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**Customer Perceived Service Quality
In Airline Alliances:
A Critical Incident Study**

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ABSTRACT

Title:	Customer perceived service quality in Airline Alliances: a critical incidents study
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Keywords:	Strategic alliances, service, service quality, critical incident technique, customer perception
Thesis purpose:	The purpose of this study is to develop a general understanding of the areas of alliances and service quality as well as their relation to each other, through a consumer perception. Further, to discover more detailed and close up knowledge of customer perceived service quality within airline alliances. This is done by identifying particularly significant dimensions in the service process that have an influence on the perceived service quality.
Methodology:	The thesis is based on qualitative study using a critical incident technique to explore the issue of service quality. In the research of the material the iterative approach has been used. The primary information sources are the interviews with customers-members of airline alliance.
Theoretical perspective:	The literature review in this study concerns areas of strategic alliances, central concepts of service and service quality, which includes presentation of different dimensions through which the consumer perceived service quality can be measured.
Empirical data:	The data in empirical part was gathered through in-depth interviews. The data was analysed firstly through grounded analysis method and afterwards the earlier proposed service quality dimensions were used as a base for further analysing, which led to results.
Conclusion:	The findings of our study indicate that service quality is a complex issue, which should be researched through special set of dimensions pointed out in use of particular service setting. When measuring the service quality of an airline alliance five dimensions along with their subcategories were recognized to have an influence on customer perceived service quality of an airline alliance. Those dimensions were; tangible, reliability, responsiveness, empathy and price.

PREFACE

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I

- INTRODUCTION -

Chapter one gives a brief introduction of the thesis with the aim to guide the reader into the subject. In this chapter the background, problem and purpose of this thesis is presented.

1.1. Background

As it has become increasingly difficult in the business world to stand out from competitors with unique products the emphasis is laid on other aspects creating competitive advantage. This is especially true in today's airline industry, where the competition is hard and differentiations are made in several ways, for example, through services or through pricing. (Gursoy et al., 2005). Services and more importantly service quality has become a significant research topic because of its apparent relationships to costs, profitability, customer satisfaction, customer retention and positive word of mouth communication. It is also highly regarded as a driver of corporate marketing and financial performance. (Shen et al., 2005). The quest for quality improvement has become a highly desired objective in today's intensively competitive global markets. Many studies have proved that quality aspects have always scored highly as an important competitive capability. (Sureshchandar et al., 2002). The service sector is seen as a huge and important part in today's business environment. For example, in the Organization for Economic Co-operation and Development countries about 70 per cent of the workforce is employed in the service sector. This emphasizes the importance of creating basis for quality of the services as well as a greater understanding about issues concerning service quality. (Edvardsson, 1992).

Further, one of the most effective ways to measure service quality is through consumer perception, which is formed through consumers' expectation and experiences. Consumers set certain criteria for services by expecting these factors to be fulfilled. If consumers receive the service they have expected they are satisfied with what they have experienced. (Äyväri, 1991). Consumer satisfaction and loyalty gained through high quality services create competitive advantage as well as essential long-term success for firms. (Robledo, 2001). Due to this, companies are searching for different strategic management choices to gain highly perceived service quality in their firms. One of these strategic actions can be different joint-ventures and alliances that are established between firms. In

the tough competition companies have realised that they need to co-operate to strengthen their competitive advantage. In the last fifteen years we have seen alliances enter the international business world by storm. These strategic alliances can help increase the company's growth, which is one of the most important company strategies for attaining penetration on new markets and strengthen the market position (Gulati et al., 2000). Further, to gain growth through an alliance might be the fastest and most effective way of growing in comparison to growing organically (Kauhanen et al., 2002). The creation of alliances makes the companies more powerful against competitors, and creates competitive advantages in various ways, for example, in the areas of quality and flexibility of services. Moreover, strategic alliances also bring challenges and difficulties to partner firms. As many companies work in co-operation in different fields of business there will always occur changes. Different firms have diverse policies and operational patterns which can many times be hard to adjust and combine for the use of the alliance. As the alliances always bring some sort of change to normal routines it also reflects uncertainty and new challenges. This is seen especially in the alliances working in the service fields. The combined alliance services should be managed closely and follow some certain criteria in order to create united, successful service encounters and service quality. Since, once the customers' create certain perceptions towards an alliance they are also expecting to receive it through the other partners and all the way through the service process. If this perceived quality is lacking in some part it generates critical incidents and perception of quality will change. Moreover, if the management and services are handled professionally it will bring lots of benefits in form of flexibility, superior services and service quality for the customers'. The real challenge here is also the fact that companies belonging to an alliance should put patience and continuous dedication to the alliance, instead of just concentrating on their individual goals. (Franke, 1988). The fact that alliances and their service quality through consumer perception is still a pretty uncovered issue from which only limited amount of research material is gained. It should be emphasized to look at alliances service quality through customer perception, since the overall service quality is determined by them. Through consumer perception the critical factors influencing alliances service quality can be determined.

A good example of strategic alliances is seen in the airline industry, where the alliances have become very visible in their approach to create competitive advantage. In the aviation industry being part of alliances or some sort of consortium has become more of a rule than exception. Further, today's airline industry is characterised by continuous changes and in the last years airlines have been struggling to survive in the tough competition. This situation has its roots in several incidents. It all begun in the beginning of the 90's when a global deregulation of the flight industry

started. Before national airlines had almost monopoly in their home markets and when these deregulations were made the traditional state owned carriers were forced to give up big market shares. The worldwide depression and on top of that the terror attack on September 11th 2001 forced airlines to take into even more selfish acts to survive in the business. In pace with the lowered entry barriers the competition has risen. It has never before been so inexpensive to fly; the low cost airlines put pressure on prices and are the biggest threat to established airlines. (Balmer & Gray, 1999). Cost effectiveness is increasingly important and that is the reason why airlines teamed up and formed alliances. Aviation companies do not have enough resources, to establish themselves in several markets, manage worldwide services and routing maps on their own, which is why airlines increase their level of co-operation by alliances. Through these alliances individual airlines can provide destinations all over the world. In this way the airline does not have to establish themselves in markets with high existing competition, instead they can benefit from another alliance member (Forsgren et al., 2004). Airline alliances form competitive advantage also through quality and flexibility of services. Other factors gained from alliances for companies and consumers' are joint marketing, frequent flier points, joint services and code sharing. (SAS)

1.2. Problem discussion

Most of the earlier research concerning alliances lays the emphasis on operational benefits gained by companies being part of the alliance and its affects on fares and marketing. The advantages for individual companies are researched in various ways due to the fact that those issues are crucial to acknowledge when joining or forming an alliance. Yet, for example consumer perceptions towards alliances and their service quality has been given little attention in past research. Moreover, the service quality perspective has been studied in independent airlines. Several of these earlier studies have stated that airlines service quality is one of the most important reasons for customers when selecting flight provider. (Gursoy et al. 2005). Research shows that if airlines could provide continuous service quality they would eventually be the market leaders instead of the companies that would cut down on services and compete, for example through pricing. (Chang & Yeh, 2001). As airline alliances are fairly new phenomena the massive amounts of research have not yet reached to all of the areas influenced by alliances. Due to this we found it to be good to conduct our research on service quality through airline alliances.

Further, the complexity of measuring service quality has gained a lot of attention and researchers have found it important to identify different service attributes or dimensions that are needed to satisfy customers' expectations. In determining quality from a customer's point of view, some sort

of operational instruments of measurement is generally used. Researches in the recent years have tried to establish operational scales or measurements of evaluations of service quality. Service quality scales and dimensions specially created for the use of airline alliances have not yet been successfully developed and more research is needed from the issue. In this study the emphasis is laid upon alliances and especially airline alliances instead of individual airlines in the area of service quality. The aim of this study is to gain greater understanding of customer perceived service quality within airline alliances and identify the service quality dimensions suitable to use when studying airline alliances service quality. As the consumers are stated to be the final determiner of service quality we find it to be of paramount importance to look at this issue through passengers and their perceived service quality of the service process provided by an airline alliance. We found this to be a good research problem since the competition is extremely hard at the moment in the aviation industry and airlines are seeking new ways to remain profitable, gain long-term customer relationships and to beat their competitors. Many airlines are answering to this competition through new pricing strategies and others by providing superior services through a strategic alliance.

1.3. Research Purpose

The purpose of this study is to develop a general understanding of the areas of alliances and service quality as well as their relation to each other, through a consumer perception. Further, to discover more detailed and close up knowledge of customer perceived service quality within airline alliances. This is done by identifying particularly significant dimensions in the service process that have an influence on the perceived service quality.

II

- METHODOLOGY -

The main objective of this chapter is to describe how this thesis is approached. A description of the whole methodological approach, followed by a presentation of the collection for primary and secondary data as well as criticism of gathered data. The method of data analysing is also introduced.

2.1. Introduction

In order to gain understanding of customer perceived service quality within airline alliances we not only need to study earlier theory regarding this issue and use that as background information as well as a base for our study, but also conduct an empirical research to collect data from airline alliances and their service quality. To gain increased knowledge about service quality the customers' are perceived to be the most efficient way to gain information. The interviewing of customer - members' of airline alliances is regarded highly important in the empirical part of our study. Moreover, we need to get inside this certain issue and collect in-depth data which gives reflections about the overall issues at hand. The data needs to reflect customers' perceptions towards airline alliance services and the factors that they consider to be important when they generate perceptions towards service quality. This is considered to be essential, since we need not only to discover whether the service quality is good or bad, but to understand the issues which are leading to the perceptions of service quality in airline alliances.

