

Master's Thesis

**Link between Service Quality and Customer Satisfaction in Low-cost Airline Industry:
A Case of Vietjet Air**

by

THAI Hai Ngan

52116616

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Certification Page

I, THAI Hai Ngan (Student ID 52116616) hereby declare that the contents of this Master's Thesis are original and true, and have not been submitted at any other university or educational institution for the award of degree or diploma. All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

THAI, Hai Ngan

LAST NAME, First Middle

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Summary

The motivation of this research is to explore customer satisfaction from the perceived service quality of low-cost carriers. Air transport is a broad business in which differentiation is so difficult that customers merely distinguish from one carrier to another. Understanding of relationship between customer satisfaction and service quality is essential to develop service quality. Other else, passengers can easily switch to another airline. AIRQUAL model, a service quality model specific to airline industry serves as a grounded theory for this paper. The research uses case study as a research method, with in-depth interview and secondary data collection to determine how service quality affects customer satisfaction in low-cost airline. Vietjet Air's managers and customers are questioned to gain information into two variables: Customer satisfaction and Service quality.

Upon using AIRQUAL model as a based theoretic model, together with primary and secondary data analysis, the research figures out that besides flight fare, passengers also evaluate aesthetical sides such as website displays, employees' appearance and professionalism. It is worth mentioning that reason of customer dissatisfaction are long time waiting to call hotline and in-flight facilities, let alone delay. Further, beside image aspect in AIRQUAL model, in the other aspects, passengers consider Vietnam Airlines – Vietnam's national legacy airline - a better carrier than Vietjet Air. Condition of Vietnam in all features is analyzed. All findings from this study can be served as a background for more researches in the future.

1. Introduction

1.1 Purpose of research project

Nowadays, when global trading and travelling is emerging, it is in need of fast and convenient transportation. Therefore, air transport has become an important industry. In such a competitive airline market, understanding the factors that affect satisfaction has a very important role for airline carriers. In this light, the purpose of this study is:

- To explore customer satisfaction from the perceived service quality of the carrier. Passengers bear no pressure to express their concerns, opinions, or recommendations and customers' comments are reflection of their service quality perception that they have experienced.
- To see the differences between full-service and low-cost carriers
- To evaluate Vietnamese market

There have been various research works on relationship between service quality and customer satisfaction, but just some researches focus on airline industry, not to say low-cost carriers. Therefore, the implementation of this study concentrates on service quality and customer satisfaction of low-cost airline, in Vietnamese dynamic market.

1.2 Main theories and research questions

The author uses AIRQUAL model by Bari et al. (2001) to analyze service quality in airline industry. The main reason why idea of AIRQUAL arose is that contemporarily current scales of service quality are set up and examined in different countries but are not psychometrically applicable to service quality measurement. AIRQUAL scale includes five distinct dimensions, which are airline tangibles, terminal tangibles, personnel, empathy, and image. AIRQUAL is useful because:

- Many researchers debated that the criteria and characteristics of SERVQUAL may not be specific to industry (Ekiz et al., 2006; Nadiri et al, 2005; Nadiri et al., 2008; Babakus & Mangold, 1992)
- AIRQUAL is industry-specific
- Objective of AIRQUAL is to prove the superior efficiency over other models, SERVQUAL scale and SERVPERF scale. Multiple items of AIRQUAL have good creditability and validity to measure airline service quality that providers can apply to gain better insights into service expectations and perceptions of clients.

Implementing AIRQUAL model as a theoretical framework, the researcher answer three proposed research questions as below:

1. What are elements of service quality that make passengers satisfied and dissatisfied in flight operated by Vietjet Air? Why?
2. How these factors are different between full-service and low-cost in customer satisfaction in Vietnam? Why?
3. What about Vietnamese aviation market?

1.3 Main findings

The research finds that besides price, customers of Vietjet Air are also pleasant in terms of website displays, employees' professionalism and appearance. Moreover, delay is not the only reason for their dissatisfaction but long time waiting to call hotline and in-flight facilities too. Except for image, in all other dimensions, Vietnamese full-service airline – Vietnam Airlines – are preferred by passengers over Vietjet Air.

This thesis first identifies customer satisfaction and service quality, especially in low-cost airline industry. There are some specific characteristics of service quality in airline industry so that it is suggested to use AIRQUAL model. The research paper then uses AIRQUAL model as mentioned before with its five dimensions representative for service quality in low-cost airline: airline tangibles, terminal tangibles, personnel, image

and empathy, in order to observe customer satisfaction. A detailed and intensive qualitative research is utilized to analyze factors affecting customer satisfaction in low-cost airline, particularly in Vietnam. Primary data and secondary data are obtained through interviews with managers and customers, reports, prospectus, websites, books and articles.

1.4 Main expected contribution

After reaching its purpose, the research has certain contribution, practical application to the development of Vietnamese low-cost airlines:

- To provide the stakeholders with deeper understanding of the characteristics of service quality in airline industry
- To help managers in airline companies to manage and develop quality of service provided to their customers.
- To identifying critical factors affecting service quality in the industry from passenger's perspectives
- To give some recommendations for organizations to improve service quality as a strategy to gain competitiveness over other rivals.

The structure of this research is as the following: After Literature Review which provides theoretical background, Section 3 indicates data collection and analysis method. After that, Section 4 describes main findings and discusses further. Last but not least, Section 5 concludes with recommendations contributing to literature and practitioners, as well as mentions limitation of the research.

2. Literature Review

Airline has become one of the fundamental industries in the world, when international trading and travelling is essential. However, this is an industry that differentiation is difficult. Although airlines attempt to distinguish their services, Ott (1993) discovers that consumers do perceive little difference from one carrier to other carriers. Ostrowski et al. (1993) claims that in case all airline service providers have comparable fares and similar frequent flyer programs, the corporation with higher service quality will win passengers from other carriers. Therefore, it is desirable that customers should have better perception of airline's service, especially through service quality. In the following, customer satisfaction definition and reasons for its importance will be elaborated on. After that, definition and what kinds of service quality have influence on airline's customer satisfaction will be discussed, along with some background theories.

2.1 Customer Satisfaction

In marketing literature, customer satisfaction has been debated in more than thirty years (Gallo, 2011). It was built based on many disciplines, for example marketing, consumer behavior, psychology and so on (Akbar and Parvez 2009). Customer

satisfaction is a person's feeling of pleasure or disappointment that results from comparing a product's perceived performance or outcome against his/ her expectations (Kotler and Keller, 2006). It is also viewpoint of Bitner & Zeithaml (2003). It is consumer's reaction according to level of satisfaction (Hanif, Hafez & Riaz, 2010) or fulfillment (Khayyat & Heshmati, 2012). Another point of view is that of Bae (2012), who states that customer satisfaction reflects the judgment or expectation of customers before consuming products/services, in terms of quality. Definition by Day (1984) and Wilton (1988) is also similar to Bae's, which is customer's response to the assessment of inconsistency they recognize. This discrepancy is between their expectations and actual results they get from consuming products or services. The core meaning of customer satisfaction, regardless of definition by whom, is that it is evaluation of customers based on the general performance of product or service, whether it meets their expectation or not. Customers would be fulfilled if that overall performance meets or goes beyond expectations and vice versa (Kotler and Keller, 2012).

Customer satisfaction is essential because in general, it provides marketers and executives with a tactic that they can use to manage and develop their businesses. Furthermore, the importance of customer satisfaction stems from the widely recognized

belief that if business wants to be successful and gains profit, it must satisfy customers (Shin and Elliott, 2001). Satisfied customers are more likely to purchase products again than those who feel under expectation.

2.2 Service Quality

To achieve high satisfaction of customers, many researchers state that service quality is the antecedent of customer satisfaction (Cronin, Brady, and Hult, 2000; Anderson et al., 1994; Cronin and Taylor, 1992). Service quality is considered as a critical perspective of competitiveness (Lewis, 1989). Parasuraman et al. (1985) summarize service quality in three premises:

First, as service's characteristic is intangible, service quality is more difficult for the consumer to evaluate than goods.

Second, customer's perception of service quality results from a comparison of their expectations with actual performance. This is also the viewpoint of Gronroos (1984), while Lewis and Mitchell (1990), Zahari et al. (2008) study further, indicating that service quality represents the degree to which service meets or exceeds what customers need and expect.

Third, evaluations of quality are not made based on the outcome of a service solely, but they also involve delivery process of service. Because service quality has substantial influence on business performance, customer satisfaction, customer loyalty and so forth, it has drawn major attention of managers and researchers (Leonard and Sasser, 1982; Cronin and Taylor, 1992; Gammie, 1992; Hallowell, 1996; Chang and Chen, 1998; Sureshchander et al., 2002; Seth and Deshmukh, 2005). Researchers have developed many conceptual models, helping to address quality problems and plans for improvement schemes. Parasuraman et al. (1988) develop their broadly applied service quality measurement SERVQUAL. It includes five factors: tangibles, reliability, responsiveness, assurance, and empathy, together with a two-part, 22-scale item regarding expectations and performance. Based on SERVQUAL model, Fitzsimmons J. A. & Fitzsimmons M. J. (2001) develop an explanation that comparing perceptions and expectations can recognize the creation of customer satisfaction in service industry.

On the basis of preceding studies, the significance of service quality relies on the fact that it helps customers make some comparison between good service providers and bad ones. The service quality and delivery are apparent (Park et al., 2005). Therefore, airline carriers should understand customer's expectation, and base on that to develop

customer-oriented service. Researchers usually use SERVQUAL to measure the service quality in various industries, including the airline industry. In their study, Fick and Ritchie (1991) reaffirm that airlines still need to enhance other respects of Tangibles, Assurance, Reliability and Empathy. On the other hand, Zagat, an aviation research company, in its study, use five criteria to assess airline services: “overall performance, comfort, service, food and website”. Another example is that the US Department of Transportation (DOT) uses multi-dimensional idea of service quality in its reports on airline service quality. It delivers data of operational measures: “flight delays, mishandled baggage, oversold flights and consumer complaints” (Saha & Theingi, 2009).

As customer satisfaction is also based on service quality, it is suggested that providers should deliver service with high quality. Indeed, the relationship between satisfaction and service quality is more complicated. One reason is that practitioners and press often use these two terms interchangeable, causing confusing situation (Parasuraman, Zeithaml, and Berry, 1994). According to Cronin and Taylor (1992), customer satisfaction seems to have more impact on purchase intention than service quality. To support their opinion, Cronin and Taylor (1994) point out that customers

may rely on other aspects rather than service quality when making purchase decision, namely convenience, price, or availability. They also conclude that the service quality-customer satisfaction relationship is still a debate and in need of further research with multi-item measures. Sureshchandar et al. (2002), despite substantial interrelation between quality and satisfaction, concede that the two do not bear much resemblance. Service quality and customer satisfaction, at least from customer's standpoint, have difference constructs.

