Predictors of Corporate Reputation through Service Quality: A Study of Air Asia Customers Perspectives

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ABSTRACT
Hospitality and tourism industries have become one of the pivotal industry that contribute to the growth of the nation’s economy. However, less studies actually pay attention to the aviation industry where this industry has faced a lot of challenges and crisis in the past decade. Hence, this study aims to examine the predicting factors of service quality on corporate reputation of AirAsia in Malaysia. The study utilized SERVQUAL model to guide the study. A quantitative (survey) research design was employed wherein a total of 200 completed questionnaires was obtained from the Malaysian’s customers of AirAsia, through purposive sampling. Based on the correlation analysis, tangibility, reliability, responsiveness, assurance has a positive and moderate relationship with corporate reputation, while empathy has a positive and high relationship with corporate reputation. In addition, multiple regression analysis showed that responsiveness, assurance, and empathy were the contributing factors to corporate reputation. However, tangibles and reliability were not the predictors of corporate reputation. Conclusion, implications, and suggestion for future study were also discussed.

ARTICLE DETAILS
History
Revised format: May 2020
Available Online: June 2020

Keywords
airline industry, AirAsia, service quality, SERVQUAL, corporate reputation

1. Introduction
Hospitality and tourism industries have become one of the prominent industry globally. According to Tourism Malaysia (2019), the figures showed that Malaysia’s tourism industry performance portrayed a positive development as the arrivals of tourists went up by 3.7% within a year, where it has helped to support the aviation industry of Malaysia. Hence, service quality plays an essential role, especially in the airline industry, as its performance and quality of services will directly affect the reputation of the company (Agyapong, 2011). This has further supported the notion of Hapsari, Clemes, and Dean (2016) that service quality has been globally recognized as an important factor in many industries worldwide as it aids in enhancing a company’s profit and retaining the consumers. According to
Archana and Subha (2012), if the customers are unsatisfied with the service quality, they might hesitate to travel with the company in the future. Therefore, this will surely affect the corporate reputation of the company.

In Malaysian, the airline industry has faced a lot of peaks and troughs in the past decade. Among the unfortunate events include increase of fuel prices, increase of security insurance, and natural disaster that ranges from disease outbreak to volcano eruption in neighbouring country that interferes the operation of air travel industry (Mun & Ghazali, 2011). Besides, the most notable ones are the cases of MH370 and MH17 crisis that shook the entire world in 2014 whereby up to 30,000 cancellation of tickets occurred after the MH370 went missing because it has caused a severe loss of trust among the fliers towards Malaysia’s airline companies as a whole (Mohd Ayob & Masron, 2014), whereas, the crisis of MH17 had resulted in serious reduction ticket booking placement for about 33% weekly (News Straits Times, 2015).

In addition, although airline companies strive to deliver high service quality to all their customers, they most often fail to do so because it is unable to fulfill the expectations of various types of passengers (Kandampully, Zhang, & Bilgihan, 2015). This is because customers are particular towards their needs and the likelihood of switching to the rivals that provides better services are high.

Although there are many challenges faced by the airline industry, Hasim, Shamsudin, and Ishak (2018) argued that airline transportations’ demands were still existing despite the unforeseen tragedies and economic crisis. In fact, there are an increment of airline passenger escalated from 6.0% in 2014 to 7.4% in 2015 based on the compound annual growth rate (IATA, 2019). According to Delbari (2016), due to emergence of tough competitors and unforeseeable crisis, airline companies have to think how to improvise the quality of their service to ensure customers are satisfied and favorable corporate reputation can be built (Gupta, 2018).

Academically, there are many of the existing studies focus on influence of service quality and customer satisfaction (Ali & Raza, 2017; Chan & Goh, 2019; Felix, 2017; Namukasa, 2013). Besides, there are also numerous past research that focuses on the influence of corporate social responsibility (CSR) on corporate reputation (Esen, 2013; Lee, Chang, & Lee, 2017; Lu, Abeyeskera, & Cortese, 2015). However, investigations that emphasizing on service quality and corporate reputation in the Malaysian context is still scared and required further investigation.

Based on the voids highlighted, therefore, the current study aims to find out the predicting factors of service quality (tangibles, reliability, responsiveness, empathy, assurance) and corporate reputation of Air Asia.