2.2. Choice of topic

We have gained a lot of knowledge about various factors of marketing by studying marketing in several countries and in four different universities. At Lund University the international part of marketing came to our attention on an even larger scale and we find it interesting in many ways. As competition has grown in almost all business areas and the products have lost their meaning as a primary way of differentiation, we found it interesting to see what are the factors through which today's international companies are trying to gain competitive advantage against competitors. One of these strategies was different co-operations and alliances between

companies. We decided to take a closer look at the alliances role in today's international business. Further discussions with a representative from Scandinavian Airlines (SAS) gave us a clear insight of the alliances role in today's airline industry, where participation in an alliance is very common. As our interest rouse we noticed that there was little research conducted about consumers' perceptions towards airline alliances. Airline alliances communicate a message to their customers' that they will gain several benefits such as superior services and service quality when being a member of the alliance. We were interested whether this is the case from a customer perspective and through which factors customers' perceive the overall service quality. These thoughts led us to our actual research area. The benefits and services were clearly stated out in alliance studies. But the fact that airline services are highly similar in spite of the internationality and different airline providers, the outsourced and combined services with multiple partners' have to have some sort of an impact on airlines and the alliances service quality. We found it to be a good way to get closer to this issue of how alliances services and service quality is perceived through consumers' as they are the ones defining it.

2.3. Research strategy

The aim of our study was to gain greater understanding of customer perceived service quality of alliance. When taking in consideration our aim there was an undeniable need for more in-depth data about the issue, rather than broad. In order to gain this kind of information the *qualitative research method* was considered to be the most appropriate way for conducting this study. As the airline alliances service quality is a research area, not yet laid much attention on we found it to be essential to get deep insights of the issue, rather than large amount of data gained through a quantitative method. The qualitative method allowed us to gain greater understanding about these issues and further, we could identify knowledge appointed directly to service quality in airline alliances. Moreover, the method is considered to be a very open approach for conducting research, which lays its importance merely to words rather than calculations in the collection and analysis of data. (Bryman & Bell 2003). Our research did not need loads of quantitative information, since there is no necessary need for the information of 'how many' or 'how often' services are used or quality experienced. Instead our research needs answers for questions like 'how', 'why' and "where" these things have happened in alliances service process and what is their influence on service quality. (Bryman & Bell, 2003)

As the emphasis of this research was laid on airline alliances customers' individual perceptions of service quality, the epistemological consideration in our study is considered to be *interpretivism*, which is mostly used in qualitative research. The focus in an interpretivism study is laid upon the fact that reality is determined by people and their experiences rather than by external or objective reasons. Due to this we considered the airline alliances customers' and their experiences to be the most optimal research instrument. Moreover, the focus of our research is based on individuals' expectations and experiences, in other words their thoughts and feelings about airline alliances service quality, since the customer is said to be the ultimate evaluator and determiner of service quality. (Grönroos, 2000). This consideration is also used because we need to get in touch with customers' 'common-sense' thinking in order to understand through which factors they create the perception of service quality. (Bryman & Bell, 2003). To be able to gain as much customer experiences as possible the attention is turned towards communication through story telling. (Easterby-Smith et. al. 2002). Further, the affect of external factors should not be overlooked, since they may adapt customers' expectations in one way or another.

The topic of service quality can be seen differently in different service settings and passengers' may have different perceptions of quality due to their, for example, background. Quality is an issue which is changing and renewing continuously in the eyes of consumers' through new experiences and expectations. What is perceived as high quality for some may be perceived as low quality to others. Due to this, our study from the ontological consideration point of view is seen as *constructionism*. This positioning implies that social phenomena and its meaning are under continuous change and renovation through different social settings. As we study service quality of airline alliances it should be noticed that service quality is something that is been perceived a certain way when customers' are in interaction with a company's service staff. This implies that the perception of service quality is not external to us, but is constituted through interaction varying from time to place. These above mentioned factors can have diverse affect on individuals' perceptions of service quality, and was therefore acknowledged when conducting this study. (Bryman & Bell, 2003)

2.4. Research approach

Our research was composed of usage of earlier theories as well as an empirical study. These were compared and looked back and forth on in order to create new theory. This means that our research uses a mixture of the *deductive* and the *inductive* method. The mix of these two methods

is called the *iterative* method. (Bryman & Bell, 2003). The deductive method means that first the earlier set of theories is being researched, after which the empirical part is carried out in order to observe the reality and to see whether the theories investigated are usable in our area of research. In our study the deductive method was used by the means of researching earlier theories at the beginning. The data collection started with reading academic articles, books, former thesis as well as other information. The theories that were important in our study concerned subjects like alliances, service and service quality as well as information about different services used in the airline industry. Also the theories of different data collection methods were used. All of this was done in order to gain the needed background information to be able to conduct this research. The base for our study was created from this information.

Further, after the existing theory research and knowledge gained from it concerning our study's issues the empirical research was conducted. The service quality literature revealed as a fact that customers' are the ones determining service quality. In order to understand and measure this issue we figured there is a need for data gained from airline alliance passengers. The most optimal way for doing this was decided to be semi-structured interviews. At the beginning of the interview the concept of alliances was explained to the respondents' so there would be no misunderstanding about the issues we were studying. In an inductive method the interviews and empirical search is done before the theory gathering and the actual theory is an outcome of the research. (Bryman & Bell, 2003). In our research the existing theory was studied, but not used in the data gathering process, except the CIT method. Our data gathering we conducted more or less in an inductive way since we did not use earlier theory to, for example structure interviews or to measure service quality through earlier based models. We conducted the data gathering more or less independently as an aim to create new theory. After the empirical part and the data gained from interviews the earlier theory is looked back on and compared with the empirical data we had received. This led to a creation of new theory. As we followed more or less both the deductive and inductive method by moving back and forth between theory and findings our method can be said to be iterative.

2.5. Research design

There were several different options of how to conduct this research, of which one could have been protocol analysis. It is the underlying logic of the way people think, and it is therefore fitting in the social constructionist perspective. (Easterby-Smith, 2002). The reason why it was not an optimal choice to use in our study was because it seeks explanations as soon as possible after the studied

incident has happened, so the situation could be fresh in memory and without influence of peoples' re-evaluation. This was considered to be a problem in our study, since there was a limited time to gather the data and it would have been very difficult to gain enough fresh research data within one week. This led us to another and better option.

In our study the *critical incident technique* (CIT) was used as a method to gain greater understanding and developing broad psychological principles (Easterby-Smith, 2002). of how customers' perceive the quality of a given service. The CIT was developed by Flanagan in 1954. Flanagan developed the technique to define critical requirements for some key positions in the American Air Force. It has since then been used in several different studies in the field of service quality. (Edvardsson, 1992). It is considered to be a flexible set of procedures, which are modified for the situation under study. These are seen as optimal criteria when studying alliances service quality, since it is seen to be somewhat different from normal service settings, with its intangible nature and combined services with alliance partners. By 'incident' Flanagan meant all actions made by humans that can be observed. (Urquhart et al., 2003). It is to be remembered that not all incidents are critical, what makes the incident critical is if the situation differs from the general aim in a significant way (Anonymous B., 1990). The critical incident must take place in a situation where the purpose of the action and its effects are clear to the observer. (Easterby-Smith, 2002). These memorable incidents often arise from service encounters or as said "moment of truth" and often arise in the interaction between employees of the company providing the service and the customers. In some cases these interactions may also happen between a customer and a service machine. Through these encounters the perception of service quality is derived and these encounters become an important part of the evaluation. Edvardsson states, that there are two kinds of service quality; the quality of "normal" service and the quality of "exception", the latter shows when a critical incident occur. Critical incidents are seen as positive or negative incidents which deviate significantly from the normal or the expected service quality. It is only when the alliance fails to provide the expected service when the customers' are aware of the quality they usually get. (Edvardsson, 1992). According to Parasuraman et al. (1986) critical incidents occur when there is a distinction between the adequate and the desired service level. The part where the adequate and the desired service levels distinct is called "the zone of tolerance". The zone of tolerance varies between customers' and even between the same customer in different service situations. If the moments of truths are considered to be below the zone of tolerance, then it has an affect on the perceived service quality and stays in the customers' long-term memory.

Moreover, the critical incident technique captures parts of the alliances service process and through those incidents enables researcher to investigate and gain understanding about situations where quality fails or succeeds. (Edvardsson, 1992). CIT is seen as a way to examine service quality through dimensions and by identification of the key factors that affect customers' positive or negative perceptions. (Urquhart et. al., 2003). Flanagan identified five steps and according to these steps the service quality dimensions can be identified; (1) the general aim of activity should be determined, (2) there should be developed plans and specifications for collecting factual incidents regarding the activity, (3) collection of data through interviews or observations, (4) analyse the data as objectively as possible, and (5) interpret and report the requirements that make a significant contribution to the activity. From the results of critical incident studies one might find out the reasons causing the low or high perceptions of service quality. The results will give direct suggestions about actions that need to be taken. (Grönroos, 2000) Moreover, the CIT method is well suited in our study, since the purpose is to increase the knowledge of a particular phenomenon based on thorough understanding issues where relatively little previous research has been conducted. (Anonymous B, 1990)

2.6. Primary data

When using the CIT method it was essential to get access to people who were familiar and had used airline alliance services. The method encourages the customers' to tell their story and the situations that are explored are the ones that are memorable. (Urquhart et al., 2003), (Anonymous B, 1990). The data gathering in the CIT technique can be handled either through interviews or observation. In our case observations would have been difficult, since it is almost impossible to observe the whole service process of airline alliances and to get access to these service areas is extremely hard. Through observations we would probably also have missed out on important data that would have left uncovered. (Bryman & Bell, 2003). Therefore we found it essential to conduct interviews in order to gain more "depth" and "rich" data. (Edvardsson, 1992). One useful method of gathering this empirical data could have been focus group interviews, which are many times used in qualitative studies. Since they provide a great scale of information and respondents can share their own thoughts as well as react to others thoughts the discussion becomes more interactive. Also because of the open group discussion the individual critical incidents could have left undiscovered. (Bryman & Bell, 2003). Due to these reasons we decided to conduct individual face to face interviews with people who are members' of airline alliances.

