



**A STUDY ON AIRLINE SERVICE QUALITY, PRICING AND PASSENGER
LOYALTY FOR MALAYSIA AIRLINE AT KUCHING AND MIRI, SARAWAK**

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1.0 INTRODUCTION

1.1 Background and scope of study

Malaysia Airlines had its humble beginning in the golden age of travel. A joint initiative of the Ocean Steamship Company of Liverpool, the Straits Steamship of Singapore and Imperial Airways led to a proposal to the government of the Colonial Straits Settlement to run an air service between Penang and Singapore. The result was the incorporation of Malayan Airways Limited (MAL) on 12 October 1937. On 2 April 1947, MAL took to the skies with its first commercial flight as the national airline. Fuelled by a young and dynamic team of visionaries, the domestic carrier turned into an international airline in less than a decade.

With the formation of Malaysia in 1963, the airline changed its name to Malaysian Airlines Limited and soon after, Borneo Airways was incorporated into MAL. Within 20 years, MAL grew from a single aircraft operator into a company with 2,400 employees and a fleet operator using the then latest Comet IV jet aircraft, 6 F27s, 8 DCs and 2 Pioneers. In 1965, with the separation of Singapore from Malaysia, MAL became a bi-national airline and was renamed Malaysia-Singapore Airlines (MSA). A new logo was introduced and the airline grew exponentially with new services to Perth, Taipei, Rome and London. However, in 1973, the partners went separate ways; Malaysia introduced Malaysian Airline Limited, which was subsequently renamed Malaysian Airline System, or simply known as Malaysia Airlines. Today, Malaysia Airlines flies nearly 50,000 passengers daily to some 100 destinations worldwide.

The airline holds a lengthy record of service and best practices excellence, having received more than 100 awards in the last 10 years. The most notable ones include being the first airline with the "World's Best Cabin Crew" by Skytrax UK consecutively from 2001 until 2004, "5-star Airline" in 2005 and 2006, as well as No.1 for "Economy Class Onboard Excellence 2006" – also by Skytrax UK. On 30 January 2008, Dato' Sri Idris Jala and the management team announced the Business Transformation Plan (BTP 2), a continuation of the BTP 1 (Business Turnaround Plan).

3. Confidential data

Not all data can be collected from the passenger as some data might be too confidential to express and therefore the accuracy of data collection is not accurate.

4. Sample survey only addressed to specific categories of customers

Sampling includes only customers who travel within Miri and Kuching only. The exclusion of other customers is from other major places like Kuala Lumpur International Airport, Johore Baharu Airport and Kota Kinabalu International Airport. A more accurate analysis should be based on all categories of Airline Service Quality in Malaysia rather than choosing only this station... The exclusion of these airlines is mainly due to the limitation in resources and time constraint. In spite of this limitation, this could be a starting point for more exhaustive research.

2.0 LITERATURE REVIEW

2.1 Introduction

The review of literature review in this chapter begins by introducing the Airline Service Quality. This chapter then provides an overview of service quality, measurement of service quality using SERVQUAL and finally the relationship between customer satisfaction and service quality.

Services

Service quality is a consumer's overall impression of the relative inferiority/superiority of the organization and its services (Bitner & Hubbert, 1994). Customer satisfaction is defined as a judgment made on the basis of a specific service encounter (Bolton & Drew, 1991; Cronin & Taylor, 1992). Malaysia Airlines has won the 'Best Airline To Asia' award in the 2006 Travel weekly Globe awards polls conducted by Travel weekly, a UK based magazine. Malaysia

3.0 THEORITICAL FRAMEWORK AND HYPOTHESES

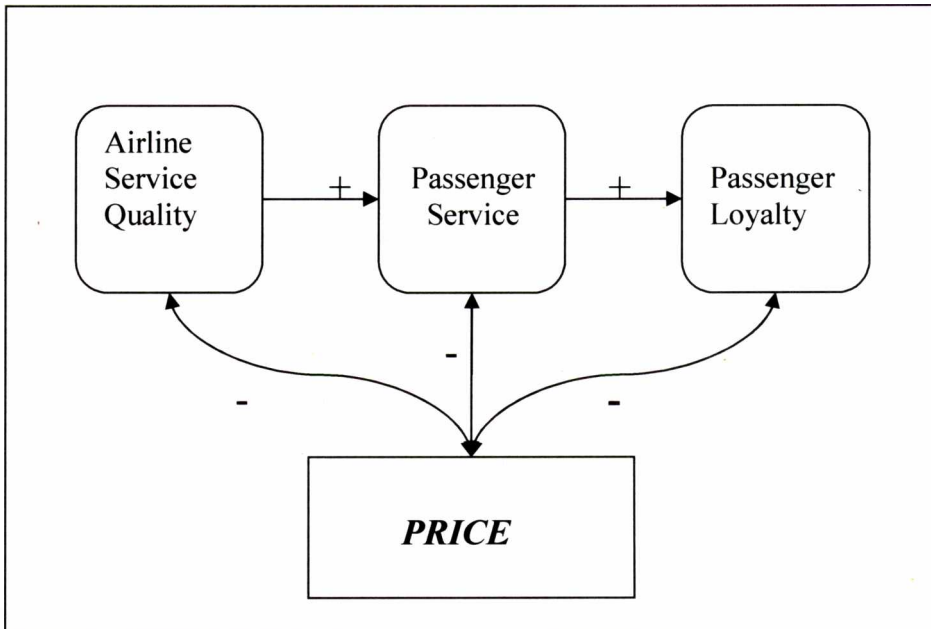


Diagram 1.1 *Theoretical framework showing the Air Service Quality, Passenger Service and Passenger loyalty relationship.*

3.1 HYPOTHESIS

Hypothesis is an unproven statement or proposition about a factor or phenomenon that is of interest to the researcher. Hypothesis goes beyond research questions because they are statements of relationships or proposition rather than merely questions to which answers are sought. The relationship between marketing research problem, research questions are interrogate, hypothesis are declarative and can be tested empirically. For the purpose of this study, the following hypothesis will be tested: