Impact of Service Quality Factors on Customer Trust in Libyan Airline Industry

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Abstract

The main purpose of the study is to investigate the relationship between service quality factors and customer trust in Libyan airline industry. Customers travelling in the Libyan airlines are facing security issues due to increased traffic accidents, congestions, and pollution. Due to rising level of customer complaints and labor disputes airline industry appeared to be the victims of their own success. A quantitative approach was employed to measure the relationship between the variables of the study. Statistics tests includes descriptive statistics, internal consistency, reliability, validity and regression analysis using co-variance based structural equation modelling was conducted to validate the study. The study found that there is positive relationship between the service quality factors and customer trust except competence. Shared values and benevolence of service quality factors were found to have high influence on customer trust.

Keywords: Service Quality, Customer Trust, Airline Industry, Libya

1. Introduction

Delivering good service quality and gaining customer loyalty depends on the factors related to product, service and support (Kheng, Mahamad, Ramayah, and Mosahab, 2010). Relationship marketing play a crucial role for increasing customer loyalty. The use of trust and behavioral intentional also plays a crucial role in understanding marketing relationships. Libya is facing an issue of explosive growth in utilization of government policies towards airline industry. Therefore, it is essential for the airlines industry in Libya to deliver high quality service to passengers in order to compete in the market. Generally competitive advantage of airlines is impacted by service quality conditions, which results in market share, and profitability. Due to rising level of customer complaints and labor disputes airline industry appeared to be the victims of their own success. This led to distrust in customers for the airline industry in Libya. In the airline industry delays means angry customers. Some of the other issues that affect the airline industry and customer relationship are airline delays (Anderson,

Baggett, and Widener, 2009). Airline delays are becoming a serious issue in the airline industry as they create annoying inconvenience for airline passengers (Wong and Liu, 2011). Waiting at the airport due to delay, cancellation or misconnection leads to negative experience in the minds of customers. This study thus contribute to extend the literature on customer relationship management in the context of airline industry. Airline industry must show commitment to their passengers by providing effective quality service along with other benefits. Thus the main objective of the study is to investigate the relationship between service quality factors like Shared value, communication, competence, honesty, benevolence and security and customer trust in Libyan airline industry.

2. Literature Review
In the Middle East and North African (MENA) region, Libya is known as an emerging destination. Airline industries in Libya are state owned that handles 24,921 flights only in Tripoli International airport reported in 2012. Airline industry is very important asset for the global and regional economy as they are linked with each other. In the uniform economy, airlines industry performs well financially but during the economic fall airlines industry tends to lose profits (Wensveen, 2012).

2.1. Shared Values
Shared value is defined as the core belief of the customers that transforms the context to organize and direct attitudes and behaviors (Baker, Kleine, and Bennion, 2003). Michael Porter introduced the shared value concept as a business strategy that drives the next wave of innovation and productivity growth in the global economy (Porter and Kramer, 2011). According to Jones and George (1998) shared value is a key determinant to get people experience high level of trust. Shared value plays a crucial role in establishing high level of trust which was also confirmed by (Gillespie and Mann, 2004). Furthermore, Webber (2008) examined the dimensions of trust (cognitive and affective) and found that cognitive and affective trust are a separate components that are unique and distinct predictors affecting trust. Therefore, it is crucial to investigate the role of shared value by the firm increasing trust of their customers. Thus it is hypothesized that:
H1: Shared value positively related with customer trust in Libyan airline industry.

2.2. Communication
Communication is a basic human requirement in the aviation industry an essential pre-requisite to safety. In the airline industry there is a unique situation in terms of communication between customers and airline managers. Too often, managers spend maximum of time resolving customer complaints and issues. The ability to reach out to the customers leads to frustration and dissatisfaction. Thus there is a need of strategic initiatives with innovative thinking during the conversation with customers. When the customer purchases ticket there is an interaction and ongoing business relationship occurs with the industry and customer. The quicker and easier the service can be provided by the industry, the customer will be loyal to the industry. Furthermore, demand for high quality services in the airline industry have increased in recent years (Sriyam, 2010). Communication with the service provider is one of the demands for increased customer satisfaction. Thus it is hypothesized that:
H2: Communication positively related with customer trust in Libyan airline industry.