2.6.1. Face to face interview

At the beginning of the empirical data gathering we used open-structured interviews in order to gain as much information as possible. After these open-structured interviews we could identify areas that we should concentrate more on, and were able to reconstruct a semi-structured interview guide for the rest of the interviews. The critical incidents were collected by asking the respondents' to describe two critical service incidents that took place in airline alliances services. From open-structured interviews we detected somewhat similar semi-structured guidelines that earlier CIT studies proposed, which consists of *cause*, *course* and *result*. Through these we could identify what caused this situation, how the situation developed and what was the outcome of the critical incident. (Edvardsson, 1992) To enlarge the information we used questions like who, what, where, and when. These factors acted as the basic steps for the interview and were used to help us with the structure of the interviews. The reason for constructing semi-structured interviews was also the fact that the answers from semi-structured interviews are more comparable than answers gained from an open-structured interview. In a semi-structured interview the interviewer has made some pre-questions to a specific, quite focused research area. In a semi-structured interview questions can be added, changed or left out during the course of the interview (Bryman & Bell, 2003). Sörqvist (2000) underlines the importance of the questions in the outcome of the research. Due to this the semi-structured interviews were used to gather data for gaining greater understanding from the issues at hand. Still we were cautious for leaving a great deal of freedom for the respondent.

Further, the aim of our study and the concepts of service and airline alliances were explained to the respondents so they would have a clear understanding about the issue we are discussing. Then the respondents' were asked to describe and explain two situations that occurred during the last 12 months, since previous studies on service quality suggest this for the critical incident to be qualified (Edvardsson, 1992). In their own words, as detailed as possible the respondents' were asked to tell what happened in the alliance services and what made them consider the incident to be a critical one. Not all the information about service experiences was classified, only the ones that the customer found to be memorable because they were either satisfying or dissatisfying. (Anonymous B, 1990). We also used tape-recorders to help correct the limitations of our memory as also to help us examine the data afterwards. This also helped to avoid biases influenced by our own values. (Bryman and Bell, 2003). In addition we were also taking notes during the interviews to capture the interpretation of the respondents' body language.

The face to face interviews were conducted in quiet places without any external noises, for example, conference rooms and respondents homes. This was important for the interviewees' concentration and for the quality of tape-recording. The interviews were conducted in the cities of Malmö and Lund. The respondents' were gathered through non-probability sampling, which means that some units of the population are more likely to be selected than others. (Bryman & Bell, 2003). The primary mean for interviewing was the face to face interviews through which 14 of the interviews were conducted, and 28 critical incidents received. The respondents' were Swedish male and female passengers who have actively been using flights provided by airlines that belong to an alliance, they hold a member card to some alliance and had a clear understanding of the services provided by alliances. The sample consisted of slightly more male respondents than females (8 males and 6 females). The age range of the respondents' varied from 25 to 58 years and they were either working or studying at the moment. This age group was seen to be most appropriate, since they are the ones using airline services a lot and are usually members' of an airline alliance. The interviewees' often told about their incidents in a story telling format. The conducted interviews varied in time, taking from 30 minutes up to 90 minutes. The interviews that were conducted face to face took on an average longer time than the telephone interviews conducted.

2.6.2. Telephone interviews

We have good contacts to some major firms in Finland, particularly in Vasa that uses a lot of alliance influenced airline services in their business travels and were willing to provide us a great deal of data and opinions from years of experience. We found this kind of information to be of great value for our study. Due to geographical issues such as the location of these people the face to face interviews were impossible to conduct. We considered different possibilities to conduct these interviews, of which one could have been to ask the respondents' to send their critical incident through a story format via email. We decided not to because it has its limitations since we can not grab on certain issues that were found important from the story and further develop the important areas of the critical incident. This is why the secondary means for interviewing was telephone interviews, through which 7 interviews were conducted, and 9 critical incidents received. These telephone interviews were conducted after the face to face interviews following a semi-structured interview guideline. The telephone interviews were conducted through speakers so that both of the researchers were able to listen and interpret the data. The discussions were also taped for further interpretations and to avoid biases like misinterpretations or lack of researchers' memory. (Bryman & Bell, 2003). We found the telephone interviews to be good

additional information for the earlier conducted face to face interviews, since they gave us a clear picture of business travelers' perceptions.

Telephone interviews are quite commonly used in market research and can be used instead of or together with face to face interviews. There are several advantages with telephone interviews such as they are quicker as well as cheaper to conduct, easier to supervise and the fact that the respondents' answers might be more honest because of the absence of the interviewer. In some cases the respondents' might get affected by the interviewer's characteristics and might feel the need to answer in a way desirable for the interviewer. Disadvantages with the telephone interview are that the interviewer can not make observations during the interview, everyone is not contactable by phone and the interviewer can not be sure to interview the right person. (Bryman & Bell, 2003)

The respondents' participating in telephone interviews were first contacted by email. Through email correspondence a time for the interview was scheduled. The semi-structured interview guideline was also send by email to the respondents' so they could look through the research issue before the interview took place. Easterby-Smith et al. (2002) suggests that a quick e-mail contact followed by a phone call is a better way to approach the respondents instead of a formal letter. They also say that in contrast to common belief people are surprisingly ready to talk over phone. Because of the guideline received they could prepare themselves for the interview and were ready to tell about the critical incidents that happened to them. The respondents' participating in telephone interviews were from Finland and were using services provided by alliances when travelling for business. All of the interviewees were members' of one or more airline alliances and used their services frequently. The number of male respondents was 4 and female respondents three 3. The respondents' were 32 to 53 years old and working permanently. The companies provided us the respondents so the age range of the respondents is simply a coincidence than a planned decision. In our study this age range represents people in positions who fly frequently. The time spent for interviewing the respondents' varied from 30 minutes up to 60 minutes.

2.7. Secondary data

When using the CIT method the pre-understanding of the issues at hand is important for researchers. This may unconsciously steer the interpretations, but at the same time understanding of the context may help interpretations and lead to even greater understanding. This is why we tried to gain as much information based facts before the interviews were conducted. (Edvardsson,

1992). The secondary data used in this study is mainly gathered from different articles, journals, books and other literature. This data covered totally or partly different perspectives of the field of our study, for example, issues which touch upon alliances, service, service quality and airline industry services, which helped us to deepen our knowledge in this field. The literature about how to conduct an empirical research, and interviews were used to gain knowledge of how to conduct a valid research. In order to find articles and journals different databases were used such as; Ebsco, Elin@Lund, Proquest and Emerald, as well as Lund University's library to gain access to books. Other sources and material were used like internet, airlines annual reports and material received from SAS and Star Alliance. The annual reports used in our data collection are provided by the companies themselves and are therefore unable to give totally objective information. The articles used are of scholarly kind but we still kept in mind that the results and findings are always based on the researchers' own interpretations of the data. Due to these facts we have tried to be critical to all the information gathered. Moreover, the secondary data helped us to gain good background information about the issue at hand.

2.8. Analysis of data

When the substantial number of interviews was conducted we started analysing the data. The analysis at this point was mostly done by following the grounded analysis theory. This means that the data gathered was broken down into different categories, which were named. This part of the process is called coding. As we coded the data we continued the data collection simultaneously and repeatedly referred the new data back to old data until we recognized that there were enough data gained. (Bryman & Bell, 2003). As we constantly compared the data the different categories started to emerge. Through this procedure we acknowledged the earlier set of theory, especially the service quality dimensions created for the use of measuring service quality in different service settings were seen usable in our study. We started to analyse the data through different possible alternatives proposed earlier and recognized some of them to be somewhat applicable. Due to this we decided to take earlier proposed theory as a base for interpreting the data we had received. After interpreting the data in several ways Parasuraman et als. (1986) SERVQUAL dimensions were generally seen as the most suitable to act as a base of our data analysing. From the SERVQUAL model the five main dimensions (Tangible, Reliability, Responsiveness, Assurance and Empathy) was used as a base of interpretation of our data. Through this sort of data analysing we were able to generate understanding about customer perceived service quality in alliances and the results of our study was created.

2.9. Criteria of evaluation

The language of validity and reliability was originally developed for the use of quantitative research methods. (Easterby-Smith et al., 2002). That is why some researchers claim that these concepts are not suitable to use in a qualitative study. Kirk and Miller as well as Lincoln and Guba have applied slightly different terms to be used in qualitative research; *trustworthiness and authenticity*. (Bryman & Bell, 2003). However, we find these concepts to be somewhat similar, so in this study the concepts of validity and reliability are used due to their clarity.

General issues that should be acknowledged that affect the validity and reliability are that the empirical researches are many times very time consuming processes which sets some sort of limitations for the research conducted. In our study the time was very limited so we needed to gather the data in a short period of time. Even though we managed to gain good data a longer time for conducting this thesis would have provided us the possibility to gather larger a amount of data and even improve the validity and reliability in our case.

2.9.1. Validity

From an interpretivism viewpoint *validity* stresses, if research is successfully observing, identifying or measuring the problem it is supposed to measure. (Bryman & Bell, 2003). Different factors like respondents' and questions etc. might have an affect on the validity. Validity can be looked upon in different ways; but in a qualitative method the most important ones are internal-, external-, and ecological validity. (Easterby-Smith et al, 2002). Research conducted by Andersson and Nilsson (1964) concerning general validity and reliability of the CIT method concluded that the data is valid. (Anonymous B., 1990), (Bell et al., 1997). In our study the respondents' could tell about both positive and negative incidents that they had experienced. We found this to be important because a focus on only negative critical incidents might have decreased the validity of our study. In previous CIT studies the researchers have made mistakes by focusing on the products instead of the service elements. We were aware of this and kept it in mind, which can be seen from our results which implies that good validity concerning this issue was kept. (Bell et al., 1997)

Internal validity reveals whether there is a good match between the observation and the theoretical ideas developed. (Bryman & Bell 2003) The internal validity is measured through respondents' trustworthiness to answer questions of the topic being studied as well as through the fact if the right questions were asked. In this study we look for detailed information about the

respondents' critical flight incidents, therefore it is important that the questions are not too general because general questions will result in general answers. The trustworthiness of the respondents' was tried to be maintained by selecting respondents who fly a lot and are members of some airline alliance, so that they would be familiar with the service setting we are discussing and have a lot of comparable experiences. In order to get as valid responses as possible it is crucial to explain both, the issue studied as well as the CIT method for the respondent. Through that knowledge the respondent will have a good understanding of what is wanted from him/her. We also read a lot of previous research on issues of service quality and studies conducted by the CIT method and used those as a background to get the right questions for our semi-structured interview. This information guided the interviews so that we gained the data we were looking for. The questions should be designed so that the respondent could describe in details their experiences, but still be able to use the story telling format. (Easterby-Smith et al, 2002). Since we were looking for the respondents experiences of service quality there was no right or wrong answers in this study.

By *external validity* the fact if the right questions are answered and whether the results of the study can be generalized across social settings during a different time and place is measured. (Bryman & Bell, 2003). As we studied a smaller group of individuals who have certain characteristic in common such as being members' of airline alliances and using services provided by alliances frequently, it is easier to go more in depth than breadth. To get the right answers we stressed the importance of explaining the situation in detail. We can see that we gained answers filling the criteria for the CIT method and the aim of our study since we got a lot of similar data from our respondents'. The respondents' were also well aware of the fact that they were a part of a study, which can in some cases cause unnatural and untruthful behavior because they might feel a need to "please" the interviewer by answering what they think that the interviewer wants to hear, also called the Hawthorne effect. Due to this, trust is very important to gain between the interviewer and the respondent in a qualitative study.

It can be argued whether this study is externally valid, because the respondents' in this study were from a limited geographical area and therefore the results may not be generalised for a population (Seymour, 1992) The generalisation of this study could be difficult in an international context; since the perceptions of service quality may vary from culture to culture. What we did capture in this study is a great deal of perceived service quality of alliances through a variety of different people from students to CEOs. The earlier studies also show that airline passengers' mostly emphasise the importance of the same service dimensions which have an affect on

perceived service quality. (Edvardsson, 1992). This was also the case in our study where the respondents' emphasized more or less similar reasons for their critical incidents.

Ecological validity concerns with the question whether social scientific findings are applicable to peoples' everyday life. It emphasises whether the research instruments capture the daily life conditions, opinions, values, attitudes and knowledge based of those being studied in their natural habitat. (Bryman & Bell, 2003). In our study we find the ecological validity to be overall good since the interviews are not conducted in a non-natural environment, but in a everyday natural surrounding. The interview method, story telling, also provides the respondents' a natural way of talking about their experiences since it is close to normal conversation. Furthermore, the issue studied is for these respondents' close to everyday life and we found the respondents' being enthusiastic telling about their experiences of flying.

2.9.2. Reliability

Reliability concerns the trustworthiness, accuracy and stability of the research. (Easterby-Smith et al., 2002). When measuring reliability factors like too small samples or in other ways an inadequate group of people being studied, exploratory nature, e.g. use of student populations (Bell et al., 1997) or the lack of 'good' answers in the overall collection of data is taken into consideration. (Heikkilä, 2001). Reliability can be fulfilled through the fact that other researches have used a similar method in similar kinds of studies, for example, studies about the individual airlines service quality. (Edvardsson, 1992). As also the study of Andersson and Nilsson (1964), mentioned earlier, concluded findings of the CIT technique being a reliable method. Similar conclusion was drawn by Latham (1974) as well as White and Locke (1981), (Anonymous B., 1990), (Bell et al., 1997).

External reliability measures the degree to which a particular study can be replicated. It should be highlighted that in a qualitative study this can be seen as a hard criterion to be fulfilled, since it is impossible to 'freeze' the social setting. (Bryman & Bell, 2003). The answers gained in our empirical research through in-depth interviews are individualistic since all the passengers had their own experiences which are very detailed. The details of the data also differ between respondents. The fact that the CIT sample is recommended to consist of 50 to 100 critical incidents can harm our reliability, since we only had 37 critical incidents. Due to this the replication can be hard to gain. The interviews were carried out as long as we acknowledged that there is enough data to conduct a reliable research. Then again, the coded data and final

conclusion can be seen pretty replicable when you compare those to other studies made in service industry and especially in the airline service industry.

Internal reliability concern the fact to which degree the researchers can agree about what they have seen or heard. (Bryman & Bell, 2003). In our study, the interviews were conducted in three languages (Finnish, Swedish and English) according to the respondents' mother tongue. The interviews that were conducted in Finnish or Swedish have been translated into English. This fact might have led to some slight changes in the meaning of the words, since it is impossible to translate everything word by word into another language. This limitation may also affect our interpretation of the answers. The risk of misunderstanding the respondents' answers and drawing the wrong conclusion is a risk involved when conducting interviews. The weakness of the CIT interviews is primary that the interviewer can filter or unconsciously misinterpret respondent, which is true for all verbal methods. (Edvardsson, 1992). In our study a good internal validity was tried to be achieved through tape recording as well as notes. These measures may also have some disadvantages. When tape-recording the interviews respondents might become nervous and answer in a different way than they normally would. As we also took notes simultaneously when listening it might have had some affect on the course of the interview, since we might have missed out on something that was interesting to further develop and ask questions about. Overall, because of these measures action taken we could re-interpret the data when there was some sort of errors or disagreements between researchers and generate good internal reliability. Further, one of the complexities which may also have an affect on internal reliability in our case was the lack previous experiences of conducting interviews, which is limited to some previous research projects. We do not consider ourselves being experienced interviewers' which might make it more difficult to understand the respondent and to help them further develop their thoughts. (Easterby-Smith et al, 2002).

2.9.3. Objectivity

The last evaluation criterion is *objectivity*. It measures to what extent the researchers own values affect the conducted study. When interviews are conducted face-to-face, there is always the risk that the interviewer might be leading the respondent with questions. (Bryman & Bell, 2003). Another weakness is that the questions asked might be steering the collection of data too much. (Bryman & Bell, 2003). Therefore we constructed the semi-structured interview guideline to help us stay in a pattern that was considered being objective. The most important factor is to interpret the respondents' answers in the right way and not let own experiences affect the respondents' thoughts.

In this study we did not share our own opinions or experiences when interviewing people. We gave the respondents' the interview guideline before the interview took place and were cautious for not leading the interviewees in any specific direction, other than letting them stick to their own story. The answers were not commented in any way, which could affect on respondents' thoughts. Further, to make sure that the interviewer's opinions were not affecting the results in the data analyses process, the respondents' comments were written down word by word as they had been stated in the interview.

III

- THEORETICAL FRAMEWORK -

This chapter will present previous theories that were used in this thesis. The first part of the chapter will focus on strategic alliances, their advantages and disadvantages as well as service quality in alliances. This leads the reader into service and service quality that is followed by a presentation and discussion of ways to measure service quality as well as criticism of the models presented.

3.1. Choice of theory

The theories that we have chosen we consider being of relevance, working as a base to achieve the purpose of this study. To begin with we will discuss strategic alliances commonly and then the focus is turned towards consortium types of alliances, which are seen in the airline alliances. There would be other possible types of alliances that could have been used in our study, but airline alliances served as a good base concerning our research topic. The advantages and disadvantages with alliances as well as service quality in alliances are also presented here. A lot of research has been conducted about alliances especially about the implementation phase, the financial aspect as well as other advantages and disadvantages. We noticed that very little attention has been given to the combination of alliances and service quality and that is why we chose service quality as our main research area in this thesis. In this chapter the most suitable service quality models that are related to our study as well as their alternatives are presented. These service quality theories were selected, because of their clarity and usability in different business settings. Grönroos (2000) service and service quality theories served as a good base for the understanding of an overall issue and Parasuraman et als. (1986) SERVQUAL model with its different dimension were considered to be appropriate, because of its suitability in many different service setting and its popularity. Other theories mentioned here were used to compare and question each other and presented as a possible alternative.

Since service quality is such a wide area we had several alternatives of how to approach our topic. For example, service quality's close relation to issues of consumer behaviour and customer

satisfaction could have been an interesting combination and research area, when attached to alliances. Even though, these alternatives were good and would probably have resulted in an interesting study we decided to concentrate only on service quality. One of the reasons not to include these aspects mentioned was the breadth of literature and need for substantially larger research process, which would be too extensive for this study considering the time limitation. In our study we chose to use a consumer perception when investigating service quality in airline alliances. There is a couple of reasons for our choice; first of all the lack of previous studies of consumer perception towards strategic alliances and their service quality, as well as the fact that the consumers' are the ultimate determiners of service quality.

3.2. Strategic Alliance

Strategic alliances between various companies are formed in a speeding phase in today's business world (Faulkner, 1995). These alliances are formed on national and international level, with partners from different geographical surroundings or altered ends of a supply chain. (Bleeke & Ernst, 1995), (Lorange & Roos, 1992). The definition of strategic alliances varies between different business areas, but it can be said to include two or more companies working in synergy. Alliance partners combine their business resources and capabilities for the benefit of the alliance and their individual company. (Weber, 2005). As Gummesson states, "alliance is a designation for organized and agreed relationships between parties, for example between suppliers and customer and competitors". (Gummesson, 1999) Through these collaborations parties are searching for different advantages like Varadarajan et. al. implies; "the pooling of specific resources and skills by the co-operation organisations in order to achieve common goals, as well as goals specific to the individual partners" (Varadarajan et al., 1995). According to Yoshino and Rangan the alliance partners remain legally independent after the alliance is formed. Yet they share benefits and managerial control over the performance of assigned errands and make continuing contributions in severe strategic areas, such as technology, products or services. (Yoshino & Rangan, 1995). According to Faulkner mutual trust, commitment and cultural sensitivity are the most important attitudes for alliance partners to have, alliances with these attitudes are also the most effective ones (Faulkner, 1995). There are many kinds of alliances which can take several different forms, for example, joint ventures, collaboration and consortium, differing with the amount of collaboration and from long-lasting alliances to one-shot projects. (Milgate, 2001).

3.2.1. Alliance benefits

There are several benefits gained from different kinds of alliances but if not handled properly they can result in problems for all parties (Lorange & Roos, 1992). In common terms strategic alliances are formed to gain advantage in marketing and sales efforts, services, lower costs, create new markets and increase profitability. (Weber, 2005). The reason for these cooperative arrangements is to achieve major strategic advantages better through collaboration than through competition (Weber, 2005). Establishing an alliance can also be seen as a relatively low risk investment which does not need major resource commitments (Faulkner, 1995). Alliance partners can share several elements to gain competitive advantage, while avoiding both market uncertainties and hierarchical rigidities. (Weber, 2005). According to Milgate, strategic alliances attempts to achieve three objectives, (1) to provide extra power to companies core competencies in order to convey long-term sustainable competitive advantage, (2) to develop commitment to new markets or technologies that were previously unavailable, and (3) to provide a platform for the kinds of organisational learning that are central to its future business success, but would otherwise be inaccessible. (Milgate, 2001). Strategic alliances are not only trading partnerships that enhance the effectiveness of the participating firms' competitive strategies by providing mutual resource exchanges (technologies, skills, or products). They are also new business forms that enable the partners' to enhance and control their business relationships in various ways. (Todeka & Knoke, 2001). A strategic alliance is a preferable way for achieving these, since many times internal development is impossible. (Iatrou & Alamdari, 2005). Marketing, delivering superior services and providing better service quality is important when creating value for customers' and in turn, for providing value for the service supplier. This is why these factors have gained a great emphasis in alliances, which are trying to concentrate their combined actions mostly through services and marketing. (Groth & Dye, 1999).

3.2.2. Alliance and service quality

Previous empirical research shows that the interaction with the customer is important when evaluating the service quality, since every encounter between the company and its customer is likely to influence the customers' perception of the company. Moreover, service quality has whether it is poor or outstanding a strong emotional impact on customer perception. It creates intense feelings about the organisation, its personnel and its services. Yet, many of the companies find services hard to gasp, and often difficult to deliver. (Wirtz & Johnston, 2003). Nowadays some of the companies' services are handled by other companies specialising in that particular area and therefore service quality can be considered to appear through alliances, which will make companies

world wide services more flexible and efficient. The changes that these alliances and their combined services bring can be extremely difficult and hard to manage. Changes always bring uncertainty and new challenges and in order to manage it successfully it needs patient dedication and hard work. (Franke, 1988). For companies and researchers the concept of service is many times hard to define, but for customers' it is somewhat easy, they know what it is and how simple it can be. (Wirtz & Johnston, 2003). Milgate states that there might also be certain disadvantages from alliances. He emphasizes the fact that service performance may easily be poorer than expected and harm the service quality. Also alliance arrangements may prove to be inflexible, especially when many operational areas are combined. The failure to understand the complexity of the tasks and its connections to other systems and partners may cause disadvantages. (Milgate, 2001). Due to this it is important to realize customers' perceptions of service quality in alliances and by improving their perception of quality, companies' can establish greater customer loyalty, increase the amount of fees and gain steady growing. (Franke, 1988)

3.2.3. Airline alliances

An industry where alliances are highly visible is the airline industry where most airlines participate in some kind of alliance. The airline alliances are usually of consortium type, which consist of several alliance partners (Faulkner, 1995) (Lorange & Roos, 1992). The number of alliances in July 2000 was 579 between 220 airlines (Milgate, 2001). Of the total amount travellers 66 percent of the passengers in the airline industry fly with an alliance carrier (SAS). Mak & Go and Li have stated the opinion that airlines that do not participate in an alliance will suffer severe disadvantages. (Goh & Uncles, 2003). A more detailed description of alliances in the airline industry is defined by The International Air Transport Association (2001). It classifies alliance as; severe airlines participating in a commercial relationship or joint venture, where a joint and commonly identifiable product is marketed under a single commercial name or brand, for example Star Alliance. This name or brand is used to identify the alliance services in situations where mutual agreements exist. (Iatrou & Alamdari, 2005). Further, the purpose of airline collaborations is to improve companies overall performances in several areas of business and to increase the growth. Other benefits for alliances are; increased profitability, enhanced service quality, interchanges of personnel and equipment, growth productivity, and lowered costs in sales and marketing. (SAS). Oum and Park characterise commercial airline alliances as "coordination of flight schedule and ground handling, joint use of ground facilities, shared frequent flyer programs, code sharing, block seat sale, and joint advertising and promotion (Duval, 2005). Usually the strategic alliances in the airline industry are run as if they were independent companies (Lorange & Roos, 1992).

3.2.4. Customer benefits from airline alliance

According to Gourdin et al. price, timelines, check-in process, safety, luggage transportation, quality of F&B, comfort of the seat and inboard service are ranked as the most important service quality attributes by passengers (Gursoy et al. 2005). So it is not a surprise that most of those benefits are also the ones that airline alliances are promising to deliver their customers'. The two biggest global airline alliances Star Alliance and Oneworld both offer their customers' notable benefits and superior services to increase the value when using alliance flights and being a member of an alliance. Star Alliance highlights the following service benefits that they provide their gold and silver members': access to 620 airport lounges worldwide (plus guest), priority airport stand-by, priority boarding, priority reservations wait listing, priority baggage handling and extra baggage allowance (Star Alliance). Oneworld on the other hand provides the following benefits: more service staff to support the customer by this they imply on their 250,000 staff members in 135 countries, greater rewards for frequent flyers, smoother transfers, access to airline lounges, and the Oneworld explorer product that brings simplicity when planning a round-the-world trip. (Oneworld) Moreover, airline alliances provide their customers' superior services which are varying from technological-services to frequent flyer programs (Morrish & Hamilton, 2002). These services should have a positive affect on customers' flight experience, for example, IT- solutions improves customer service and significantly lowers distribution costs. A good example of this is the Star Alliance Self Service Kiosk where the customers' have the possibility to check-in to any carrier within Star Alliance. (SAS)

3.2.5. Airline alliances and service quality

Alliances also proved to have positive impact on prices. A financial perspective shows that airfares have decreased by 8% - 17% since alliances started using code-sharing (Brueckner, 2003). Even though, in many industries price is the main weapon for competition this is not the case in airline industry, were price will not lead to a beneficial situation in the long term. The reason is because airlines are alert on picking up on competitors' price changes and this would therefore not be a sustainable competitive advantage. Since price changes, in this case price reductions might affect the service quality and even the flight safety the regulators of the airline systems might interfere in price changes made in the industry. As said the airlines can not count on a long term benefit if competing with prices, this has become increasingly true since the low-fare carriers entered the market. Because the airline industry is a highly competitive market with airlines providing similar frequent flyer programs and airfares the only thing that will essentially set the companies apart is

the customers' perceived service quality. (Chang & Yeh, 2001). Several studies have implied that airline service quality is one of the most important reasons for travellers' when selecting the airline (Gursoy et al., 2005). A research by Ostrowski et al. shows that airlines that continue providing high quality of services are more likely to retain customer loyalty and actually be the market leader by providing high quality services that their competitors are not able to. Therefore it is extremely important for airline alliances to understand the competitive advantages of service quality and the factors determining the airline alliances service quality. (Chang & Yeh, 2001). It should also be added that high standard of service quality might not increase the companies profitability in case their customers' are price sensitive. In that case the passengers' look for lower fares. (Gursoy et al., 2005). There might appear a problem for the airline customers' when assessing the service quality of perceived services versus their expectations because services provided by the airlines are intangible which makes the assessment more difficult. (Chang & Yeh, 2001).

3.3. Service

Since we are studying the area of service quality it is essential to bring to notion the key features of services, since they make the concept of service quality a very complex phenomenon. Beneath is illustrated the certain factors that determine the service and factors that should be realized in order to get a clear understanding of service quality since they go hand in hand.

A service can be said to be a complicated phenomenon containing many meanings, from personal service to service as a product. It can be said to include the normal face to face service encounter, but also almost any physical product, or machine can be turned into a service for the customer if the supplier tailors particular solutions to meet the most detailed demands of the customer. (Grönroos, 2000). A good example of this in the airline industry is the self-check-in counter, where passengers can handle the check-in independently through a check-in machine. Further, the airline services are a combination of the face to face service encounters as well as services handled by the machines, which should be acknowledged when studying airlines service quality. There is also so called "hidden services", which remains invisible for the customer, but are still part of the service encounter. These services are mostly administratively managed activities such as invoicing and handling claims. (Grönroos, 2000). During the 1960-1980s Gummesson came up with a definition of services which was mainly created for 'so called' service firms, "A service is something that can be bought and sold but which you cannot drop on your feet". (Ylikoski, 1997). This brings up the issue that services can be exchanged, but often they cannot be experienced in a tangible sense. In the airline alliance services the only tangible evidence received is the alliance members'

membership card. However, the service industry has increased dramatically and services has changed and been shaped greatly as also researchers have increased their awareness there is continuous debates of service definitions. So instead of concentrating on defining the services it is more productive to see the common characteristics of services. (Grönroos, 2000).

3.3.1. Common characteristics of services

Services can be identified by certain characteristics. The most important one to realize is that services are *process natured*. Services are processes consisting of multiple activities including different resources used with the help of people, usually in direct interaction with the customer in order to find solutions to customers' problems. (Grönroos, 2000). In the airline services the overall service experience is received through multiple service encounters, beginning from the ticket booking and ending in the baggage claims and passport control. As services are *produced and consumed simultaneously* it is difficult to manage service quality control, because there is no pre-produced quality to control before the service is sold and consumed. In many cases the service provided is invisible, but it should be kept in mind that it is the visible part of the process that matters in the mind of the customer. The fact that the customer is not only a receiver of the service, but also a part of the service process itself is a common characteristic of service. (Edvardsson, 1992). The fact should be noticed since the activity of the customer is also many times affecting on services and their quality provided during the flight service. For example the self-service check-in requires the customer to be a part of the productions process. The creation and the consumption of services are *inseparable* in a way that services can not be stored once they are created, especially in a retail setting.(Lämsä, 2002). Services are always consumed by people whether the buyer is a private person or a company; it is individuals seeking for satisfaction by consumption of services. (Ylikoski, 1997). Services can also be seen as *perishable*, which means that they can not be inventoried. (Gummesson 1991). Ghauri & Cateora (2006) also implies that, differences between industrial products and services are that services are *intangible*. This means that the value can only be created when the service is taking place. Because of this it is impossible to keep services stored in the same way as it is with goods. Intangibility is said to be one of the most important characteristics of services. Although most of the services are intangible they often include tangible elements. (Ghauri & Cateora, 2006). Further, services are said not to include any kind of *ownership*, for example, in the airline industry we use services, but are entitled only for transportation. Passengers do not own anything when using the service, the only thing they are left with after the flight is the experience, the transportation and a piece of the ticket. (Gummesson, 1991). The last characteristic is the "*heterogeneity*". A service for one customer is not exactly similar to the next

customer even though it is the same service. (Kuusela, 2000). In the other words, services are less standardized than goods. (Gummesson, 1991).

3.3.2. Classification schemes for services

There are important classifications for services. Services are said to be divided to *high-touch* or *high-tech services*. This means that high-touch services are highly dependent on human touch in the service process when again high-tech services are based on the use of information technology and physical assets. Whether it is the high-touch or the high-tech method used, they can be seen to mix together pretty strongly. In high-touch the people providing the service is usually using some sort of technological device which mixes these two. In high-tech services the internet shopping provider will at least in problem situations provide the human contact. (Grönroos, 2000). Ghauri & Cateora divides the services into two different categories; they are either industrial or consumer in nature. They give us an example of this in airline industry where airlines sell both categories. They offer consumer services to tourists and industrial services to businessmen (Ghauri & Cateora, 2006).

These classification factors should definitely be taken into consideration when researching services in areas where services are clearly divided into high-touch and high-tech schemes. In our case when we are studying the airline industry and alliances services we can see the use of both mixed together. In today's airline industry the cost saving and alliances have led to more use of high-tech services, for example, the self check-in automates and web-based ticket bookings. Then again there are always also high-touch services when using alliances. Both of these and their mixture will in the end have an affect on the overall perceived service quality of airline alliances. This is why it is important to be aware of the difference and their existence. (Grönroos, 2000).

3.3.3. The basic service package

The core service is the fundamental reason for the company's existence on the market. A company can of course have several core services. For example on a flight from Copenhagen to Stockholm the core service is the transportation from Kastrup to Arlanda airport. Facilitating services are needed so that the customers can use the core service. Without one or several facilitating services the core service will stop to exist. In airline alliances a facilitating service could for example be the check-in-service or the baggage handling. Supporting service is something that is added to the basic service package so it would be more attractive for the customers. If the facilitating services main function is to help the core service to exist the supporting services primary function is to bring competitive advantage. The difference between facilitating services and supporting services is often

hovering. This is because necessary facilitating services can be and should be formed in a way so that they contribute competitive advantage and make the core service more attractive. Something that in one situation appears as a facilitating service could in another situation only be considered as a supporting service. For example the meal served on-board on a flight crossing the Atlantic is a facilitating service; it is necessary and can not be taken away. When again the same meal served on a flight from Helsinki to Stockholm only serves as a supporting service because it could easily be taken away without the consumption of the core service becoming increasingly difficult. It is important for companies to make the distinction between facilitating and supporting services. The facilitating services are mandatory and without these services the service package would collapse. The elements of the service package only determine what customers' receive in the outcome of the service. It excludes the elements of how the customer perceives the service process. (Grönroos, 1983, 2000).

3.4. Service quality

Service quality is seen in today's highly competitive business world as a critically important aspect for strategic management of service firms. Consumer satisfaction and loyalty, secured through high quality services and products providing value for customers' money and competitive advantage for firms are essential for long-term survival and long-term success. (Robledo, 2001). Quality of service should be defined through multiple factors. In the service quality literature a frequently used definition is "whatever the customer perceives it to be". Many times especially from the companies' point of view the quality is measured too narrowly. The quality segment consists of only the most important factors concerned in quality, while customers' usually perceive quality in a broader sense. All the aspects concerning service might have an affect on customers' perceived quality, and from the firms perspective quality is the only thing that counts. (Grönroos, 2000). A good definition of what is needed and gained through service quality is; "An acceptable outcome is an absolute necessity for good perceived quality, but an excellent service process creates a distinct and sustainable competitive edge." (Grönroos, 2000).

Beneath are introduced different service quality models, which explain the complex interactions between factors constructing the perceived service quality. Also the important service quality determinants created for measuring several different service settings are introduced. All of those have a somewhat different approach to service quality and they are often used when researching service quality in different fields of business. In our study these methods are used as background information as we conduct our research. They offer us good guidelines and instructions when

measuring service quality of airline alliances, some more some less. The specific service quality dimensions presented beneath are also used in the analysis part of our study.

3.4.1. Perceived service quality

There are numerous studies trying to explain how service quality is perceived. Yet, attempts to develop quality models for the use of services have been considered a difficult task, mainly due to the fact of intangibility in services. (Shaw & Haynes, 2004). Most of these researches are based on the *disconfirmation paradigm*, which means that quality is perceived through a comparison between expectations and experiences over a number of quality attributes. Another conflicting paradigm is *the perception paradigm*, which implies that the expectations are irrelevant and even misleading for a model planned to evaluate perceived service quality. This paradigm states that the perception of the customer is the only measure required to identify service quality. (Robledo, 2001).

Beneath we will take a closer look on different service quality paradigms identifying the concept of perceived service quality, but before that we will introduce the perceived service quality framework (disconfirmation paradigm) presented by Grönroos (2000) in order to get clear understanding about diverse factors influencing perceived service quality.

Grönroos perceived service quality framework

One of the most respected researchers in the area of services and service quality is Christian Grönroos. His model of perceived service quality can be seen as a good cover to explain the phenomenon of service quality. From his framework we get a good overall understanding of the issue. He implies that quality of services is determined as a gap between consumers' expectations and experiences. Further, the formation of total service quality comes partly from experienced quality consisting of two basic dimensions: *technical quality*, also known as outcome dimension and *functional quality*, also known as process-related dimension. The third essential factor influencing experienced quality is company image. (Grönroos, 1998).

As total perceived service quality shapes through multiple factors the expectations of service quality needs to be included as well as the above mentioned quality dimensions, which do not on their own decide if the quality is good, neutral or bad. When looking at *perceived service quality* also the distributors and their services have to be taken into count. It could be said that the experienced quality is good when it matches with the customers' expectations of quality. The customers' own expectations will always serve as a point of comparison to the perceived quality (Grönroos, 1998).

To be able to provide good quality of service the company needs to understand and be familiar with the customers' expectations. (McGoldrick, 2002). Every customer has different expectations which depend on several different factors and that is why it is of primary importance that the service provider aims to provide tailor made services that matches with the customers expectations. (Ghauri & Cateora, 2006). The most important ones are the company's marketing communication, the customers' needs and wants, sales, public relations, word of mouth communication and company image, which have direct affects on customers' expected quality. (Grönroos, 1998). The total perceived quality is not only determined by the level of technical and functional quality dimensions, but moreover by *the gap between the expected and experienced quality*.

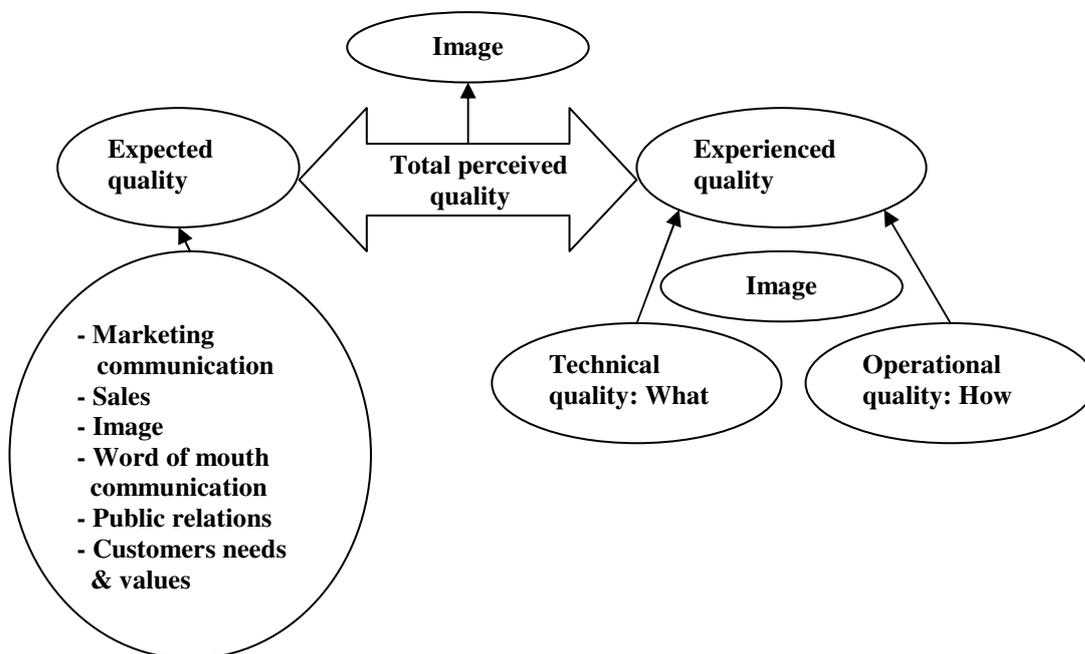


Figure 1. Total perceived quality (Grönroos, 2000)

3.4.2. Models of perceived service quality

SERVQUAL model

Through Grönroos framework we can get a clear understanding of the important factors creating service quality. Moreover, there are many studies conducted on service quality, which most are based on the disconfirmation notion. (Grönroos, 2000). One of the most known and influential service quality studies is probably the one created by Parasuraman, Berry and Zeithaml (1986), from which they came up with the SERVQUAL instrument, which is considered a disconfirmation model. (Robledo, 2001). They describe the perceived service quality more or less similarly with Grönroos. Parasuraman et al. (1986, 1988) define that perceived service quality is customers'

judgement of an entity's overall excellence, similar to an overall attitude. They imply that perceived service quality is defined as the degree and course of divergence between consumers' perceptions and expectations. (Parasuraman et al., 1986, 1988). In other words, service quality is arrived through customers' comparison between ideas about what service delivery should offer and perception of what it actually delivers. (Bell et al., 1997). Expectations are viewed as desires or wants of consumers', not predictions of what will be provided. (Parasuraman et al., 1986, 1988). The experiences in this model are measured through different dimensions, which will be introduced later in the experiences part of this chapter.

SERVPERF model

There are also models using different approaches than the ones mentioned. In response to those mentioned earlier the authors Cronin and Taylor (1992) controverted the SERVQUAL model of Parasuraman et al. (1988) and proposed another service quality model, called the SERVPERF model. (Anonymous A., 2001). This model is proposed to be a modified version of the SERVQUAL model, only taking into account the perception of performance side of the model. Otherwise adopting similar dimensional framework that Parasuraman et als. (1988) model with an exception that it dismisses the expectations part, which they consider to just mislead the service quality measurement process. They imply that these models should not outperform each other, but they are created because both perform better under different circumstances. (Shaw & Haynes, 2004). SERVPERF model is considered to be a *perception paradigm model* (Robledo, 2001) and it offers performance based measures of service quality. It illustrates that service quality is a form of consumer altitude. The SERVPERF model is said to create greater predictive power and may offer managers with an accurate overall measure of service quality. (Shaw & Haynes, 2004).

3.4.3. Expected quality

From the service quality models we can identify different factors which should be highlighted more in this research. They are seen essential to acknowledge when studying service quality. For example as consumers' expectation and experiences are the starting points when evaluating the quality we find it crucial to have more knowledge about factors determining expectations. (Robledo, 2001). If consumers receive the service they expect they are satisfied with what they experienced. If the service is better than expected the consumer is positively surprised and can expect even better service next time. If the service is not as good as expected the unsatisfied customers' will tell about their bad experience to others. The goal is that the consumers' expectations equals with or even exceeds the expectations. (Äyväri, 1991). For example the alliances want to exceed the customers'

basic flight experiences with superior services like the ones offered to their gold and silver members'. The appropriate managing of expectations is important so that those can be matched with overall service performance. There are big affects on service quality if the performance and customers expectations are not matching. The reason for this may not always be bad performance, but also the fact that customer expectations are too high. What creates these expectations should be known and continuously measured. (Robledo, 2001). Wirtz & Johnston (2003) states that especially in the airline industry the expectations and demands are many times very high, so there is a constant need for review and change in airlines ways of doing things. (Wirtz & Johnston, 2003). Service quality is formed partly from *expected quality* which is affected by the marketing communication which exists of commercials, direct marketing, PR and sales campaigns. These factors are also highly affected by the alliance. The alliances partners have joint marketing efforts which shape the customers expectations of the alliance. Other factor concerning the formation of the expected service quality is the oral communication and company image, which affects externally, but basically it is the company's earlier performance that influences the consumers' expectations most. Also the consumers' needs are a factor that affects their expectations. (Grönroos, 1998). Ghauri & Cateora implies that the expectations are often related with the price of the service since consumers often believe that price determines the quality, the higher the price the better the quality. (Ghauri & Cateora, 2006). This is why it is highly important that the marketing of the services steer the customers' expectations about the service so that expectations equals with what the service provider actually is able to perform. This way it is easier to prevent critical incidents or to reduce the customers' dissatisfaction if a critical incident occurs. (Edvardsson, 1992).

3.4.4. Experienced quality and service quality dimensions

Service quality is perceived as such a complex issue to measure with all of its aspects, that even if its complexity could be measured objectively customers would not use all of the information available when forming their perception of service delivery. Instead they use more uncomplicated approach allowing certain attributes or in other words dimensions to represent a wider set of information. (Bell et al., 1997).

As explained in Grönroos framework and models introduced earlier, the experiences are shaping through service quality dimensions. In every service quality model there is proposed certain service quality dimensions. Moreover, there have been difficulties to create universal dimensions, which would be usable in all service settings. Due to that many researches have created unique service quality dimensions to measure the area of services that they are studying. For example, Grönroos

implied that there are two basic dimensions to measure experiences, which can be added with other determinants. For the customer it is important *what* they get when they do business with a company. It has a huge importance when they assess the service quality. From an airline company the customer wants a flight from one destination to another. The fact that they get the flight from the company is *technical quality*. Parasuraman et al. determine this factor through *tangible* determinants. (Sureshchandar et al., 2002). Further, customers' perceive the service the way they perceive the outcome of the service. *How* the different components of flight services are served to them is also of primary importance. Are the external being, behaviour, and competence of the customer service representative appropriate? In other words the *functional quality* of the process is how the customer will receive the service and how he or she perceives the service chain. Functional quality may also appear in the company's ability to get acquainted with the customers' needs and worries and by showing respect for the customer. (Grönroos, 1998). In the SERVQUAL model the functional quality is measured through, responsiveness, reliability, assurance and empathy determinants. (Anonymous A., 2001). Recent researches has suggested that these two basic quality dimensions should be extended to other dimensions which should be taken in consideration when discussing quality. One of these would be "where" which means the physical environment of the service encounter.

Moreover, if we take a closer look at these highly important dimensions determining the service quality we can see the range of variety of different dimensions. One of the first studies conducted on aspects of perceived service quality was made by British Airways in the 1980s. The aim of the research was to find out what passengers' perceived being most important in their flight experience, the study only focused on British Airways airline services. Even though this study is pretty old and limited it still demonstrates some key aspects of service quality perceptions that are generally valid. From this study four dimensions, specially created to use in the airline industry, which affect the quality, were identified. (Grönroos, 1983). These are; (1) *Care and Concern*, seeing how the company, its employees and its operational systems are devoted and able to solve the customers' problems. (2) *Spontaneity* looks at the contact personnel's ability and willingness to make own decisions and react rapidly to the customers' wishes. (3) *Problem Solving* implies on the personnel's knowledge but also the willingness to work effectively to solve the customers' problems. (4) *Recovery means* the personnel's as well as the whole production systems willingness to take own initiative and take action to repair problems and misunderstandings that might have occurred during the service process. (Grönroos, 1983).

The SERVQUAL model created by Parasuraman et al. (1986) may be the one that has gained most attention. It has been used in measuring multiple different service areas, for example, bank, credit card, telephone and repair and maintenance services. The study of Parasuraman et al. began to study service quality determinants and factors of how customers' evaluate the quality of services based on the Perceived Service Quality Concept. Ten determinants; access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding and tangibles, were found to characterize customers' perceptions of certain services (Johnston, 1995). One of the determinants was related to *technical* and one to *image* aspects of perceived quality, when the rest of the determinants are more or less related to the *process dimension* of perceived quality. By following these ten dimensions the end findings were diminished to five service quality determinants; (1) *Tangible*, which is related to plea on equipments, facilities and material as well as service personnel used by the service firm, (2) *Reliability* means that the service company provides on time, accurate service without mistakes to its customers', (3) *Responsiveness* measures if service firms employees are willing to help and respond on customers' needs and requests as well as to give punctual service, (4) *Assurance* means that service personnel gives confidence to customers' and makes them feel safe, and also stresses the fact that employees are considerate and have all the knowledge needed to provide the service, (5) *Empathy* means that the service firm understands the customers' problems and performs by giving the customer personal attention and by providing convenient opening hours. From further development the SERVQUAL instrument was created, but instead of the ten attributes 22 attributes are used to describe the five determinants. Respondents' are asked to state what they expected from the service and how they perceived the actual service. Based on the differences between expectations and experiences through the 22 attributes an overall quality score can be calculated. (Parasuraman, 1988). SERVQUAL is claimed to be a useful tool for managers to identify particular reasons for questions like why there are quality shortfalls. (Shaw & Haynes, 2004).

Many other researchers have used the SERVQUAL method in their studies in different service settings finding it valid or creating more suitable dimensions for their service areas. The authors' Tsaur, Chang and Yen applied the SERVQUAL model by Parasuraman et al. (1986) in their study about service quality in airlines. The factors identified from the study were that: comfort of the seat (tangibility), safety (reliability), and responsiveness and courtesy of attendants (responsiveness) was the most important ones in evaluation of the service attributes. Fick and Ritchie pointed out that from the five SERVQUAL dimensions identified, the expectations of reliability of airlines' is much greater than in any other sector of tourism such as restaurants, hotels etc. (Gursoy et al., 2005). A

study conducted by Sultan and Simpson (2000) studies if customers' expectations and perceptions of airline service quality differs by nationality and if service quality dimensions in domestic settings can be replicated internationally. The study was the first of its kind using the existing SERVQUAL model since it differs from earlier studies in two significant ways. First, it applied the model internationally in international airline services and secondly, it applied a part of the SERVQUAL model to assess the service quality by comparison of expectations and perceptions of European and US airline passengers'. (Sultan & Simpson, 2000). The issue of service quality dimensions remains, whether the ones already created are suitable in all service areas or should there be different dimensions identified in several diverse service settings.

