowed to participate. Interviewees were selected from different backgrounds and different nationalities to bring a diversity of experience and data to the research. Additionally, interviewees had different traveling experiences with a range of different airlines across the world representing a truly diverse and global group of travelers. Further, the data and observations were handled with objectivity and the analysis followed a coherent process. Thus, the study is valid across all the three categories of validity.

OBSERVATIONS AND ANALYSES

This section is a discussion of the observations from the thirty interviews. The empirical findings were compared with the theories of competitive advantages and organized in response to the three

objectives this study set out to achieve. The discussion of the observations was intended to establish the foundation for logical conclusions derived from this study.

Service Delivery Factors That Improve Customer Satisfaction in the Airline Industry

The first objective of this research was to identify factors that enhance customers' satisfaction in the airline industry. The empirical evidence obtained from the collection and analyses of the data identified the following factors as critical drivers of customer's satisfaction in the airline industry: service quality, communication and personalization of services.

Oliver (1999) defined satisfaction as the pleasurable fulfillment of expectations. Beerli et al. (2004) noted that satisfaction is closely associated with perceived value. The research findings seem to support the customer satisfaction theory discussed earlier in this research. Of the thirty persons interviewed, twenty-four or 80% of the participants indicated that the key reasons for recommending an airline was the quality of service the airline provides.

Research participants expressed several reasons for their satisfaction with the quality of service provided by the recommended airlines. Some indicated that the food and leg room provided by the airlines were the key elements of satisfaction. Others highlighted the importance of comfort and amenities provided by the recommended airlines making these the key elements. The findings support earlier studies conducted by Yang and Petterson (2004) and Ball et al. (2006) emphasizing the importance of customer satisfaction.

A critical aspect of competitive advantage in the airline industry is communication. This study considered communication as the exchange of information between the airline and customers. Communication is an important element in business transactions as it facilitates transactions and business engagement. Of the thirty persons interviewed, two interviewees cited communication with airline employees as the one of the core reasons for recommending the airline.

The research participants appreciated the level of information shared with them by airline employees and noted that such information facilitated their planning, scheduling and purchasing of tickets. The research finding support customer relationship management theories, where the fundamental idea in a holistic view is to create relationships with customer on factors such as quality and dialogue (Nguyen and Mutum, 2012). When employees regularly provide information to customers, their relationship with the customer deepens and the communication can enhance customer satisfaction.

This research considered personalization as the provision of services that address the specific needs of a customer. Coelho and Henseler (2012) claimed that customer satisfaction increases when the customer perceives that the services are tailored to individual needs. It may be noted that relationship with a firm is based on customer's familiarity with the firm's employee who serves his/her needs. The employee then becomes the link to the firm and in principle represents the company. Six of the interview participants recommended airlines because of the personalized services the airlines provided.

Factors That Drive Customer Loyalty in the Airline Industry

This research also seeks to identify factors that drive customer loyalty in the airline industry. The empirical evidence obtained through the data collection point to several factors that positively influence customer loyalty. The most critical service factors that enhance customer loyalty in the airline industry include customer service, price, trust, and reliability.

While customer satisfaction is important for client and firm relationship, customer service is cardinal for deepening that relationship. This study defined customer service as the human interaction between a firm and a customer. Several scholars (Meyer and Schwager, 2007) concluded that the provision of good customer service is important for building customer loyalty and relationship with the firm.

Of the thirty persons interviewed, twelve or 40% of the total reported that the reason for recommending the airline was the customer service they received from employees of the airline. The service provided by employees is viewed as critical for strengthening customer relationship. The key service attributes reported by the research participants include employee care for customers, the

courteousness of employees, the kindness and professionalism exhibited by employees. These customer service qualities attract and bind the relationship with the recommended airlines.

Several scholars (Porter, 2008; Barney, 1991) have argued that price cannot be considered a key factor for sustainable competitive advantage as rivals in the medium-term can undercut prices to gain competitive edge. This suggests that firms should not use price advantage to target customers because such customers will switch to other firms when rival firms provide better prices.

Price in this study is considered along the line of two key aspects, i.e. cost of air fares and the provision of sky mileage. Taking these two aspects into consideration, data provides significant evidence that support earlier arguments on the price-customer retention nexus. Twenty-three percent of research participants indicated that their reasons for recommending specific airlines were due to the lower costs of air tickets. Several others indicated that their recommendation of airlines was based on the sky mileage those airlines offered to customers.

In the business literature, customers' trust in firms is widely researched using the effect of trust on customer loyalty and retention (Ranaweera and Prabhu, 2003), and is considered as a critical element for customer loyalty. In this research, trust covered a number of issues including the reputation, punctuality and safety records of an airline. Of the thirty interviewees, seven or 23.3% noted that their reasons for recommending an airline were based on the fact that they trust the airline.

Reliability in this study is viewed as the ability of airlines to adhere to schedules and ensure that flights take-off and land as planned and scheduled. The study showed that airline customers are concerned about the punctuality of flights and take seriously the adherence of airlines to planned schedules. The findings show that thirty percent of research participants recommended airlines because of their adherence to planned schedules. Research participants generally appreciated airlines that are punctual noting the importance of reaching destinations on time.