2.3. Competence

Competence related to customers involves the skills and understanding truly the job fulfillment that needs to get accomplished by the organization. Thus the organization in the competitive world must be able to have some degree of customer competence along with product competence. Competence itself is not able to create trust. It depends on the way management functions. Competence not only focuses on products but also the services provided by the management to the customers. Competence requires the corporate to understand customer's individual requirements and interact with the smoothly and efficiently (Peppers and Rogers, 2012). Customers always expect something more than they think will get from the organizations. According to Hill and Lineback (2012) in order to satisfy customers the firms need to organize, procure the resources train staffs, manage people and deploy capital. No organization can perform for longer period without having high quality of products and services. Thus the competence lack in the business must be overcome by satisfying actual requirements of customers. Thus it is hypothesized that:

H3: Competence positively related with customer trust in Libyan airline industry.

2.4. Honesty

Honesty is defined as the belief that a person is telling the truth and engaging in behaviors that are guided by benign rather than malicious intent (Rotenberg, 2010). The majority of trust models implicitly assume a shared trust model for all the agents participating in a society, and thus they treat the discrepancy between information and experience as a source of distrust: if an agent states a given quality of service, and one experiences a different quality for that service, such discrepancy is assumed to indicate dishonesty, and thus trust is reduced. Majority of the academicians and researchers on trust and reputation, a discrepancy between the information provided by the entity and the perception of an entity based on the direct experience are the main factor of dishonesty. According to the mechanisms the entity that holds high as opposed to low honesty based trust belief would be inclined to infer that the neediness and suffering of others are sincere or genuine and thus engaged in social behavior. Thus the quality of service provided to the customers shows the degree of dishonesty and is used as a source of distrust, the higher the discrepancy the lower the trust. Thus it is hypothesized that:

H4: Honesty is positively related with customer trust in Libyan airline industry.

2.5. Benevolence

Benevolence is categorized as ethical and spiritual values that are brought into place to achieve commitment and trust. The model addressed by Mayer, Davis, and Schoorman (1995) to test trust in supervisor that examined trustee factor benevolence as predictor of trust. In addition, Mayer et al. (1995) defined benevolence as the extent to which the organization is perceived to want to do good to the customers in their relationship aside from the profit motive. Emotional attached is generated between the two entities through benevolence with caring and supportiveness followed with sense of positive impact. Trust is built when the airline service providers in Libya shows benevolence attitude towards their customers as a caring business partner. Therefore, it is important to investigate the influence of benevolence towards trust in the airline industry. Thus it is hypothesized that:

H5: Benevolence is positively related with customer trust in Libyan airline industry.

2.6. Security

Security for the passengers refers to the perception of comfort or feelings, reduced anxiety and trust in the service provider. The result is a sense of reduced risk and anxiety that leads to feelings of security and comfort in customers. Thus in a broader sense it is possible to hypothesize the influence of security on trust in a broad sense. Trust paradigm introduces entirely new class of security threats and challenges providing different aspects of long term commercially viable concepts. Air travel demand in the travel segment is primarily influenced by ticket price, traveler's disposable income and their available free time. According to Park, Robertson, and Wu (2006) airline image is related to psychological benefits resulting from the customers relationship with the brand positively. Positive association with the brand results with feelings of confidence, reduced anxiety, a feeling of a security and comfort. In addition, Zins (2001) identified corporate image and security to have the strongest influence on customer loyalty. Thus it is hypothesized that:

H6: Security is positively related with customer trust in Libyan airline industry.