Amidst the above arguments, other scholars raise some reverse correlations. Rust and Oliver (1994) claim that quality is the sole basis of satisfaction and in turn, satisfaction is one factor affecting on future service quality perceptions. Sureshchandar et al. (2002) figure out that service quality and customer satisfaction are greatly related. Although those two terms have a lot of common things, satisfaction is a broader concept. Service quality puts more emphasis on dimensions of a service. Notwithstanding these disputes, service quality and customer satisfaction have close relationship.

2.3 Customer Satisfaction and Service Quality in Airline industry

In the case of transportation, especially aviation, it is understood that passenger's satisfaction is the outcome of emotional assessment on the overall performance of the transport service, whether it meets their expectations or not (Lai and Chen 2011; Wen et al. 2005). There is a noteworthy relationship between airline service quality and customer satisfaction:

- **Satisfied passengers:** better perceived service -> higher passenger satisfaction
- **Unsatisfied passengers:** change to other airlines and do not suggest to friends or family (Abdullah et al., 2007)

In other word, what and how consumers perceive is a crucial dimension of service quality. In fact, in airline industry, customer can be measured through customer satisfaction rating (CSR). CSR is usually acquired from Customer Satisfaction Survey (CSS) that carriers send out during post-flight period. There are some studies on customer satisfaction in airlines. Cunningham et al. (2002), Prayag (2007) and Nadiri et al. (2008) state the significant impact of empathy and image on customer satisfaction. While Mohd-Zahari et al. (2011) claim that in-flight catering, or meals, substantially affects level of customer satisfaction and retention, Nguyen (2014) in his research

points out that Reliability is the factor that impacts most on customer satisfaction. The others are positioned Price, Empathy, and Tangibles. Also, price is indeed a weapon for low-cost airlines in winning market shares against full-service carriers. Many low-cost airlines such as Vietjet Air, Air Asia offer free ticket to compete in the market.

2.4 AIRQUAL Model

Dimensions of Service Quality (AIRQUAL)	Concerned Features
Airline Tangibles	The interior quality of airplane used by carriers
Terminal Tangibles	Airport facilities
Personnel	Working attitude of employees in airlines
Image	Availability of low-price ticket, consistency of ticket prices and service, and image of the airline company
Empathy	Consideration of customers' needs and interests

Figure 1 AIRQUAL Model

(Bari et. al, 2001)

Also, air travellers' preferences demand for a research arrangement on quality that is specific to aviation industry. As a result, Bari et al. (2001) came up with AIRQUAL. The key reason why AIRQUAL's development emerged was that contemporarily current scales of service quality were set up and evaluated in different nations and are not applicable to service quality measurement. For service quality in airline industry, researchers have been trying to develop quality perspective. Research to investigate

scopes of service quality in airline industry is still broad and ongoing (Alotaibi, 1992; Etherington & Var, 1984). The AIRQUAL measure established by Bari et al. (2001) includes five separate dimensions, which are airline tangibles, terminal tangibles, personnel, empathy, and image. They conducted their analysis in North Cyprus, examining whether AIRQUAL could effectively measure service quality perceptions of airline customers. In AIRQUAL scale, these five dimensions investigate various parts of airline service (Bari et al., 2001, Ekiz et al., 2006; Nadiri et al., 2008).

Airline tangibles cover questions related to the interior of airplane used by carriers, the quality of catering, the cleanliness of toilets, the cleanliness of passenger seats, the comfort of plane seats, and the quality of air-conditioning system in plane.

Next, *terminal tangibles* are other important dimension of AIRQUAL. It includes questions associated to airports. In the dimension, correspondents are questioned about hygiene of airport toilets, availability of shops in airport, parking convenience, size of airport, air-conditioning, designated areas for smokers, effectiveness of signs, availability of wheelchairs/carts, “efficiency of security control system, employee’s uniforms, and comfort of waiting lounge of the airport”.

The subsequent dimension of AIRQUAL is *personnel*. It assesses employees working attitude in airlines. Questions involved in the dimension concern about employees' manner, experience, education level, personal care of staffs to others, responsibility, and airline's accuracy of reservations and ticket transactions.

The fourth one is *empathy*, which raises questions about punctuality of departures and arrivals, accessibility to airport, compensation policy when loss or hazard happen, care of passengers' luggage, availability of healthcare staffs in flights, location of carrier's office, and number of flights meeting passengers' demands.

The final dimension of AIRQUAL is *image*. In image dimension, evaluations are "on availability of ticket at low price, consistency of ticket prices and service, and image of the airline company". Ekiz et al. (2006) and Nadiri et al. (2008) utilize AIRQUAL to inspect whether it could gain customer satisfaction together with other constructs (e.g. word of mouth). Both researches by Ekiz et al. (2006) and Nadiri et al. (2008) point out that better service quality, in compliance to AIRQUAL scale, brings statistically considerable effect to customer satisfaction. Moreover, Nadiri et al. (2008) find a significant positive impact of service quality on other customer behaviors, such as loyalty, repurchase intentions and word of mouth.

However, in recent study, Alotaibi (2015) claims that initial AIRQUAL model did not comply all essential steps for scale assessment and validation, which calls for validated model. Alotaibi indicates that without Terminal Tangibles and Image, the simpler and more tangible model shows clearer quality impact on customer satisfaction. Therefore, he proposes a revised version of AIRQUAL model with five criteria: *Reliability, Empathy, Assurance, Tangibility and Responsiveness*. His study was conducted with passengers in Asia (Malaysia, Pakistan, Saudi Arabia), North Cyprus and the USA. Therefore, VR Nedunchezian et al. (2018), with their study researching in India and European countries, point out that Empathy by employees (inadequate compensation in case of service problem, attention to each passenger) is not well considered by passengers. In contrast, most passengers are pleased with the Responsiveness of carrier staffs. Tangibility is also regarded insignificant in Nedunchezian's paper. The outcome of his study states that the number of dimensions may change from country to country and it is necessary to validate AIRQUAL subjected to geographical locations to develop a more general and stable model.

The author decided to use initial AIRQUAL model, because each criteria are more industry-specific. The validated model, despite its simpler thus clearer characteristics, it

is still more or less similar to SERVQUAL, which has been debated that the dimensions and characteristics of SERVQUAL might not be industry-exclusive (Ekiz et al., 2006; Nadiri et al, 2005; Nadiri et al., 2008; Babakus & Mangold, 1992). Furthermore, numerous studies have attempted to replicate five dimensions of SERVQUAL, but still ended up with principal components analysis (PCA) in which just a dimension was regarded to be worth noting (Angur et al., 1999; Babakus & Mangold, 1992; Babakus & Boller, 1992). This was also the outcome of exploratory factor analysis, so Carman (1990) disregards the SERVQUAL as involving totally generic dimensions. These arguments of SERVQUAL encouraged researchers develop AIRQUAL scale.

2.5 Low-cost airline model

2.5.1 Overview of low-cost airline model

“A low-cost carrier or low-cost airline (also known as a no-frills, discount or budget carrier or airline, or LCC) is an airline that generally has lower fares and fewer comforts” (Wikipedia.org). The idea came from the United States before spreading to Europe in the early 1990s and then followed by the entire world. This term comes from the internal of aviation industry to refer to the structure of airlines with operating costs lower than their competitors. Through media, this term has since become the word to

define any carriers with low price and limited services regardless of operating costs.

Basically, low-cost airline is a model in aviation operating effectively to achieve the lowest possible cost to bring services to customers, yet associated with the safety.

Low-cost carriers have changed the aviation industry by offering super cheap prices, totally different from traditional airlines. Low-cost carriers can offer lower airfares than legacy airlines thanks to designs of lower-priced products (Pitt MR et al., 2001). By reducing the cost, such as cost of food, drinks, magazines, and using only one type of aircraft, low-cost airlines have saved a lot for customers.

2.5.2 Characteristics of low-cost airlines

Mark S. and Brian P. (2006), in their report to International Air Transportation Association (IATA), mention that typical low-cost carrier model features are:

- Have only one passenger seat class;
- Use just one type of planes (usually Airbus A320 or Boeing 737), reduce operation and training cost;
- Minimize optional equipment on aircraft to reduce the cost of purchase and maintenance;
- Have a modest fare scheme, usually higher price when the plane is nearly full of passengers, bonus for those who book tickets early;

- Operate to the cheaper or secondary airports, operate in the early morning or late night to prevent air traffic delays and make use of lower landing fees;
- Have rapid time circle of flights (maximize usage of aircraft);
- Simplify routes, focusing on point to point transportation instead of transit at another airport (increase frequency of use of an aircraft and eliminate the inconvenience due to delayed arrival or lost luggage by connecting flights);
- Stress direct ticket sales, especially through the Internet (to avoid payments and commissions for travel agents);
- Encourage the use of electronic tickets or no tickets;
- Workers undertaken many different roles, flight attendant doubles cleaning or working in port procedures (limit personnel costs);
- The catering services, free newspapers are eliminated. Whoever wants to be served pay more.

2.5.3 Advantages and disadvantages of low-cost airlines

Advantages

- Low price: The main reason why the low-cost airline is popular;

- Quick and convenient online booking: Online ticket sales are not only good for the airlines, but also very convenient for clients. Customers only need a few clicks to get seats on flights;
- Regularly offer special promotional fares;
- Customers only pay for the services they demand: food and drinks are served free of charge on flights. With a long journey, low-cost airlines also offer thin blankets, entertainment and meals at low cost.

Disadvantages

- Restrictions on baggage: most of the low-cost carrier passenger is allowed to take up to fifteen kilogram free-of-charge carry-on baggage;
- Airport: Cheap airlines often fly to small airports, far from the center to reduce the cost of the ground. That causes inconvenience to passengers because they have to travel a long distance to the center for business, tourism, study;
- The flight delay: like the journey of the bus, the cheapest flights are made on the same trip a few times a day. Therefore, the delayed flight a few minutes, sometimes for hours can happen;

- No transit between flights, in case passengers try to link to the next flight, the passenger's luggage will not be automatically forwarded. Passengers must take the luggage and do re-checkin process like two separate flights;
- No seating arrangement: on most of flights, passengers find their seats by themselves. Some carriers provide seat on flights reservation service in advance, and passengers pay an additional cost.