2. Literature Review
2.1. Service quality
Agyapong (2011) and Fauzi (2018) defined service quality as consumers’ effort to compare the service quality expected by customers with the actual quality of the service that was provided by a particular organization. Hapsari et al., (2016) asserted that when comes to the airline industry and keeping up with the massive competition, airline company needs to ensure that they give good service quality as to compare to their rivals. Felix (2017) further added that usually service quality is regarded as a significant prerequisite and the deciding factor of competitiveness to establish and retain a gratifying relationship with the customers.

Whereas, according to Munusamy, Chelliah, and Pandian (2011), the quality of service provided is highly crucial when trying to achieve customer satisfaction because accumulation of bad and unjoyful experiences associated with the company will have a bad impact on a customer’s perception and the company’s reputation. Therefore, it is clearly visible that airlines need to improvise their service and technologies to upkeep the exclusive service quality and satisfy the customers, which in return will bring about the desired and solid corporate reputation.

2.2. Corporate reputation
Corporate reputation has been researched in various academic disciplines includes economics, accounting, psychology, corporate communication, marketing and organizational development (Wepener & Boshoff, 2015). Corporate reputation is relatively stable, specific aggregate perceptual representation of a company’s past and future
actions (Walker, 2010). Meanwhile, Walsh and Beatty (2007) defined corporate reputation as the customer’s overall evaluation of a firm based on his or her reaction to the firm’s goods, services, communication activities, interactions with the firm and/or its representatives or constituencies (such as employees, management, or other customers).

Based on Wang, Lo, and Hui (2003) implied that the outcome of the previous actions of a company is the reputation and it can be considered as a reflection of the company’s way in dealing with the targeted groups of consumers. Besides, positive thoughts on a company’s corporate reputation often increase customer loyalty and maintaining a strong reputation which will allow a sustainable competitive advantage (Özkan, Süer, Keser, & Kocakoç, 2019).

Nevertheless, Walker (2010) emphasized that a company’s reputation may be different depending on the stakeholders, contexts, and issues involved. Therefore, there are views on which exact stakeholder to consider when assessing corporate reputation. For instance, there are employee-based reputation, investor-based reputation, public-based reputation, and customer-based reputation (Shamma, 2012). Despite that, there is still very limited empirical research done to examine the corporate reputation based on customers, who is identified as the most important stakeholder group of a company (Walsh & Beatty, 2007).

2.3. Relationship between Service quality and reputation
Özkan et al. (2019) aimed to investigate the impact of customer satisfaction and service quality on customer loyalty mediated by perceived value of services, corporate reputation, and corporate image in Turkey’s banking industry. The findings explained that, service quality and customer satisfaction had a positive impact on customer loyalty through the mediators.

Moreover, Famiyeh, Kwarteng, and Dadzie (2016) measured CSR and firm’s reputation in terms of product and service quality in Ghana business industry. The study demonstrates that firm’s reputation was positively affected in terms of product and service quality.

A study by Namukasa (2013), aims to apply SERVQUAL when assessing service quality in the airline industry of Uganda. The study’s findings had resulted in pre-flight, in-flight, and post-flight services had a significant influence on fliers’ satisfaction. Meanwhile, when the SERVQUAL model is applied in another industry which is in the banking industry of Pakistan, the findings of Raza, Jawaid, and Hassan (2015) study implies both the service quality and customer satisfaction are positively associated. Another research done by Wilson (2018) within Indonesian Airline context, found that both service quality and brand image had a positive and significant impact on customer loyalty.

Based on past research discussed, it was proven that service quality has applied in different industry depends on the nature of the organizations. Nonetheless, the current study is focusing on AirAsia in Malaysian context. Hence, measuring corporate reputation through service quality is indeed necessary. Based on the above discussion, therefore, the current study conceptualized and hypothesized that:

- **H1**: There is a positive relationship between tangibles and corporate reputation.
- **H2**: There is a positive relationship between reliability and corporate reputation.
H₃: There is a positive relationship between responsiveness and corporate reputation.
H₄: There is a positive relationship between assurance and corporate reputation.
H₅: There is a positive relationship between empathy and corporate reputation.
H₆: Dimension of service quality (tangibles, reliability, responsiveness, assurance, empathy) is the predicting factors of corporate reputation.

3. Methodology
3.1. Research Design
Aliaga and Gunderson (2002) defined quantitative research as an explanation of a phenomena done by collecting numerical data that are analyzed using mathematical techniques. According to Babbie (2015), survey design is the suitable method to apply in this study as it allows the researchers effectively to measure attitudes and opinions of respondents in a large population. Survey method was selected because it was more cost-effective and time-efficient to gather large responses from the identify population (de Leeuw, 2008).

3.2. Population and sampling procedures
For this study, purposive sampling method was implemented. Purposive sampling concentrate on a certain characteristic of a population that the researchers are interested in (Ping, 2012). Specific criteria have been accomplished, wherein the targeted respondents have to be a customer of AirAsia that have taken a flight at least once in the past 12 months. This criteria was aligned with the study by Chong, Low, Tai, Tan, and Tan (2015); Musa and Wong (2011). By having these experiences, the customers would have a better understanding on the quality of the services portrays by the airline company.

In relation to the sample size, Beavers, Iwata, and Lerman (2013) stated that the sample about 150 to 300 respondents as a total sample size is considered suitable. In addition, Sekaran and Bougie (2016), stated that a sample size ranging from 30 to 500 is sufficient and acceptable for social science studies. Based on the scholars’ views stated above, a total of 200 sample size was still considered appropriate for statistical analysis.

3.3. Measurement
The questionnaire comprised of close-ended questions. The questionnaire was divided into three (3) sections. Section A covers the demographic profile of the respondents such as gender, age, race, education level, travel frequency with AirAsia, and frequency of interaction with AirAsia’s employees. In Section B, it comprised the five dimensions of the service quality: tangibles, reliability, responsiveness, assurance, and empathy (Ahn & Lee, 2011; Chilembwe, 2014; Gilbert & Wong, 2003; Parasuraman, Zethaml, & Berry 1988; 1991; Young, Cunningham, & Lee, 1994). The Section C covers the items of corporate reputation (Fombrun, Gardberg, & Sever, 2000; Lohmann, 2016; Walsh, Beatty, & Shiu, 2009).

The items were measured using Likert-type scale, ranging from (1) Strongly Disagree (2) Disagree; (3) Slightly Agree; (4) Agree, and (5) Strongly Agree to measure the variables. Both the service quality (IV) and corporate reputation (DV) was measured using interval and ratio data. Meanwhile, the demographic variables which are the gender, age, race, and educational level were measured by using nominal and ordinal data.

3.4. Pilot Testing
30 sets of questionnaires were distributed to the students who have experiences with Air Asia in a private college in Petaling Jaya as a pilot test. Cronbach’s alpha was used to measure the reliability of the variables to determine the accuracy and consistency of the data gathered from respondents. The criterion for the reliability analysis can be accepted when the Cronbach’s alpha coefficient is more than 0.70 (Saunders, Lewis, & Thornhill, 2015). The reliability results for this actual study ranged from 0.703 to 0.893 (Table 1). This indicates that the items of the instrument are highly reliable.

<table>
<thead>
<tr>
<th>Table 1: Cronbach’s alpha value of the variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable(s)</td>
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<tr>
<td>---------------</td>
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</tbody>
</table>

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### Service Quality Dimensions

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Min</th>
<th>Max</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>4.00</td>
<td>20.00</td>
<td>-.457</td>
<td>1.030</td>
<td>.538</td>
<td>1.858</td>
</tr>
<tr>
<td>Reliability</td>
<td>4.00</td>
<td>20.00</td>
<td>-.575</td>
<td>.758</td>
<td>.416</td>
<td>2.402</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>5.00</td>
<td>20.00</td>
<td>-.594</td>
<td>.767</td>
<td>.309</td>
<td>3.233</td>
</tr>
<tr>
<td>Assurance</td>
<td>4.00</td>
<td>20.00</td>
<td>-.749</td>
<td>1.458</td>
<td>.388</td>
<td>2.580</td>
</tr>
<tr>
<td>Empathy</td>
<td>5.00</td>
<td>20.00</td>
<td>-.582</td>
<td>-.035</td>
<td>.258</td>
<td>3.871</td>
</tr>
<tr>
<td>Corporate Reputation</td>
<td>14.00</td>
<td>50.00</td>
<td>-.220</td>
<td>-.035</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 3.5. Normality Analysis

Skewness and Kurtosis were used to assess the distributed data normal or vice versa. It is important to ensure the data is normally distributed before conducting multivariate analysis (Hair, Black, Babin, & Anderson, 2018). The values for skewness and kurtosis can range from -2 to +2 to be regarded as normally distributed, with the consideration of 5% sampling error (Siddiqi, 2014). Based on Table 2, the skewness and kurtosis for both independent variable (IV) and dependent variable (DV) was ranged between -2 to +2, thus, the data are still normally distributed and multivariate analysis can still be carried out.

Moreover, multicollinearity occurs when there are two constitutes or more variables are highly correlated. Evaluation of multicollinearity can be done by assessing variance inflation factors (VIF) (Hou & Shiau, 2019). If the VIF value is greater than 10 and the tolerance level greater than 0.10, then there is an issue with the multicollinearity (Mayr & Zins, 2012). In this research, Table 2 showed that the range of tolerance was between 0.258 to 0.538, whereby it was more than 0.10. Meanwhile, the VIF values were ranged between 1.858 to 3.871, verifying that it was below the threshold value of 10. Hence, it can be concluded that there were no problems with the multicollinearity.

### Table 2: Skewness and Kurtosis of the variables

<table>
<thead>
<tr>
<th>Dimension(s)</th>
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<th>Max</th>
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<th>Kurtosis</th>
<th>Tolerance</th>
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<tr>
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<td></td>
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</table>

### 4. Results

Based on Table 3, more than half of the respondents were females (69.5%) and the rest are male respondents (30.5%). In terms of age group, almost half of the respondents fall under the age group of 20 to 25 years old (50.5%). In terms of education level, the data showed that more than half of the respondents are degree holders (56.0%). In addition, majority of the respondents (76.0%) had travelled 1-3 times using Air Asia in the past 12 months. When comes to the frequency of communication with employees of Air Asia, 172 respondents (86.0%) rated a frequency of 1-3 times.

### Table 3: Demographic Profile of Respondents (n=200)

<table>
<thead>
<tr>
<th>Variable(s)</th>
<th>f</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>61</td>
<td>30.5</td>
</tr>
<tr>
<td>Female</td>
<td>139</td>
<td>69.5</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;20</td>
<td>46</td>
<td>23.0</td>
</tr>
<tr>
<td>20-25</td>
<td>101</td>
<td>50.5</td>
</tr>
<tr>
<td>26-30</td>
<td>30</td>
<td>15.0</td>
</tr>
<tr>
<td>31-35</td>
<td>11</td>
<td>5.5</td>
</tr>
</tbody>
</table>
According to Table 4, it showed the correlation matrix among the dimensions of service quality, tangibles (r = .559, p < .05), reliability (r = .584, p < .05), responsiveness (r = .673, p < .05), assurance (r = .654, p < .05) have a positive and moderate relationship with the corporate reputation as a dependent variable. In addition, empathy (r = .703, p < .05) have a positive and high relationship with corporate reputation. Thus, all the results showed significant in the relationships. Therefore, the research hypothesis H1, H2, H3, H4, and H5 are accepted. Hence, when the customers of Air Asia perceived its service quality positively, it will help to build a favorable reputation of the company.

Table 4: Correlation test on relationship between dimensions of Service Quality and Corporate Reputation (n=200)

<table>
<thead>
<tr>
<th>Dimensions of Service Quality</th>
<th>Corporate Reputation</th>
<th>r</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>.559**</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>.584**</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Responsiveness</td>
<td>.673**</td>
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<td></td>
</tr>
<tr>
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<td>.654**</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Empathy</td>
<td>.703**</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (1-tailed)

Table 5 summarizes the results of multiple regression analysis of corporate reputation in relation to the dimensions of service quality. The R value of 0.747 shows a high correlation between corporate reputation and the overall predicting variables (service quality dimensions). The analysis of variance with F= 49.129 was significant at the 0.05 level of significance. While the overall five (5) predictors collectively contributed to 54.7 % of the variation. However, the analysis indicated that responsiveness, assurance, and empathy under the service quality dimension was the predicting factors that contributed to the corporate reputation of Air Asia, however, tangibles and reliability was excluded. Based on the findings, there are other variables (45.3%) that currently not explained in this model that can contribute incrementally to corporate reputation. Thus, H6 is partially supported.

Table 5: Multiple regression analysis of corporate reputation with predictor variables

<table>
<thead>
<tr>
<th>Predictor variables</th>
<th>Unstandardized Coefficient</th>
<th>Standardized Coefficients</th>
</tr>
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<td></td>
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</tbody>
</table>
5. Discussion

The current findings were contrary with the findings of Ali and Raza (2017) as it was found that empathy was the only dimension that had a low correlation with the dependent variable of the study. In addition, according to the result of multiple regression analysis, it was found not all of the predictor variables are contributing to the corporate reputation. It was found that only responsiveness, assurance, and empathy are the factors that contribute to corporate reputation. These results are found to be in line with a study done by Wilson (2018), in which the dimensions had showed to have a significant relationship with the dependent variable. Based on the discussion above, this suggests that AirAsia’s service quality has to focus more in terms of responsiveness, assurance, and empathy in order to be competitive and sustain while being financially stable in the Malaysian airline industry.

As the findings of the current study suggest that responsiveness is one of the predictor variables that contribute to corporate reputation, this situation can be explained through the demographic profile of the respondents wherein majority of the respondents in this study fall under the age group of 20-25. Hence, it is clear that this young adults are extremely busy with their hectic lifestyle, thus, they expect a quick and fast response from AirAsia’s service provided.

Besides, results suggested that tangibles and reliability were not the predictors of corporate reputation. This might be due to the fact that since AirAsia is a low cost airline that aims to save costs by not offering free lounge services and free meals on board, thus, respondents’ perception and expectations towards tangibles and reliability is relatively low because they are more focused on obtaining their flight other than the extra services offered. Thus, this further explains the reasons why tangibles and reliability were not the contributing factors of corporate reputation.

6. Conclusion

In summary, the findings of present research showed that all five (5) dimension of service quality has a positive and significant relationship with corporate reputation. In addition, responsiveness, assurance and empathy were the predicting factors of corporate reputation of Air Asia.

This study had provided insights for airline companies to strive through extremely competitive environment. Responsiveness, assurance, and empathy found to have significant influence on corporate reputation. Therefore, AirAsia’s management team needs to plan out their marketing strategies by focusing on the prominent three dimensions highlighted. In addition, the airline company should focus more on empathy as research findings show that empathy recorded the highest influence on corporate reputation.

Moreover, the management team should concentrate on improving their service quality such as working on delivering services at a quicker rate, hire employees who are more knowledgeable, and provide better training for them and most importantly maintaining the technicalities of the airplanes on regular checks to make passengers feel safe and secured to travel using Air Asia. Investing in all these will certainly aid to build a better corporate reputation. In terms of theoretical implication, this finding has contributed some new insights to marketing and corporate communication literature as numerous researches that have been conducted using the SERVQUAL model, in foreign countries as well as in Malaysia. However, studies have used SERVQUAL to measure the influence of service quality on corporate reputation was still limited.

There are several limitations of the current study, particularly on the sampling techniques. Although the sample size of
the study (n=200) meets the requirement to perform multivariate analysis, however, the current results were unable to generalize to the population due to the use of purposive sampling. Further study may consider other probability sampling techniques so that the findings can represent the population. Second, this study only focuses on one aviation company. Hence, it would be interesting for future studies include more firms under the same sector or different industries to add varieties to increase its validity.

In addition, the sample was only limited to the Malaysian customers who were having experienced with Air Asia. Hence, future research can carry out similar studies by testing with foreign customers or various stakeholder group such as employees and media to make comparison between the stakeholder groups about their perception on the service quality of the company. Future studies may also include other variables such as corporate image, perceived safety, trust, and other demographic variables to test the moderating or mediating effects to the current framework to provide new perspectives to the body of knowledge in the marketing communication studies.

References