Factors That Drive Defecting Behaviors in the Airline Industry

This research aimed to identify service factors that drive people away from an airline. Relevant data was obtained showing factors that facilitate switching behavior among airlines. As the study focuses on identifying factors that enhance competitive advantage in the airline industry, it is important to highlight those factors that undermine competitive advantage in the airline industry, or otherwise, facilitate defecting behavior. Research has identified several reasons that drive customers' switching behavior including service failures, bad service encounters, and poor response to failed service (Manrai and Manrai, 2007).

The findings showed that about half of the interviewees indicated that the reason they did not recommend airlines other than the preferred one was poor service quality, bad customer service, and service failures. The finding suggests that airlines should strive to improve customer service, the quality of its services, and reduce service failures, in order to retain existing customers and attract new customers.

Decision Summary

Table 1 summarizes the findings described and translates them into decisions and actions to support a plan for achieving competitive advantage. It may be seen that some of the decisions and action plans appear to have a conflict with typical goals of competitive advantage such as profits and profitability. For example, increased leg-room as a feature designed for customer comfort reduces the seats available and the total revenue on a full flight. However, flights tend to go less than full on a large number of days in the year and the customer service provided is remembered. It would also seem that such large and extensive training on all matters is contrary to the concept of cost management. It should also be noted that a well-trained workforce becomes an asset to a service-oriented operation where training leads to effectiveness and efficiency, which in turn leads to both quality and cost management by reducing waste.

A note here is that specific decision items may apply differently to long-haul international routes versus short-haul domestic routes. Thus, international routes that are fewer in number but take a long time are more impacted by concerns of comfort and level of service, while more frequent short-haul routes have a greater priority on the efficiency and effectiveness of support services in booking and boarding.

TABLE 1

Factor	Observation	Strategic Decision	Action
Customer Satisfaction	Quality of service is critically important	Competitive advantage and perception of quality derive from quality of service	Attach priority on service systems, e.g. leg room, and crew training designed to support customer needs
	Quality of communication and level of information sharing are important determinants of quality	Implement systems and plans that treat customer as participant	Strategic policy of open communication with staff training are very essential
	Perception of quality is enhanced by tailoring services to needs	Treat customer as priority member in service delivery	Train staff and crew to treat customers with courtesy and friendliness. Modify minor factors, e.g. meals, where possible.
Customer Loyalty	Building blocks of customer loyalty are consistently courteous and friendly customer service	Customer service as mentioned above but with a consistency throughout the entire airline experience	Strong management policy asserting the importance of the customer supported by training staff and crew
	Consistent and reasonable pricing within acceptable ranges	Pricing policies that are consistent and reasonable	Strategic pricing decision considering the balance between profits and low cost options
	Reliability of schedules and punctuality	Schedule reliability as a high priority strategic decision	Implement management and monitoring systems to track and prevent delays
Customer Defecting Behaviors (Negative Customer Advantage)	Customers react negatively to service failures and bad service encounters	Emphasize priority on making it the best experience possible for every customer	Make available to staff systems that can flex and can make the best out of a negative experience
	Service failure is a bad experience, recovery from a service failure can be a positive experience	Customer experience must be a top management priority	Provide back-up systems and procedures to enable staff to recover from service failure

CONCLUSIONS

The study described in this paper has been customer-oriented in the understanding that, as in many other service industries, the customer and not the technology is the key to business success. The findings of the research have uncovered several critical factors that enhance customer's satisfaction, customer loyalty and promote defecting behaviors in the airline industry. In order to enhance customer's satisfaction in the airline industry, this research proposes that airline must enhance the quality of services provided, tailor services that address the specific needs of customers and enhance communication and information exchange between customers and service employees. These service attributes do not only enhance customer's satisfaction but also strengthen customer relationship with an airline.

Although customer's satisfaction is essential and has been found to be a source of competitive advantage in the airline industry, studies showed that customer satisfaction alone does not result to customer loyalty. Customer loyalty does not only increase customer's retention rate but also contributes to the financial performance of airlines. In order to enhance customer loyalty in the airline industry, it is essential that firms improve the customer service and human interaction with customers by providing superior customer experiences and win the trust and confidence of customers through improved safety measures, adherence to flight schedules and an enhanced reputation built on effective service delivery.

The main contribution of this research to the literature is the articulation of core sources of customer-oriented competitive advantages in the airline industry. Although the sources of competitive advantage identified are not exhaustive, this research is the first effort thus far to investigate the sources of customer-oriented competitive advantages in the global airline industry, and hence, provides the foundation for further studies in the field.

The paper leaves room for further study on the factors that drive switching behaviours in the airline industry including experiences such as service failures, bad service encounters and poor service quality that must be eliminated across all aspects of service delivery within the airline industry. Thus, to retain existing customers and attract new customers, airlines must take concrete actions to minimize service failures while delivering excellent customer service.

One of the areas that need extensive study is the role of human capital. Human capital plays a significant role in driving almost all of the sources of competitive advantage articulated in this research. This research supports earlier studies that suggest that human capital is a source of sustainable competitive advantage in the airline industry. As services are provided or delivered by employees, investment in human capital complemented by efficient human resource management can significantly increase service delivery thereby enhancing customer satisfaction, communication, personalization of services, trust and ultimately, customer loyalty.

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