3. Methodology

This study used quantitative analysis for empirically testing the research questions through primary data collections in order to achieve research objective. The data is collected using self-structured survey questionnaire on the customers having experience of using Libyan airline services through structural equation modelling method. The way of collecting the data for this is study is the use of statistical survey which is the method used to collect in a systematic way (Fowler Jr, 2008; Panigrahi, Zainuddin, and Azizan, 2014), information about customers to identify how they make their decisions to use airline services, also to know their attitude and backgrounds and other information that serve the main objectives of the study. According to Baeza-Yates, Calderón-Benavides, and González-Caro (2006) quantitative method is able to demonstrate situation factors, practices, and other phenomena (Sekaran, 2003). As suggested by Yuserrie et al. (2014) customers with IT knowledge are able to provide information accurately through the survey questionnaire.

The data is analyzed using AMOS through SEM after the reliability and validation of the data collected is tested. Measurement Items were measured in accordance with the Likert scale: 1 (strongly disagree) to 5 (strongly agree). Data screening and outlier detection process is done in order to ensure correct input of data. Data screening is very crucial for confirming the variables to be normally distributed without any bias or outliers. According to Hair, Ringle, and Sarstedt (2013) data need to be examined properly before applying structural equation modeling technique. Therefore, this study used univariate outlier detection test, and the distribution of scores for each individual constructs is examined. There is a need to examine the variables individually for the univariate outlier detection, and histogram, boxplot are the graphs indicating the appearance of outliers. Confirmatory factor analysis (CFA) through SEM technique was utilized to test the hypotheses. This study investigates to generate findings by examining the data collected based on the observed and unobserved variables. Thus this study is a confirmatory research that utilizes quantitative analysis for the given purpose and problem statement addressed in the previous studies. Hypothesis testing was performed through several analyses for the initial 42 items. Reliability findings suggested that the Cronbach's alpha value of the variables were having reliability of above 80%, exceeding the acceptance criteria of 0.70 provided by (Cronbach, 1951).

4. Results

A total of 402 respondents were used as a final data of the customer's perception on travelling in Libyan airlines. Targeted populations were basically, customers having experience of travelling with domestic Libyan airlines in the past. The reason to involve them as respondents is to facilitate appropriate analysis and interpretation of data without any bias.

In terms of the respondent's qualification, majority (171 or 42.5%) indicated to have bachelor degree holders, followed by master degree holders with around 31.8% influence on the survey. This indicates that in the result of the study, bachelor degree holders played a significant role. The next descriptive question asked was about customer's opinion on any difference between airline's short haul and long haul and the response was mixed. This shows that airline customers have no big issue with short or long haul and service quality. In addition, next question was about the frequency of travelling in Libyan airlines.

Table.1:

Demographic profile of the respondents

I prefer to travel the most in	Frequency	Percent
Afriqiyah Airways	198	49.3
Air Libya	24	6.0
Libyan Airlines	151	37.6
Buraq Air	17	4.2
Ghademes Air	10	2.5
Libyan Wings	2	.5
Gender	**Frequency**	**Percent**
Male	347	86.3
Female	55	13.7
Qualification	**Frequency**	**Percent**
Diploma	2	.5
Bachelor degree	128	31.8
Master degree	171	42.5
PhD	79	19.7
Professional	18	4.5
Others	4	1.0
How many times you use services from airline industry?	**Frequency**	**Percent**
More than once per month	1	.2
Once per month	13	3.2
Once for every three months	40	10.0
Once for every six months	188	46.8
Once per year	160	39.8
Age	**Frequency**	**Percent**
20 to 29 years old	94	23.4
30 to 39 years old	93	23.1
40 to 49 years old	149	37.1
50 years or above	66	16.4
What is the primary reason for travelling in airlines	**Frequency**	**Percent**
Business	153	38.1
Leisure	148	36.8

Others	101	25.1
Occupation	Frequency	Percent
Student	34	8.5
Self employed	229	57.0
Employed	56	13.9
Government servant	61	15.2
Others	22	5.5
Do you think getting to know the airline service providers will help you to	Frequency	Percent
Get better prices	4	1.0
Get better conditions in the deal	15	3.7
Get better quality information	22	5.5
Make the process of service faster	144	35.8
It has no difference in service	212	52.7
Others	5	1.2

The result found that majority of the customer's frequency of travel are once for every six months (188 or 46.8%) and once for every year (160 or 39.8%). There were very few customers travelling frequently.