2.6 Synthesis and Research question

The conceptual framework below shows the relationship between each element:

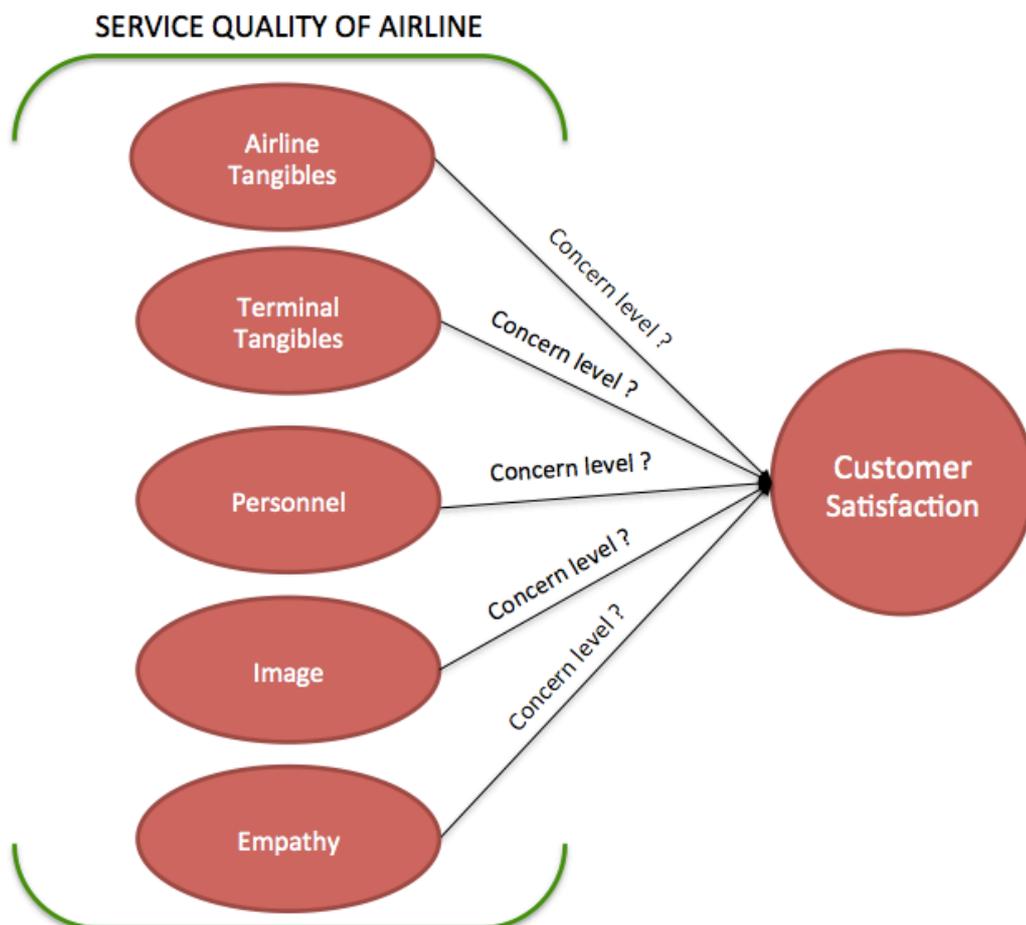


Figure 2 Conceptual framework

Research questions

1. What are elements of service quality that make passengers satisfied and dissatisfied in flight operated by Vietjet Air? Why?
2. How these factors are different between full-service and low-cost in customer satisfaction in Vietnam? Why?
3. What about Vietnamese aviation market?

3. Methodology

The method of case study is utilized to address the aforementioned research questions. In the case study, the writer used a combination of primary and secondary data collection. To comprehend the complexity of this single case, gathering data from multiple sources is necessary. The object of case study is Vietjet Air, which is the first Vietnamese private low-budget flight operator. The author conducted in-depth interview with key informants from both internal and external sides to attain primary data. While the majority of this study is based on interviews with customers and Vietjet Air employees, secondary information from carrier official websites, international aviation organizations is also included. The data obtained is then analyzed with qualitative research approach. The following section will provide details of how each method is applied.

3.1 Data collection

Robert Y. (2009) states that case study enables researchers to gain a broad picture of the events with “holistic and meaningful characteristics” in reality. The author realizes that research questions of “How” and “Why” suggests that this study fits more to “explanatory” as its purpose is to reveal factors affect customer satisfaction in a low-

cost airline. Therefore, case study should be chosen as applied research method for the paper.

Stake (1995) claims, “A case study is expected to catch the complexity of a single case”. There are three reasons why using just Vietjet Air for this research is appropriate. Firstly, Vietjet Air is a representative and typical case of low-cost airline in Vietnam. The choice of research subjective should be in aviation industry and operating low-cost model. Low-cost airlines are gaining more and more market share against traditional carriers and enhance their competitiveness. A similar pattern happens in airline market of Vietnam, to which Vietjet Air has brought a brand new breeze. Its existence has provided Vietnam’s aviation market with a wider variety of routes, flight times. Within five years, Vietjet Air gains market share from 8% to 42% (Nguyen, 2016). Secondly, this single case is a critical case to examine proposed theory. Vietjet Air case study can be used to test whether or not propositions of theories and explanations are correct or related. Thirdly, Vietjet Air is a revelatory case. The writer has chance to access to information that is not available in public domain. In light of the above reasons, case study is suitable for this research.

3.1.1 Case study of Vietjet Air

❖ *Overview*

- English trading name: Vietjet Aviation Joint Stock Company (Vietjet JSC)
- Vietnamese name: Công ty cổ phần hàng không Vietjet
- Logo: The logo for Vietjet Air.com, featuring the text "vietjet Air.com" in white lowercase letters on a red rectangular background.
- Head Office: Floor No.8, CT Plaza Building, 60A Truong Son Street, Tan Binh District, Ho Chi Minh City, Vietnam
- Website: www.vietjetair.com
- Core value: Safety – Happiness- Affordable price – Punctuality
- Revenue: 42,303 billion VND (5.303 billion VND in profit)

❖ *Structure of the organization*

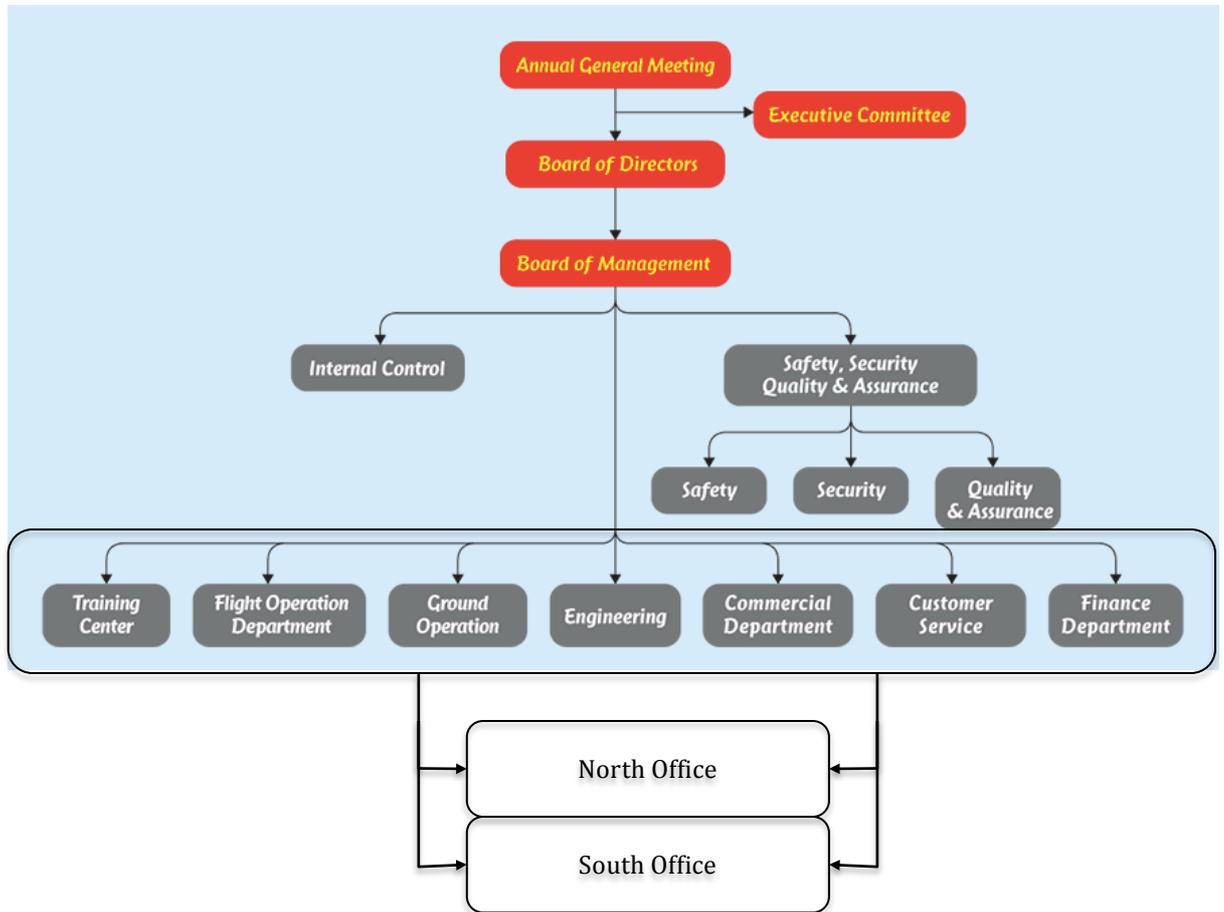


Figure 3. Vietjet Air's organizational structure

(Source: Vietjetair.com)

The figure above demonstrates Vietjet Air's operational structure. In Article 13 of corporation's charter, structure of management, supervision and administration positions are:

- The highest authority General Meeting of Shareholders
- Boards of management (BOM)
- General Director and persons in other managerial position

- Supervisory Committee

❖ *Main operational activities*

Flight Fleet	Flight routes	Marketing	Human Resources	Customer Service
51 aircrafts: 24 Airbus A320, 27 Airbus A321 (2017)	Domestic: 38 routes International: 44 routes	- Slogan “Enjoy Flying” - VietJet had 96% brand awareness in Vietnam (Vietjet – Aviation News 2015) - Highlight promotion campaign: “12p.m, it's time to Vietjet”	- Recruiting new talents and provide annual trainings - Human Resources Development project (2017-2020) - Vietjet plans to establish Vietjet Aviation Academy Project in 2018 with entire Flight Simulator by	- Skyboss service: “Business class” of Vietjet Air - “New Age Airlines” with young and modern fleet to improve service quality - “Vietjet SkyClub” for membership - Corporate agreement with Japan Airlines to improve

		with a chance of getting free ticket (tax excluded) - Progressively innovating website display	Airbus - Vietjet Training Center with Approve Training Organization (ATO) certificates can provide initial trainings for staffs. - Coordinated professional courses with Airbus, Boeing, IATA, ICAO, etc.	convenience, service quality, business value for customers
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Table 1: Main operational activities

(Source: Vietjet Air Joint Stock Company Charter, 3rd amended, 2015)

3.1.2 In-depth Interview

Interview is considered as one of the best sources of data for gaining case study information, because case study mostly covers human-related events (Yin, 2009). It is a qualitative technique used in business research.

This research involves in-depth interview that includes open-ended and unstructured questions in Interview Guideline (Appendix 1) based on research questions thus letting respondents answer and share their ideas freely with no bias or subjective opinions. In addition, thanks to direct meeting with participants, researcher was able to understand contexts and observe reactions and behaviors of them.

The researcher organized interviews with seven informants. There are seven informants involved in the research: two people are from Vietjet Air and the other five are frequent Vietjet Air's customers. The formers are Customer Service Manager and Ground Officer Manager. They are key informants who can give key information on research topic. Because of the subject being addressed in this study, approaching Customer Service Manager can help the author gain insights into situation of customer feedbacks and service quality management in the researched organization. On the other hand, the other internal stakeholder is the person who meets customers and encounters daily issues at the airport. That is why she can provide useful and practical information such as how customers and employees react to unexpected problems, and what factors that make passengers happy or not. From perspectives of consumers, the researcher interviewed five frequent flyers of Vietjet Air. They are both male and female

customers, with different backgrounds and preferences. However, names of interviewed people cannot be disclosed to respect their privacy and request.

The location of interview is Ho Chi Minh City and Hanoi, where there is Vietjet Air's Head Office and largest airports of Vietnam (Tan Son Nhat Airport and Noi Bai Airport). Each interview took around 30 to 120 minutes, and was conducted in Vietnamese because all guest interviewees are Vietnamese.

3.1.3 Secondary data collection

To gain more data, the author researched from a variety of sources, which are in both Vietnamese and English. They belong to organizations, public bodies and mass media (both online and offline).

		Position	Industry
Primary data	Qualitative data: Vietjet Air interviews	1. Customer Service Manager 2. Ground Officer Manager	Airline
	Qualitative data: Customer interviews	1. Flight Attendant of China Air 2. Partnership Director 3. Trade Consultant 4. Associate 5. English teacher	Airline Education Service Trading and International Relations Law Education
Secondary data	Qualitative and quantitative data: Documentation	1. Organization's Official Websites: VietjetAir.com, Vietnamairlines.com 2. Documents by International Air Transport Association (IATA)	

		<p>3. Documents by Civil Aviation Authority of Vietnam (CAAV)</p> <p>4. Vietjet Air Joint Stock Company Charter (3rd amended, November 2015)</p> <p>5. Vietjet Air Joint Stock Company Annual Report 2016</p> <p>6. BSC Corporation Analysis Prospectus: Vietnam Airlines (HVN)</p> <p>7. Vietnam Airlines Annual Report 2017</p> <p>8. Current market outlook 2016-2035 Report by BOEING (2016)</p> <p>9. Vietjet Air Joint Stock Corporation Prospectus (2017) by Viet Capital Securities</p> <p>10. Q&Me Market Research (2017)</p> <p>11. Articles, studies, papers, books on low-cost airlines, customer satisfaction and service quality, published by</p>
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		international universities, research organizations
		12. Newspaper on low-cost airlines in Vietnam

Table 2. Summary of Selected data sources in the research

3.2 Data analysis

Findings in this study are analyzed by qualitative research method. According to viewpoint of Bryman (2011), a qualitative research method is a strategy that uses words to analysis data instead of quantification in data collection. In other words, without using numbers, qualitative research concentrates on words so as to examine and interpret a process, context and finds conclusion of the research. Moreover, qualitative research method delivers viewpoint of contributors but also contextual understanding, for example, their behavior, values and beliefs (Bryman, 2011).

Taking the theme of thesis into consideration, the author applied case study method to analyze behaviors of subjects. The writer did make an interview to stakeholders of targeted organization – Vietjet Air. The interview guideline is positioned in Appendix

section of this paper. The focus is on both primary and secondary data to make qualitative analysis. The former was achieved from in-depth interview while the latter was generated through annual reports, financial reports, company websites, other aviation organization websites and news release.

After collecting enough data from primary and secondary sources, the researcher classified information to be able to answer each proposed research questions. The propositions help form a theoretical orientation guide to analyze case study, especially theoretical proposition with questions including “how” and “why” are significantly advantageous. The next step to be done is referring back to Literature Review to understand meaning of accumulated data. As a result, conclusion came out by comparing data with the prepositioned theoretical framework. Secondary facts and figures help strengthen the author’s implications and render reliability and measurability of conclusion.

3.3 Limitation

Insufficient number data

A drawback is that the findings may not be applied to broader populations with the same level of certainty, which quantitative analyses with clear numbers can manage, because these findings of the study are not statistically tested. Nonetheless, qualitative analysis also has its superior advantage over quantitative study. In terms of qualitative research applied in this study, qualitative information provides a broad yet detailed picture as a background to build up rationale behind people's reactions and their feelings about these actions.

Confidentiality

With respect to request and wish of interviewees, building trust and rapport with them, as well as following policy of the company, all of their personal identification cannot be revealed. It also helps the research maintain ethical values and reliability of research process. However, the information they provided is valuable and helps bring a beneficial tool to answer research questions.

Time constraint

Due to time limitation, the study is restrained to one but critical case study instead on some corporations. Furthermore, the researcher was not able to interview with many stakeholders. However, the chosen informants did provide key information for the objective of this study. Also, upon achieving the objective, research can bring an idea to the literature of service quality of low-cost airline companies, which further research can then use to develop service quality management analysis, improving customer satisfaction and strengthen customer loyalty or retention.

4. Findings and Discussion

4.1 Findings for Research Question 1

4.1.1 Elements of service quality that make customer satisfied

The author assumes that *price* is the factor that makes customers satisfied most, and it is actually the answer of almost all customer interviewees. Most of them mentioned that Vietjet Air offers “affordable price”. The partnership director and flight attendant interviewees even added that Vietjet Air can offer “affordable price in case of emergency”. Low-cost carriers are expected to offer cheaper fares than traditional one. The Image dimension of AIRQUAL is the element attracts most of customer’s attention when travelling with Vietjet Air, beside the criteria of time. It is consistent with the research of Nguyen (2014), which states “price has the most impact on customer satisfaction in low-cost carriers”. Previous papers also show that price can be a strategic marketing strategy when carriers are trying to capture market’s attention (O’Connell and Williams, 2005; Saha and Theingi, 2009).

From internal side, according to statistics of CSS, they mention that factor that has highest percentage of customer satisfaction is *attractive website display*, together with user-friendly features. It shows a novel idea that has not been studied. Website display

belongs to Airline Tangibles in AIRQUAL model, and it actually impacts on passengers of Vietjet Air. It also belongs to Empathy in terms of conveniently booking flights and buying tickets. User-friendly website can facilitate their purchasing experiences; in turn, it influences their mood status and assists their purchase activity from booking to buying. According to Mummaleneni (2005), the atmosphere that website brings to customer's purchasing experiences has possibility to affect their opinions towards the organization as well. It is a critical factor because most low-cost carriers in general and Vietjet Air in particular have their sales activities mostly on cyberspace to reduce cost. 47% of passengers book ticket through airline website (Q&Me, 2017). Therefore, it becomes the representative element of the corporation to passengers. The website of Vietjet Air is aesthetically appealing, with red and yellow - symbolic color of Vietjet Air, yet professional and easy to use with six languages (Vietnamese, English, Korean, Thai, Chinese, Mandarin). As a result, customers can explore a various range of service supplied by Vietjet, not only saving time but also enhancing their own search and evaluation. It lowers the risk of suffering dissatisfaction because the information is now adequately delivered, which leads to their satisfaction of service interaction.

Additionally, *appearance and professionalism of staffs* is also ranked high in CSS.

The respondents expressed their idea:

“ I love the clothes of ground staffs and flight attendants. They are vividly red which is an energetic color and draw attention, also bring about the idea of Vietnamese flag. Wearing shorts making female attendants convenient in serving in flights, and it makes them also look active.” (Associate, Law, 2018)

“ I am satisfied with solutions of ground staffs every time I encounter problem at the airport. For example, one time I was late for check-in procedure. The officer supported by allowing me to pay VND 400,000 (around US\$20) to travel in the next flight.” (Partnership director, 2018)

The ground officer manager also said about this in the interview. This Personnel aspect in AIRQUAL model is not only an aesthetic but professional aspect that has influence on customer's perceptions as well as happiness, satisfaction. Vietjet invests a lot on human resource. It is an important factor, although it may be costly at the beginning, it will pay off fruitfully. Vietjet has reassessment after every training, secret passengers (who are actually internal people), rewards for best employees, and cross evaluation. Current, about manpower protection, the target of VietJet Air is becoming a multinational corporation, with the network to over the area and the world. Therefore,

human sources of VietJet are selected from more from more than 30 nations, and possess professional experience (especially pilots, engineers, flight controllers). On the strong working platform, the foreign personnel with Vietnamese people will create a professional and international environment, and efficient performance. It is the core value that supports the development of VietJet in the last 5 years. Vietjet currently has a Training Centre with national qualified certificate required for training pilots, engineers, flight controllers, cabin attendant, ground engineering. In 2016, 656 courses were provided for 8,287 students with 25,249 hours of training (Viet Capital Securities Prospectus, 2016). Besides, an incorporate program with Airbus is the Academic of Vietjet with Simulator, operating from the end of 2017. It helps upgrading ability and efficiency of training pilots. As a result of all abovementioned efforts by Vietjet, professional employees have contributed to raise customer satisfaction.

4.1.2 Elements of service quality that make customer dissatisfied

On the other hand, *delayed flights* that cause time-consuming problem to users are the reason for their dissatisfaction. Whichever purposes are (business trip, visiting, travelling), time is customer's priority. Although they understand and empathetic

towards the reason of delay, long-hour delays somehow cause inconvenience and make passengers feel exhausted. Flight attendant interviewee mentioned:

“30 to 40-minute delay is acceptable but if it is longer then customer satisfaction will be impacted.” (Flight attendant, 2018)

As she is also working in aviation service industry, she understands the rationales behind a delayed flight and answered:

“It is acceptable for delayed airlines because of weather condition or runway congestion. But for any reasons, if the delay is longer than one hour, then passengers will be dissatisfied because it affects their travelling, visiting, even business trips.” (Flight attendant, 2018)

Her answer proves that there are some people can be empathy when unexpected delays happen. However, majority of customers may not understand but feel uncomfortable. They think it badly affects their plans, schedules and waste of time.