Regarding the occupation of the respondents, it was found that 57% of them were self-employed followed with 15.2% working as government servant. The last demographic variable was to know whether good relation with service providers will help the customers to get good services. In response to this question it was noticed that 52.7% of the customers perceived that there will be no difference in service whereas, 35.8% of them believed that having good relation with service providers will make the process of service faster.

Furthermore, Wulf, Odekerken-Schröder, and Iacobucci (2001) mentioned that, it is important to assess reliability and validity of the measurement model before testing the structural model. For this purpose reliability analysis were assessed using cronbach's alpha and composite reliability (CR), whereas; validity of the data were assessed using average variance extracted (AVE), construct, convergent and discriminant validity. Below table 2 shows the results of reliability and validity along with the factor loadings of the measurement items.

Table.2:
Reliability and validity tests

Measured Items	Beta	C.R	AVE
SHARED VALUE		0.893	0.583
The airline uses business ethics for its success	0.746		
The airline engaged in ethical behaviour focusing on corporate gain	0.774		
This airline takes appropriate safety measures for the passengers as business ethics	0.862		
This airline sticks to highest level of business ethics at all time	0.745		
The safety measures taken by this airline are latest	0.747		
This airline allows me to switch over to other airlines if any	0.693		
COMPETENCE		0.872	0.534

Organization appreciates any extra efforts from me	0.872		
This airline have the ability to achieve growth in market share	0.771		
This airline have good channel support	0.805		
This airline have proper market coverage	0.789		
I think this airline have necessary resources to carry out activities	0.709		
I think this airline have sufficient experience to carry out its business	0.649		
COMMUNICATION			
Easy to understand the manager and put forward my opinion	0.725	0.883	0.513
Closer communication is required for better communication	0.795		
This airline provides high quality information	0.752		
This airline keeps me informed about the latest developments	0.69		
This airline seeks feedbacks regularly from its customers	0.592	Deleted	
The airline provides direct communication to know the requirement of customers	0.638		
Information concerning ticket price is provided timely	0.72		
Information about destination is provided timely	0.616	Deleted	
My relation with this airline is like an open book	0.681		
HONESTY		0.806	0.51
I feel that this airlines would be honest with me	0.59	Deleted	
I feel that this airlines treat me fairly	0.722		
This airlines appears to have high integrity	0.734		
I feel this airline fulfils its commitment	0.693		
This airline does not make false statements	0.706		
BENEVOLENCE		0.835	0.505
This airline cares for the customers	0.734		
This airline is like a friend	0.778		
Despite of shortage of resources in the industry, they are very supportive	0.741		
The airline service has been towards customers	0.622		
This airline always behaves correctly with its customers	0.668		
SECURITY		0.851	0.533
I feel I can trust this airline	0.647		
I am less worried when I fly with this airline	0.735		
I am confident that the service will be performed correctly by this airline	0.755		
I believe there is less risk that something will be wrong	0.76		
I have high anxiety when I buy ticket for this airline	0.749		
CUSTOMER TRUST		0.891	0.541
In my opinion this airline is reliable	0.785		
This airline is very sincere	0.787		
I feel that this airline do not mislead us	0.759		
I feel that this airline will keep their word	0.758		
I trust this airline to deliver safety to customers	0.692		

This airline is remarkably expert and specialized in its field	0.606		
This airline considers my needs and wishes as very important	0.722		

In the measurement model, it was noticed that the AVE for all the variables were above the required level of 0.50. Thus, it is confirmed that the criteria of AVE was satisfied. The result on AVE also provided an additional support for convergent validity. It was also possible to provide the discriminant validity between the factors due to positive definite issue of the matrix.