Beside delay issue, *in-flight tangibles* are another factor that customers care about but do not meet their needs. An interviewee explained that as using budget airlines, customers usually may not expect meal service. Indeed, Vietjet Air has been trying to excel their catering service with various dish choices and updating menu. However, she

was complaining about narrow aisles. It is subjected to the type of aircraft utilized by Vietjet Air and many other low-cost air service providers as well. They use one type of airplane in average class, usually Airbus A320 or Boeing 737, to reduce operation cost and training staffs cost.

As information provided by Vietjet Air managers conveyed that customers feel uncomfortable when they call the hotline for booking ticket or having concern. It usually takes them *too long to connect to this hotline*, especially in peak season. They do not like waiting time (idle time) for accessing to hotline.

In summary, the first question was to determine what satisfactory and unsatisfactory factors to customer's consideration. One of the key highlighted gaps among this paper and empirical studies is that websites display has not ever been regarded as element impacts satisfaction level. The researcher figure out that employees' appearance attracts customer satitisation. A study by Vilnai-Yavets & Rafaeli (2006) proves the idea. In that study of virtual service scape, they have examined the positive effect of aesthetic and professional perspectives on feeling of consumers and approach to service interaction of an organization in service industry. Whilst price, website display, and

officer’s professionalism and appearance are features making customers of Vietjet Air feel satisfied, there are some reasons for their dissatisfaction. Mostly they are complaining about delay of flights, long time taking to call hotline and in-flight tangible. Mohd-Zahari et al. (2011) in their research determine onboard meals significantly impacts on customer satisfaction. In contrast, an interviewee that the author asked does not expect much for meal but complains about narrow aisles.

4.2 Findings for Research Question 2

To begin with, the low-cost carrier and traditional airlines have major differences in cost structure, product supply and price of the product. This difference stems from the operation principle of the firm. The thesis first analyzes the principle of operation of the two types of air transport and draw the distinction between them, in order to provide an outlook for easier understanding the root of differences in customer satisfaction discussed later.

The traditional airlines	The low-cost airlines
The traditional airlines have the ability to provide a full range of services to customers, which allows customers to	For the low-cost carrier, the object of their main customers are the only ones interested in moving from place to place

<p>travel to many places in the world with the fastest transit times. To achieve it, traditional airlines need a logical network based on the following principles:</p> <ul style="list-style-type: none"> • Network of the airline flying is structured around a central hub or switch; • Among the traditional airlines, there are alliances or other forms of cooperation, partnership, joint venture; • The company applies a flexible price policy for each customer; • The traditional airlines have operated Yield Management system (YM) - a form of effective revenue administration; • The company always enhanced services to attract customers, 	<p>with fast-moving time and the lowest possible cost without interested in fully equipped convenience when flying.</p> <p>Operating model of the low-cost carrier was described in section “2.5.2 Characteristics of low-cost airlines”.</p>
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maintaining relationships with regular customers.

(Cento, 2009)

Considering *satisfactory factors of Vietjet Air's users*, the first to be analyzed is *price*. Passengers consider Vietnam Airlines (VNA) – Vietnam's national full-service airline – as higher quality but higher ticket price than Vietjet Air. The reason is operating principles of the two carriers. For the low-cost airline, it is very low price and often only one price for all clients. The prices vary with time that customers buy sooner or later. These companies do not often make restrictions on ticket conditions, and simultaneously apply simple YM system so as to increase the use of seats. Meanwhile, the traditional airlines have a wide variety of prices to meet the requirements of many different passengers, while building sophisticated and complicated YM system.. Terminal tangibles such as waiting lounge are also eliminated by Vietjet Air, while Vietnam Airlines offers both systems of waiting lounge and enclosed ground services for clients.

Website is another aspect that Vietjet Air wins customer satisfaction. In 16th May 2016, Vietnam Airlines made an effort to change its website display that more user-

friendly, minimal booking procedure with colorful and lively appearance. However, just two month after Vietnam Airlines changed its website display, in 29th July, it was hacked by a Chinese hacker group. This serious problem enforced customer's personal information leaking, which was 90MB information of around 400,000 accounts (Kieu et al., 2016). It makes users feel unsafe and also prevents from purchasing ticket online.

Appearance of staffs also receives different feedback from passengers. Synchronizing with the change of website, Vietnam Airlines changed uniform of staffs at the same time. Flight attendant's uniform remains "Ao dai" (traditional clothes of Vietnam), but changes from red to yellow and green, so that it can mix and match with colors of airplanes. However, it has received many controversies. The two new colors were commented as making appearance of crews paler, not as energetic and "look healthy" as could red "Ao dai" bring. Also, regarding *professional employees*, interviewees judge highly Vietnam Airlines' personnel. It may be thanks to professional trainings that staffs of Vietnam Airlines receive. Initial and recurrent training programs are be completed by additional modules such as simplified English use, Fuel Tank Safety (FTS), Electrical Wiring Interconnection System (EWIS), CAAV Regulation, Organization, Human Factors, approved Manuals & Procedures (Vietnam Airlines

Annual Report, 2017). A detailed man-hour plan is performed to assess the capability of the department to face the current and expected workload. New staffs are placed in the department on an on-the-job training scheme to ensure that within the course of the next two years they acquire the necessary background and skills to be productive in the department. Engineers can attend training in six to twelve months in Toulouse (France) and Massachusetts (USA) to improve expertise and get specialized certificate such as CAT A, CAT B. Likewise, pilots can be trained in around two years in New Zealand, USA and France (Vietnam Airlines' Annual Report, 2017).

In terms of *factors that Vietjet Air disappoints consumers*, the interviewees of external side all agree that VNA is better than Vietjet Air. First, there are two reasons for delayed flight operated by low-cost carriers, which usually do not happen to full-service airlines. The first reason is Vietjet Air combines two flights into one in regular season (not peak season and holiday). Therefore, the flight with earlier schedule will be “delayed” to the schedule of next one. The information that passengers usually receive is “Change in flight operating plan”. The next reason is during peak season, low-cost carrier often tries to operate as many flights as possible. Sometimes the period of time

between each flight is too small that late arrival of a flight leads to delay of the following flight. Therefore, the lateness of flights is inevitable.

Second, *hotline's connecting issue* is a problem that Vietnam Airlines does not make passengers bear. Vietjet Air, among other low-cost carriers, applies a few or almost no form of ticket sales through agents as distribution system in order to cut cost. Ticket sales are mostly direct via telephone or the Internet. Therefore, the hotline is almost always busy, especially during high demand period. Conversely, full-service airlines like VNA use all distribution channels, yet mostly through the box office system and agents. Therefore, their users will not suffer from hotline lag.

Third, *in-flight tangibles* of the legacy airline are superior. About the fleet, the low-cost carrier mainly uses a single type of aircraft, aircraft now used popularly is B737 and A320. The fleet of the enterprise has a high average life expectancy (more than 11h/day), and there is no transit hub. According to interviewees from Vietjet Air, distribution of seat on the plane is dense (180 seats for A320, 220-230 seats for A321) so gaps between seats are narrow. Traditional airlines have varied fleet. The company uses diversified kinds of aircraft and optimizes the use of air transit hub. For air service, Vietjet Air usually provides just one cabin onboard, single class, and does not either allocate seats or provide free of related services on aircraft such as food, beverages,

newspapers, magazines. When customers demand for snacks or drinks on the plane, they would have to pay, the remaining services are not provided as well. Meanwhile, Vietnam Airlines's passengers are usually divided into three cabins for different class, with the number of seat for each customer. On long-haul flights, the airline has served meals, drinks and other free services such as newspapers, magazines, entertainment. Moreover, the company has a lot of different types of services to meet the needs of each customer.

In view of secondary data collection, the researcher came up with a survey about service quality conducted in 6/2017 by Q&Me Vietnam. With the population of 387 Vietnamese people between 18-39 years old, 67% percent of people have Vietnam Airlines first coming in their mind, and 73% think that it is a high class, high quality carriers (Q&Me Vietnam, 2017). Besides, Vietjet Air impresses passengers with active and youthful image, with a lot of interesting promotions. 59% would choose Vietjet Air because it is the first Vietnamese private low-cost airline, which offers competitive price not only in aviation market but also in the whole transportation market.

4.3 Findings for Research Question 3

4.3.1 Growth rate of low-cost airlines in Vietnam

According to IATA, Asia-Pacific region has become the largest aviation market in the world since 2009. The number of passengers has gained from 647 million in 2009 to one billion in 2015, accounting for almost 30% aerial activities, in terms of ASK (Available Seat Kilometer). This region is also projected to have CAGR (Compound Annual Growth Rate) of 6.0% in 2015-2035 (Boeing Report, 2016). ASEAN Single Aviation Market (ASAM) Policy, valid from January 1st 2016, has brought a new opportunity for regional carriers. Vietnam is a country located in the dynamic economic region of Asia – Pacific, with high speed of economic development, large population, political stability and the government's open policy. CAAV evaluates that Vietnam's aviation market would grow the fastest in the region. It is projected that from now to 2020, growth rate will be 25-30% per year. According to prospectus by Viet Capital Securities, from 2010 to 2015, CAGR of international passengers travel to and from Vietnam is 9.5% and 13.8%, respectively. Considering CAGR of total passengers travelling in Vietnam is 14.3% in period of 2011-2015, proving to be a dynamic and fast growing market. In terms of passenger movement at airports, by 2015, the number of

inbound passengers reached 7149 million and outbound passengers were 6095 million (Viet Capital Securities' Prospectus).

The strong development of the industry brings huge profits for the domestic economy. The aviation industry is an important economic strategy of the country. Airline industry creates jobs, boosts local economies to grow and stand firmly on the international market.

Vietnam is becoming an attractive tourist destination for international visitors, as cost is cheap and culture is diverse. Moreover, since Vietnam was officially a member of the WTO, along with investment policy of the Government, the number of business in Vietnam will increase. It brings great opportunities for low-cost carriers in the country to flourish.

Business result on the market share of passenger transport by domestic airlines has considerably changed. Vietnam Airlines transported less than half of domestic tourists with 42%, while Vietjet Air has developed with approximately 43% market share (Thang, 2017).

The Ministry of Transport states that the rapid development of the low-cost carrier over time is a result of the open and reform policy of the Government of Vietnam. Following Civil Aviation regulation (formally took effect from 1/1/2007), the Government has issued many important legal documents in the field of air transport such as Decree 75/2007/ND-CP on investigating incidents of civil aircraft accidents; Decree 76/2007/ND-CP on business air transport and general aviation operations. Civil Aviation Act allows all economic sectors to participate in air transportation business. Airline firms established and operating under the Enterprise Law will be treated equally (Ministry of Justice of Vietnam, 2007). Liberal policies not only help international airlines in Vietnam run easily but also facilitate the formation of new domestic airlines.

4.3.2 Analysis of current situation of service quality in Vietnam based on model of AIRQUAL

Airline Tangibles

In terms of technical factors, Vietnam's aviation safety index is in a blue band (about 0.4 incident/ 1,000 flights), not alarming. In order to ensure the safety of a flight, a technical test that lasts until the last moment before rolling and continues during

rollover to take off is also carried out to ensure flight safety. A320 aircraft series with one aisle design and capacity of 180-220 seats are mostly utilized by carriers in Vietnam because they save fuel and maximize capability of seat arrangement.

Moreover, in-flight service is also stressed by not only legacy airlines but budget airlines as well. Vietnam Airlines, upon becoming a member of Sky Team Alliance and qualified four-star airline, the company is also implementing a four-star service upgraded program and announcing a new brand recognition system to bring a dynamic, constantly changing national airline image. To meet the needs of customers better, in Boeing 787-9 and Airbus A350-900, customers can have comfortable experience with wide space of business class seats 180 degrees flat, passenger cabin designed with larger luggage compartment, wider window, air conditioning system, and automatically adjustable LED. Passengers have access to the most modern entertainment and connectivity system with big LCD screens and auxiliary applications equipped to the chair (charger, satellite phone, Wi-Fi). Passengers can experience wireless Internet via airplane entertainment system or electronic devices such as iPad, laptop, and smartphone (Vietnam Airline website).

In-flight meal service is progressively improving. According to the author's observation on a flight by Vietnam Airlines as a business class traveller, dishes and service style are pretty much similar to fine dining restaurant: start with appetizer, then entrée and finish with dessert. Low-cost carriers are definitely not out of the race. Jestar Pacific, as part of its plan to innovate and improve its quality, the low-cost carriers have also signed a new contract with Airbus. This promises to bring customers opportunity to experience new generation of airplane with modern, quality and punctuality. Besides, creating interesting surprises for passengers on special occasions such as traditional Tet, Mid-Autumn Festival is also one of the strategies to improve the quality of services of low-cost airlines. Considering Vietjet Air's onboard service, the commencement of Skyboss – “Wing The Leaders” – marks a strategic move of the carrier to penetrate a new market segment. Skyboss is the same as business class in traditional airlines, which offers many privileges such as lounge service, check-in, baggage allowance, private pick-up car and serve free meals. This is the only Vietjet class to have a private waiting room with a luxurious space to relax, work and play before the flight, unlimited food and beverages and access free Wi-Fi. As mentioned by Vietjet's customer service manager interviewee, although Skyboss has not brought much profit to Vietjet since it

was launched, it indicates a determination and ambition of Vietjet to expand business.

Skyboss is getting positive feedbacks from users.

Despite the fact that Vietnamese passengers may not expect high airline tangibles on flights operated by low-cost carriers, these enterprises still focus on in-flight service to build competitive advantage in comparison to the legacy airline which is also trying its best in winning market share.

Terminal Tangibles

Infrastructure of airports in Vietnam is still inadequate. Every delay in increasing flight operational ability at the airport can affect aircraft productivity maximization. It also lengthens turnaround times between operations. In addition, many airports in Vietnam are not equipped to operate night flights, thus reducing the company's flexibility in providing travel services to these locations. The expansion of carriers' business, including new destinations and increased frequency on existing routes, may foster the risk of delays in the flight and reduce operational efficiency, thereby affecting profitability and prestige.

In the trend of developing infrastructure of aviation, many airports are upgraded and expanded to increase capacity, such as Tan Son Nhat airport. It is urgently expanding to increase capacity to 40 - 50 million passengers/ year until 2020. Cam Ranh International Airport is expected to complete the construction of second runway and a new terminal by 2018, increasing the current service capacity from 1.6 million to 2.6 million passengers. Long Thanh international airport will have a capacity of 25 million passengers per year when completing the first phase (at the latest by 2025) with the total capacity of 100 million passengers per year (Bao, 2018). Civil Aviation Authority of Vietnam (CAAV) and other airlines have supplemented and enhanced their equipment to minimize downtime for technical reasons for technical equipment, proper arrangement of signal systems, signboards, and equipment in direct service of passengers, especially passengers with disabilities. Reviewing and arranging ground for providing non-aeronautical services meets the business demand of enterprises renting space, suitable with the scale and conditions of the airport's infrastructure, ensuring the reasonable accommodation, convenient for passengers to use as well as ensure the beauty of the area in passenger terminal. Airlines also renovate and strengthen environmental sanitation, installed of surveillance cameras in all sensitive areas such as

check-in areas, luggage conveyors, and aircraft boarding gates to manage and monitor all activities at the airport (CAAV, 2017).

With all attempt by the government and related organizations, it is a positive signal that they are trying to innovating terminal tangibles, which will bring an optimistic prospective to the development of airport infrastructure in Vietnam.

Personnel

Aviation is an economic-technical business applying modern science and technology, advanced management skills and a close linkage between science, technology, training and research. With the production and business activities, many human resources in airline industry are specialized and highly specialized, requiring appropriate trainings.

Due to the intensive training of specialized personnel, most of the specialized trainings in Vietnam have focused on training in universities, colleges, secondary schools, specialized certificates, and practical training. Postgraduate training in aviation majors is mainly taught abroad. Besides Hanoi University of Technology and Ho Chi Minh City University of Technology that involve in training aviation academics,

Vietnam Aviation Academy is the only human resource training institution for airline industry in Vietnam from the intermediate level, to professional qualification and university. Currently, Vietnam Aviation Academy is training in aviation specialties such as flight management, aviation engineering, shipping management, port management, tourism management, air traffic control, aircraft technical maintenance, aviation electronic technology, aviation security inspection, aviation commercial services at both colleges, intermediate and professional aviation as well as professional aviation certificate. After many years of investment and construction with ODA from the Government of France, the Academy has a pilot training center in Cam Ranh. By the end of 2012, the institute launched a private pilot license (PPL) training program for Vietnam Airlines, opening up a new direction and enhancing the capacity for basic aircraft operation training in Vietnam (Nguyen, 2017). Vietnam Airlines, Airport Corporation of Vietnam, Vietnam Air Traffic Management Corporation and some other enterprises in the industry have organized training centers training. In Vietnam, there are currently two models that have been being applied by businesses in the industry (Tran et al., 2017):

- Model 1: Enterprises recruit laborers who have been trained by general training institutions, then trained more in specialized training institutions and then trained according to occupation and work that they undertake;
- Model 2: Employers recruited workers who have been trained by aviation institutions and trained according to the occupations and work they are in charge of.

With nearly 39,000 employees in the industry at the moment, CAAV forecasts that by 2015 there will be about 45,000 people working in the industry, an average of 5% increase per year. However, with the natural reduction of 3% each year, there will be a demand of 3,000 people (Nguyen, 2017). It may cause a scarcity of human resources in aviation industry. It calls for intensive yet regular and stable professional talent trainings.

In regards to employee's attitude, some media and social networking sites have reflected the phenomenon of aviation staff behaving inappropriately with passengers recently in Vietnam. For instance, a staffs at Tan Son Nhat airport tore boarding pass of a passenger who was late for boarding. This negatively affects the image of the aviation industry, affecting the quality of aviation services. In order to avoid similar problems happening in the future, the CAAV has requested Vietnamese airlines to enhance the

training of knowledge, skills and working style of staff in passenger service, thoroughly understand and raise the spirit and attitude of serving customers. At the same time intensify inspection and supervision of the implementation, especially for staffs who are working directly with passengers. The CAAV also requires serious disciplinary action against employees with unprofessional behaviors (CAAV, 2017). On the other side, there are still many good example of employees such as Thai Hoang Nam – a ground officer in Tan Son Nhat Airport – gave back assets with total value up to US\$100,000.

Every company creates its own business culture. Changes in service quality stem from the attitude of staffs. They can change the attitudes of daily life in communication with other colleagues. Carriers are recommended to thoroughly organize and supervise staffs, as well as be strict to those violating rules.

Image

First of all, as part of overall business model, airlines relies on the ability to be actively identified the brand, among other factors, to attract customers. The company's brand and customer trust may be affected in the future by a great number of factors, such as safety concerns, service quality, reliability, punctuality and this can degrade the company's marketing capabilities. Restoring the brand and reputation of companies can

be costly and difficult to implement. Carriers in Vietnam have always strived to maintain and develop the brand through various marketing methods, such as press releases, press conferences, event organization, social media, online advertising and search engine optimization to increase the visibility of the company's website in search engines.

Second, the domestic airlines are supported and prioritized in all aspects by Vietnamese Government. It is a method to promote national economic development as well as Vietnamese aviation competitiveness in global market. Besides, Vietnam Aviation Regulation amended in 2006, allowing individuals to own private airlines (CAAV, 2016).

Third, as local low-cost carriers are based and operate in Vietnam, they has the advantage of understanding psychology, culture and needs of local customers.

Fourth, fare is much cheaper than full-service airlines, together with many promotions and fast, easy booking process. For example, Jetstar has promotional discounts on a weekday with implementation phase periodically sell cheap tickets to

11am each day for customers who purchase tickets online at the website and radio
www.jetstar.com via Internet Banking payment method (Jetstar’s website).

Empathy

The geographical feature of Vietnam is long and narrow like the S shape, as well as highlands, making travelling by road difficult. Moreover, railway and other infrastructure is not as favorable and convenient as air travelling. It leads to the increasing market sharing of airlines, from 43% in 2010 to 54% in 2014. There are some reasons that make customers prefer air travelling to other means of transport:

- It takes less time travelling by air, especially between Northern and Southern Vietnam
- Ticket price has subtle gap, and train ticket is sometimes even higher than flight ticket

Means of transport	Duration (Hr)	
	HCMC - Hanoi	HCMC – Da Nang
Airplane	2:05	1:20

Car/Bus	35:00	15:30
Train	34:00	17:00

Route	Average price (VND)		
	Road	Air	Railway
HCMC – Da Nang	405.458	615.000	616.833
HCMC - Hanoi	861.385	961.000	1.066.278

Table 3. Comparison among means of transport in Vietnam

The table above illustrates how advantageous travelling by air is, over other means of transport, thus proves that needs and interests of customers for air transportation in Vietnam are really high. This is a valuable chance that Vietnamese low-cost carriers should attempt to grab.