Reliability was measured using Cronbach coefficient alpha provided by (Cronbach, 1951). Table 4 shows that all the constructs for the thesis have exceeded the threshold value of 0.70. CR and AVE was calculated using factor loadings of the measurement items and the CR and AVE formula provided by (Fornell and Larcker, 1981). According to Bagozzi and Yi (1988) CR greater than 0.60 shows that the variables are reliable and be proceeded to structural model (stage two). Furthermore, Hair et al. (2013) revealed new threshold value for CR to be above 0.70. In addition, AVE for the constructs highlighted in Table 4 shows that they are acceptable as the value were higher than 0.50 except variables like communication and honesty that were having AVE less than 0.50. Thus the lowest factor loading of these variables were deleted in order to increase the AVE higher than 0.50 as can been seen in Table.4.

In order to confirm that the structural model fit the data, the model was evaluated in the terms of goodness of fit indices. According to Cunningham (2008), a good fit to the sample data provides support for the hypothesized model. For hypotheses testing purposes, parameter estimates together with coefficient values were examined. Parameter estimates are used to generate the estimated population covariance matrix for the model (Tabachnick and Fidell, 2001).
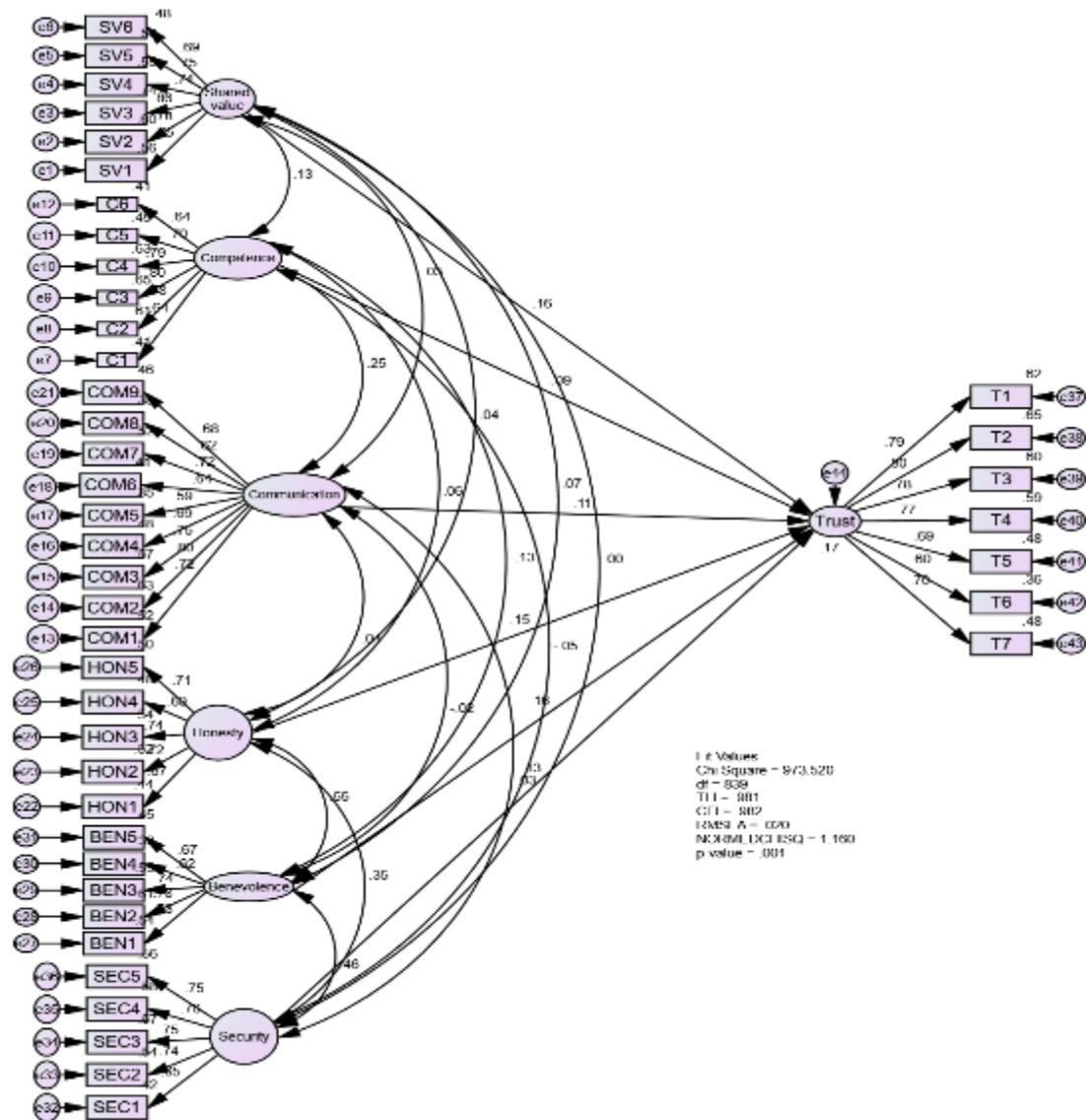
Figure.2: Final Structural Model

The structural analysis was conducted to determine the product quality measurement as a latent construct and to confirm the influence of trust constructs used in the present study with six independent constructs.

Table.3:
Standardized coefficients of Structural Model

Standardized paths			Estimate	S.E.	C.R.	P
Trust	<---	Shared value	0.159	0.052	2.986	0.003
Trust	<---	Honesty	0.153	0.093	2.158	0.031
Trust	<---	Benevolence	0.157	0.097	2.069	0.039
Trust	<---	Security	0.131	0.094	2.079	0.038
Trust	<---	Competence	-0.090	0.064	-1.588	0.112
Trust	<---	Communication	0.110	0.057	2.032	0.042

The indices for goodness-of-fit demonstrate that this model fits the data adequately, even though chi-square was significant (χ^2 = 973.520, DF = 839, χ^2/DF = 1.160 P=0.000, TLI = 0.981, CFI = 0.982 and RMSEA=0.020). Figure 4.12 summarizes the results obtained for each hypothesized path. Accordingly removal of non-significant paths in the structural model would provide better model fit. The results of the CFA succeeded in configuring the important factors in the present study. In testing the hypothesized model, results presented in Table 4.18 indicate that the hypothesized path representing H1 to H6 were statistically significant and in the hypothesized direction except H2. The standardized estimate for hypothesis H1, H3, H4, H5 and H6 were all significant (ß =.159, .112, .153, .157 AND .131 respectively).

Table.4:
Hypothesis testing between trust and service quality constructs

	Hypothesized path	**Regression weights**	**Supported**
H1	Shared Value →Customer Trust	0.159	Yes
H2	Competence →Customer Trust	-0.09	No
H3	Communication →Customer Trust	0.112	Yes
H4	Honesty →Customer Trust	0.153	Yes
H5	Benevolence →Customer Trust	0.157	Yes
H6	Security →Customer Trust	0.131	Yes

5. Conclusions

The new developed model would able to support employees for continuous service improvement emphasizing prevention activities and problem solving techniques. This model would also help to identify best possible solutions in relation to service quality. This model will also increase productivity with appropriate support, encouragement recognition and empowerment to the employees. The result of the study showed that improving shared values and benevolence for customers will improve their trust towards the airline industry. The findings of the study indicate that good service quality could cause customer perceived value and trust and customer perceived value and trust lead to increasing loyal customer. In other words, the managers could improve customer perceived value and trust by emphasizing on service quality and consequently gain customers that are more loyal. A perceived superior value by customer is widely accepted to be a competitive advantage for the firm. Moreover, it is valid to suggest that customers' loyalty may have a significant impact on the revenue of the Libyan airline industry. Hence, while managers attempt to create profitable strategies for the company and try to develop larger market share, they should not forget the importance of customer loyalty. Attention should be given to loyalty of customer in strategy development to maintain service quality, improve trust and increase customer perceived value.

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