Another problem that Vietnamese customers are in concern is delay. According to Mr. Tran Bao Ngoc – Head of Transportation Ministry, the delay rate of 2017 was 12.2%, down 3.6 points over the same period of 2016 and the cancellation rate was 0.5%, down 0.1 point compared to the same period of 2016. Delays, cancellations involve a variety of factors, from infrastructure to service to airlines. Many factors affect the efficiency of airline operations. For example, in case of VietJet Air, according

to international standards can turn around less than 30 minutes, but when examining infrastructure conditions, it is forced to last up to 35 minutes. This means that each flight takes another five minutes, but this ensures that all procedures are met. However, he states that the rate of flight on time in Vietnam is 87.7%, which is very high compared to the average flight time in 2017 of airlines in the world (75-79%). Mr. Tran claims that The Ministry of Transportation has amended civil aviation law to regulate compensation, ticket price, and procedure reduction so as to decrease delays. *Delay issue significantly affects* customer satisfaction, as it has bad influence on their physical and emotional condition. It leads to the need for transportation ministry and corporations in airline industry, especially low-cost airlines vulnerable to delays, continuously making effort to prevent it.

4.4 Summary of Result

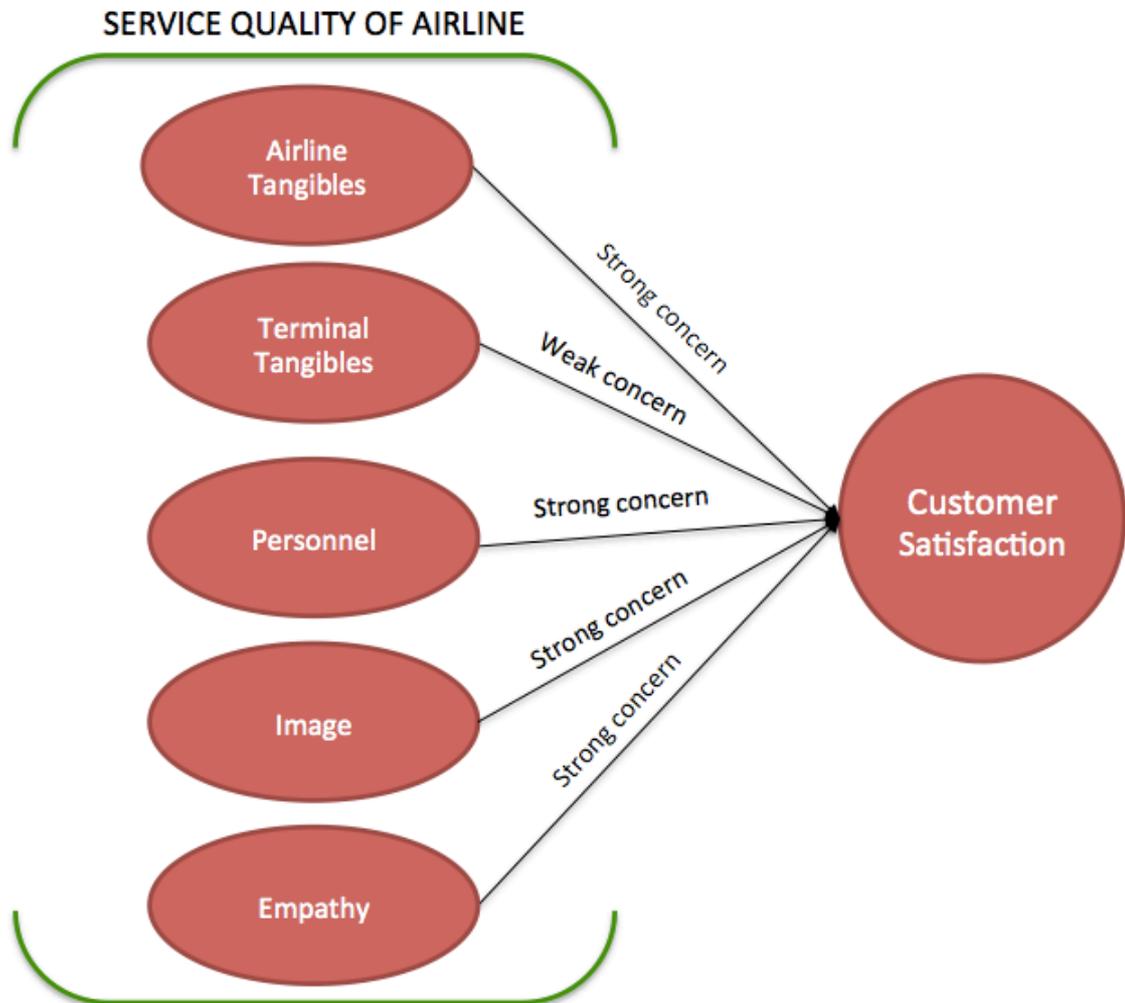


Figure 4. Revised Conceptual Framework

The above revised conceptual framework visualizes main outcomes of the research. “Strong concern” dimensions are top-of-mind dimensions, meaning that customers consider and care about them when being asked for service quality comments. Passengers are concerned about Airline Tangible (price, website display, in-flight facilities, employee’s appearance), Personnel (employee’s professional working attitude

and problem solving skills), and Empathy (accessibility to company’s hotline). For Terminal Tangibles, customers show weak level of concern. It has less effect on customer satisfaction than the other dimensions, as they do not mention features belonging to Terminal Tangibles aspect.

As a result of the study, it denotes some key gaps among empirical studies, which can be summarized in the following table:

The research	Empirical research
<p>Websites display (belong to Airline Tangibles) is regarded as element impacts satisfaction level. Website display is user-friendly, attractive visuals (which covered in Empathy) are competitive advantage in cyberspace sales.</p>	<p>Websites display has not ever been regarded as element impacts satisfaction level, but other elements have most impact. Instead, price has most impact (Nguyen, 2014, O'Connell Williams, 2005), Saha and Theingi, 2009).</p>
<p>Aesthetic aspect of employee (Personnel and Empathy dimension) has effect on customer satisfaction</p>	<p>Only employee empathy to customers has effect (VR Nedunchezian, 2018)</p>

<p>Punctuality of departure and arrival (Empathy criteria) draws high attention from customers, thus has most effect on their satisfaction level</p>	<p>Price has most impact (Nguyen, 2014, O'Connell Williams, 2005), Saha and Theingi, 2009).</p>
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Furthermore, the table below summarizes distinction between Vietjet Air and Vietnam Airlines, in strongly concerned dimensions to passengers:

<p>Dimensions of Service Quality (AIRQUAL)</p>	<p>Vietnam Airlines</p>	<p>Vietjet Air</p>
<p>Airline Tangibles</p>	<p>Modern fleet with elegant and luxurious interior design: Boeing 777/787, Fokker 70, Airbus 320/321 In-flight facilities: meal service, newspaper or magazines available, wide aisles and seats, multiple cabin classes</p>	<p>Modern and innovative fleet which are all under 3 years: Airbus and Sharklet A320 In-flight facilities: narrow aisles, no catering, newspaper or magazines available, single cabin class</p>

Personnel	<p>Professional staffs, traditional uniforms (Ao dai)</p> <p>Flexible solution to problems</p> <p>Professional and thorough training programs</p>	<p>Professional staffs, but with young, bright and modern style</p> <p>Flexible solution to problems</p> <p>Initial training programs</p>
Image	<p>“Trustful” (52%), “Good service” (46%), “High quality” (41%)</p>	<p>“Affordable” (71%), “Cool” (37%), “New” (27%)</p>
Empathy	<p>Mostly punctual flights, less promotions than Vietjet Air</p> <p>Many distribution channels</p>	<p>Frequently delayed flights, more promotions</p> <p>Distribution channels: Mostly online and telesales</p>

Table 4. Comparison between Vietnam Airlines and Vietjet Air in summary

(Source: Author, with reference to Q&Me Market Research information, 2018)

Finally, considering the growth rate of Vietnam aviation, it is high with promising numbers. For airline tangibles, both legacy and low-cost airlines are rushing to innovate and improve facilities as many as possible. Terminal tangibles are enhanced with the government's support and sponsorship. The government also helps to train professional employees, together with specialized programs by every carrier. The image of low-cost airlines in Vietnam is getting better in customer's evaluation, because they are developing brand awareness and running promotion campaigns. In Empathy aspects, Vietnamese tend to prefer air transport to others, but delay is issued is the most noticeable restraint that both airlines and government are attempting to diminish.

5. Conclusion

Air transport is a large business. In such an industry that differentiation is so difficult like air transportation, understanding of relationship between customer satisfaction and service quality is essential. Otherwise, passengers can easily move to other airlines with reasonable service. With reference to AIRQUAL model as a grounded theoretic model, accompanied by primary and secondary data analysis, the research points out that besides price war, carriers should also notice aesthetical perspectives like website displays, employees' appearance and professionalism too. It has yet to be mentioned that other than delay, the rationales behind *customer dissatisfaction* are long time waiting to call hotline and in-flight facilities. Further, beside image aspect in AIRQUAL model, in the other aspects, Vietnam Airlines is regarded by passengers as better airline service provider than Vietjet Air. Condition of Vietnam is also favorable low-cost airline model settlement, in both social and economic and geographic respects. The study presents service quality in low-cost airline industry, which can serve as a background for further investigation.

5.1 Recommendation for literature

First of all, this study contributes to the literature of service quality of low-cost airline companies by enhancing the knowledge of analyzed dimensions, which may be utilized to develop knowledge of customer satisfaction improvement and produce better customer loyalty (Alotaibi M., 2015).

Second, studies of customer satisfaction and service quality relationship are various (Lai and Chen 2011; Wen et al. 2005, Abdullah et al., 2007), but for low-cost airline model, which has always been among top attraction in business, research is still limited. A study that proposes what customers care when travelling with an airline brings an opportunity to have deeper insights into customer satisfaction. Further research can then use it as a basis to develop service quality management analysis.

Finally, because low-cost model was first introduced in a Western country (Thai, 2014), a research elaborating on comparison between Eastern and Western countries in terms of relationship between customer satisfaction and service quality in low-cost carriers can broaden the scope of knowledge. This type of research can explore

differences and explain why these differences exist, which are able to provide useful lessons and tactics.

5.2 Recommendation for practitioners

According to this paper, one recommendation to be made is carriers should have deep understanding of who customers are and what their needs and wants from airline services are. Passengers care about very simple aspects in airline service quality: remain punctuality and take good care of customers when delays happen. It means customer satisfaction cannot be fulfilled if those services are sufficiently executed.

In addition, passengers consider physical evidence of airlines at the airport as well, especially in case of delays. Therefore, service providers should focus on improving services at the airport. For example, some facilities that can be equipped at the waiting lounge are:

- Instruction signs and information board: They should be detailed and easy-to-follow as nowadays, there are many passengers who travel by airplane for the first time. Instruction signs contain custom and boarding gates location. Information board should show customers detail of their flight: counter number, boarding gates, boarding time, status (open, boarding, closed, delay);

- Smoking area: Many passengers cannot stand smoking; therefore, smoking area is necessary;
- Entertainment: One big LCD screen in the waiting lounge with airline's advertisement or tourism programs. They both keep customers entertained and promote firms, tourist attractions;
- Toilets, power chargers: These are necessary, especially when delay happens. Toilets are always human basic need, while power chargers are for electronic devices. In the cyberspace era, technological devices help people work and keep them entertained. That is why just a small detail like providing power chargers can make huge different to airline

Last but not least, the outcome of this work supports the importance for airlines to beware of service quality that has effect on customer satisfaction. Airline needs to promote their product and attract consumer with their marketing campaigns and advertising. Sales could be enhanced through proper marketing strategies and right resources allocation. On the other hand, the carriers should also avoid exaggeration in promising service quality, which may leads to its customer's higher expectation. As a result, satisfaction would now become more challenging to achieve. As long as they can

maintain their service quality fitting the price concept, they can gain the highest perception. In the researcher's opinion, effective advertising channels of low-cost carriers may further enhance airline's competitiveness in Vietnam are:

- Television: Firms need to spend a cost for the promotion of its image on national channel such as VTV3, VTV1 because these channels are the most effective in the Vietnam market. If they intend to expand overseas routes, they need to advertise on VTV4 for expatriates and students studying overseas to let them be aware of airlines and appeal them to use the product. This is the shortest path taking its image came to mind of potential customers;
- Radio: Low-cost carriers have flights to all regions of the country, and radio is putting its voice the most remote areas. Therefore, it should not ignore this promotion channel;
- Newspapers and magazines: carriers need to strengthen their image in such magazines for entrepreneurs and young people as “Nhịp cầu đầu tư” or daily press such as “Tuổi trẻ”. In addition, specialized magazines such as aviation magazines and travel will attract many tourists and residents;
- Internet: Nowadays, the Internet is growing very strongly in Vietnam. There are many online newspapers sites such as vnexpress.net, dantri.com.vn, which have

huge number of visitors. Placing banner ads on these websites will attract the attention of viewers, including many potential customers;

- Panels, billboards: large billboards placed at the correct point of sight in city center or on the highway will also promote the image of airlines when they want to approach and expand market;
- Ad on over-the-top (OTT) services: Viber, Zalo are among the most common in Vietnam;
- Viral clips on the media: YouTube, Facebook and some other fanpages

5.3 Limitation of the research

In addition to the objectives that the research project has achieved, it still has limitations. Firstly, the study only conducted a study of the satisfaction of Vietjet Air and has not thoroughly studied other airlines so there is no comparison between different airlines. Secondly, this study did not taken into account the nationality aspect. It is about the satisfaction of customers on Vietjet Air's Vietnamese passengers, not international passenger; also, the number of interviewees is not so large. Therefore, the representativeness of this study may be insufficient. Lastly, because of time limitation, the author could not deepen and go further on research activity. How satisfaction relates

to loyalty of customers with Vietjet Air is also a direction to develop further research topics.

In conclusion, after carrying out interviews with managers at Vietjet Air and customers, accompanied by secondary data analysis, the researcher figured out that elements of service quality satisfying users are price, appearance and professionalism of staffs, and Vietjet Air website. On the other hand, passengers feel unpleasant when they encounter delay, low quality in-flight service and calling the hotline keeps them waiting for too long. Another finding is that other than Image, customers highly evaluate the traditional airline in almost all dimensions of AIRQUAL. Nevertheless, Vietjet Air proves its proficiency by winning market shares and competitive advantage against other competitors, even Vietnam Airlines. It determines that Vietnam can be a promising market for budget carriers, not only in the case of Vietjet Air but also other airlines.

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Appendices

Interview Guideline

Vietnamese version

- ***Phần dành cho khách hàng***

1. Bạn có thường xuyên sử dụng dịch vụ bay của Vietjet Air không? Bạn có từng sử dụng dịch vụ của những hãng hàng không giá rẻ nước ngoài khác chưa (ví dụ Jetstar, Air Asia, Tiger Air...)?
2. Bạn quan tâm đến những yếu tố nào khi tham gia chuyến bay của Vietjet Air? Tại sao?
3. Yếu tố nào làm bạn hài lòng khi sử dụng dịch vụ bay của Vietjet Air? Tại sao?
4. Yếu tố nào làm bạn KHÔNG hài lòng khi sử dụng dịch vụ bay của Vietjet Air? Tại sao? Theo bạn, những yếu tố đó có tốt hơn nếu bay cùng các hãng hàng không truyền thống (ví dụ Vietnam Airlines) không?
5. Bạn cảm thấy phiền như thế nào với những chuyến bay bị trễ mặc dù đã được thông báo trước qua điện thoại hoặc tin nhắn từ Vietjet Air?
6. Bạn có đề nghị gì cho hãng hàng không Vietjet Air để tăng chất lượng dịch vụ không?

Xin chân thành cảm ơn bạn đã dành thời gian cho cuộc phỏng vấn này.

- ***Phần dành cho ban quản lý Vietjet Air***

1. Những yếu tố nào làm hành khách hài lòng và không hài lòng với các chuyến bay của Vietjet Air? Tại sao?
2. Phản ứng thường thấy của khách đối với các vấn đề đột xuất phát sinh như chuyến bay trễ, hành lý quá kén, k có hành lý dù đã mua là gì?
3. Giải pháp của Vietjet Air để tăng chất lượng dịch vụ là gì?
4. Sự hài lòng của khách hàng có tăng không sau khi Vietjet Air có những giải pháp như đã kể trên?

- ***For customers***

1. Do you usually travel with Vietjet Air? Have you travelled with any other foreign low-cost airlines, such as Jetstar, Air Asia, Tiger Air?
2. What are the factors that make you care most when in flight operated by low-cost airline in general and Vietjet Air in particular? Why?
3. What are the factors that make you satisfied in flight operated by Vietjet Air? Why?
4. What are the factors that make you dissatisfied in flight operated by Vietjet Air? Why? Do you expect to experience those factors better with legacy airlines (such as Vietnam Airlines)?
5. Do you mind delayed flight, despite being informed in advance by Vietjet Air? To what extent?
6. Do you have any recommendations for the carrier to increase service quality?

Thank you for your time and kindness!

- ***For managers***

1. What are the factors that make passengers satisfied/dissatisfied in flight operated by low-cost airlines? Why?
2. What are their common reactions to unexpected issues, such as delay, overweight luggage? What are Vietjet Air staff's solutions?
3. Which solutions that Vietjet Air has made to increase service quality and deal with problems causing dissatisfaction?
4. Does customer satisfaction increase after the aforementioned Vietjet Air's solutions?

	Answer to Question 1	Answer to Question 2	Answer to Question 3
Partnership director	Frequently use for domestic flights. Other experienced airlines: Nok Air, Thai Lion, AirAsia, Jetstar	Time (because of business trip)	Affordable price (even in case of emergency), many promotions, flexible flight routes, appearance and professionalism of employees
English teacher	Frequently use for domestic and international flights. Other experienced airlines: Jetstar	Time (to avoid affecting plans)	Affordable price, user-friendly website
Trade Consultant	Regularly use. Other experienced airlines: Nok Air, Thai Lion, Jetstar	Price, suitable flight time for travelling	Affordable price at some certain period of time, user-friendly website
Associate (Law)	Usually use for both domestic and international flights. Other experienced airlines: None	Price (to balance budget for travelling)	Low price for most of flight routes, appearance and professionalism of employees
Flight Attendant	Regularly use. Other experienced airlines: AirAsia, Jetstar	Price (“Low-cost airline” must provide competitive price that any other legacy carriers); Time (30 to 40-minute delay is acceptable but if it is longer then customer satisfaction will be impacted; Flight safety should always be taken into account	Affordable price (even in case of emergency), many promotions, flexible flight routes (especially to Korea, Taiwan, Singapore...), website display

	Answer to Question 4	Answer to Question 5	Answer to Question 6
Partnership director	Regular change in flight schedule, Vietjet Air just sending messages to passengers cause confusion. Vietnam Airlines is better	Time-consuming due to schedule change	Better schedule control and maintenance team
English teacher	Delayed flight, waiting time for connecting to hotline. Vietnam Airlines is better	Delay lead to customer's change in plans. If the delayed flight is too late, it has bad influence on passengers.	Thorough trainings
Trade Consultant	Frequent delayed flights In holidays it really takes time accessing to hotline. Low service quality on board. Vietnam Airlines is better with low price ticket if bought early	Time-consuming due to inevitable schedule change	Inform customers at least one day in advance in case of delay. When there is urgent delay, make customer's waiting time more comfortable
Associate	Narrow aisles, calling hotline taking so long. Vietnam Airlines is better	Time-consuming, affecting plans	Reduce problems mentioned in question 4 and question 5
Flight Attendant	Operating many flights but most of them are delayed, causing interruption to customer's schedule. Users of budget airlines usually have low expectation. Therefore, for whom having higher expectation of service quality should chose legacy airlines	It is acceptable for delayed airlines because of weather condition or runway congestion. But for any reasons, if the delay is longer than one hour, then passengers will be dissatisfied because it affects their travelling, visiting, even business trips.	Give coupon for free meal, drink or promotion in duty free shop in case of delay Prepare earplugs for passengers to help prevent loud noise of airplane engines

	Customer Service Manager	Ground Officer Manager
Answer to Question 1	<p>Factors that make passengers satisfied:</p> <p>Display of website (77%)</p> <p>Employees' appearance and professionalism (ground officers and flight attendants) (76%)</p> <p>Factors that make passengers dissatisfied:</p> <p>Idle time connecting to the hotline (59%)</p> <p>Average: 71.4%</p> <p>There is no separation between local and foreign passengers</p>	
Answer to Question 2	<p>Depend on customers. There are still some extreme conditions that customers insult ground officers.</p> <p>Mostly staffs of Vietjet Air are professional so they can deal with all problems.</p>	<p><i>Issue at the airport and solutions of staffs:</i></p> <p>Passengers usually buy tickets via agency. Agency wait for the payment then book carry-on luggage. Therefore, sometimes agency forget to buy carry-on luggage for customers although customers have already paid for it. In some cases, the agency also forget to pay tickets after receiving payment from customers, leading to the cancellation of the tickets.</p> <p>Passengers are late for check-in procedure => they can pay US\$20 to travel in the next flight (if there are available seats).</p>
Answer to Question 3	<p>Secret passengers</p> <p>Trainings</p> <p>Rewards for best employees</p> <p>Cross evaluation</p> <p>Skyboss ("business class" of Vietjet Air) – the purpose is to approach different segments, not to gain revenue</p>	
Answer to Question 4	Yes	