Finn and Lamb (1991) conducted a study in the field of retailing concluding that their results did not support the belief of Parasuraman et al. (1986) that the instrument could be used in assessment of a wide range of service companies. In fact, the model's five dimensions were unsuitable when measuring quality in the field of retailing. They also suggested that a lot of development and refinement had to be done in order for the quality dimensions to be generic. Cronin and Taylor (1992) also confirmed that the five dimensions proposed by Parasuraman (1988) were not identified in any of their research samples. Several researchers' have proposed their own service quality determinants, often based on Parasuraman et al's work. For example Walker (1990) proposed that the key determinants of service quality would be; product reliability, a quality environment and delivery systems that work together with good personal service – staff attitude, knowledge and skills. When again Grönroos (1990) suggested six criteria of perceived good service quality; professionalism and skills, attitudes and behaviour, accessibility and flexibility, reliability and trustworthiness, recovery, reputation and credibility. (Johnston, 1995).

3.4.5. Image

The image plays an important role in the customers' expectations and experienced quality. By image it is meant the "company picture" which affects the impression of quality in several ways and is an important part of the service. A company's communication and operations affects either positively or negatively the company's image. For example, the image for alliances can be a big and flexible flight provider that provides high quality and superior services in the eyes of consumers'. For a company with a positive image it is easier to reach to the consumers' through their communication and the customers' are also more likely to receive the communication in a favourable way. Image could be seen as a filter because companies' with a good image are likely to be forgiven for small mistakes. A negative image has the opposite affect and might damage the

company. (Grönroos, 1998). The image can also work as protection, which is very important for airlines but if mistakes are made too often the protection will stop to exist. (Ghauri & Cateora, 2006). The image will strengthen if the customers' expectations are exceeded. The image also has an internal affect in the company. A strong and favourable image will strengthen the employees' positive attitude towards the company. (Grönroos, 1998). In the SERVQUAL instrument one of the ten determinants is closely connected to image; credibility.

3.4.6. Criticism of models

As service and service quality is seen as complex phenomena it is often hard to determine which one of these service quality models is proper in a specific field of study, since they might highlight different quality attributes and the solution they provide is sometimes good, for example, to identify shortfalls or give predictive guidance for managers. (Shaw & Haynes 2004). In our study we found lot of background information and useful determinants from these models, but also some limitations occurred.

One of the reasons why we did not consider the "British airline model" attributes valid enough was that those were more or less the same as the SERVQUAL dimensions, yet much more limited. There was also other weaknesses' mainly concerning the tangible dimension, which concerns equipment and technical factors, that was not highlighted enough. In today's aviation industry the big and continuously growing part of services are handled through high-tech services and because of that it is important to include them when measuring service quality. Because of these reasons we considered this model to be too narrow and shallow research method when trying to measure service quality of airline. The SERVPERF model is known for its predictive results and is also seen as a limited version of SERVQUAL leaving out the expectations part. As we want to gain more clearance about the factors that have an affect on service quality and more over about the alliances affect on service quality this model could give us the wrong results. The expectations will probably have a huge affect on customers perceived service quality of airlines and alliances, since one of the alliances benefits is joint marketing which has an affect on expectations, which in this study is measured through critical incidents.

The SERVQUAL model offered dimensions that were considering both technical and functional attributes. The emphasis was laid toward the functional ones, which was considered to be important in alliances service quality without forgetting the technical part of services. It is also stated to be a valid instrument to be used in multiple service categories. Quoted by Parasuraman et al: "Therefore,

while SERVQUAL can be used in its present form to assess and compare quality across a wide variety of firms, appropriate adaptation of the instrument may be desirable when only a single service is investigated” (Panasuraman et. al., 1988). Further, there has been some earlier controversy amongst researchers when using the SERVQUAL instrument. Even though it is proofed to valid within various types of services, in some cases the five standard determinants have not been found. So when using this instrument researchers should be careful how to use it and attributes of the instrument should be reassessed in any situation before using it. (Anonymous A., 2001). It has also its weaknesses when taking into consideration the core service/product, non-human elements of the service, and the social responsibility of the service organisation. (Sureshchandar et. al., 2002). Some of these factors are considered to be more or less important parts when studying airlines, where the core services/product plays a significant role in the whole service process. This weakness may not be a problem when studying airline alliances since they are mostly concerned with how the services and the core product are handled through the individual airlines being a part of the alliance. Still, the technical dimension should be noticed and taken in consideration when studying alliances, since there are several hi-tech services. As we interpreted the empirical data first through grounded theory we noticed some critical incidents to be closely related to the determinants offered in SERVQUAL. Due to this we found these dimensions to be usable as a base of data interpreting in our study.

As explained in the strategic alliance part earlier, there are various factors that are relating alliances into service quality. For example, when many different operational areas are combined the complexity of the tasks and its connections to other arrangements and partners may cause difficulties, which then have an influence on the service quality. It can be seen in the service staff level or in the “invisible” services which are not exposed to customers’ sight. Whatever the case is the service quality will have an affect and it will be shown in the overall perceived service quality. As explained above there was a need to modify the earlier service quality models since alliances is a totally different service setting than, for example, if the study would have been conducted to an individual service provider like individual airline providers. When studying alliances there is always the connection of partners and several combined services, which makes the alliances a unique service provider. The exceptional relation between individual companies being a part of an alliance and the alliance concept as a whole should be acknowledged. How do customers perceive the difference and how are they differentiating the service quality of the individual company and then again the service quality of the alliance makes the measuring unique. The issue of competitive advantage was also a crucial factor concerning alliances. Alliances were seen as a way to gain

competitive advantage and many times it is competing in other ways to differentiate, for example, with low-fares. This equation between alliances service quality and price should be emphasized when talking about alliances. Whether the alliances are enough to create the competitive advantage through flexibility, superior services and service quality or are the customers emphasizing more the low price than service quality. Due to these aspects we acknowledged the need to adapt and interpret the earlier set of service quality models and provide a different means to measure service quality of alliances.

IV

- EMPIRICAL ANALYSIS AND RESULTS -

In this chapter analysis of a qualitative research, based on previously presented theories, will be presented for the reader. Dimensions of perceived service quality identified from the study will be presented. The aim of this chapter is to find answers to the research problem presented in the introduction, and analyse the findings.

4.1. Analysis

This study aims to gain greater understanding about factors determining airline alliances service quality through consumer perception. As there are a limited number of earlier researches conducted of alliances service quality we recognized the need for more thorough investigation of the issue. We conducted a empirical research from which we received a lot of important knowledge from this issue. By analysing the data through grounded theory we acknowledged the fact that earlier theory may be applicable to use as a base when analysing our critical incidents. Due to that we used generally valid earlier proposed service quality dimensions as a base of data classification in our study. The most suitable dimensions were seen to be the five service quality dimensions created and proposed by Parasuraman et al. (1986) through which the empirical data gained from CIT interviews was categorized. These five determinants are said to be applicable in many types of service areas and are one of the most employed dimensions when measuring service quality in different service settings (Robledo, 2001). By using these dimensions and comparing those with our data we are able to see whether these dimensions are valid to use when measuring airline alliances service quality or does the results provide some other answers and different dimensions. By these measures we are also able to recognize the most important dimensions affecting service quality.

A total of 21 interviews were conducted during a time period of one week. All of the respondents' were asked to tell two different critical incidents, positive or negative. A total of 42 critical incidents were gained, from which five critical incidents were dropped out, because they did not fulfil the criteria of a critical incident. This led us to a total of 37 critical incidents, where ten

incidents were satisfying and 27 dissatisfying. The summaries of the stories, critical incidents and earlier set of categories were classified by two researchers using the earlier mentioned five determinants; (1) *Tangible*, (2) *Reliability*, (3) *Responsiveness*, (4) *Assurance*, and (5) *Empathy*. The incidents were placed under each dimension by the features they showed as well as under the additional dimensions found relevant. The quotes will give a clarification of the critical incident that happened and beneath the quotes they are discussed more by showing the subcategories existing under specific dimension.

(1) Tangible

To the first category the incidents which clearly had features of tangible dimension were placed. This includes critical incidents which are clearly related to equipments, facilities and material as well as the firms' service personnel. The tangible incidents that were seen critical are clearly concerning alliances equipments like airplanes, self-check-in machines and additional services like silver and gold members lounge areas. These incidents are showed as an example beneath.

“One time I was in a great hurry in the airport. The check-in lines were really crowded with big queues and they moved really slowly. I decided to use the self-check-in machine offered by Star Alliance. It was really fast and easy to use and I saved tons of time by using it.”

“I was flying from Helsinki to Kenya and all of a sudden during the stopover in Amsterdam we were asked to change plane to another alliance partner's airplane (Kenya Air). The Kenya Air airplane was the newest and the best plane I had ever flined and the onboard services were amazingly good! I thought that this is the positive side of alliances. “

If we take a deeper look at quotes above we can see some similarities that in a way created the critical incidents. They were obviously concerning the equipments and other tangible services provided, but there are also some clearly identifiable subcategories. These subcategories or in other words indicators should be acknowledged. In the first two quotes we can clearly see that the tangible services and moreover the modern service equipments provided a new experience, which the passenger had probably not experienced before in the service process. These experiences were seen as a surprise to them and led to further satisfaction. This means that alliances provide the element of surprise to its customers, by the means of tangible services. This can lead to either satisfying or dissatisfying situations depending on the occasion. Both of the results were seen in quotes. So the subcategory here is the *surprise*, which indicate to the tangible dimension.

“The lounges provide really good services. One time I was really tired because of the hard work period abroad. Since I am a gold member of this alliance I was allowed to use the lounge services. It was a really quiet and relaxing place where I could wait for my flight, enjoy good food and relax.”

“I was supposed to take a flight from Bangkok to Copenhagen with SAS, but the alliance changed the airplane and instead we flew with some partner airline. I was pretty disappointed since I like the entertainment equipments on SAS planes, they are much better than in other airlines.”

The next subcategory seen here is the *predictability*. It can be seen in the two quotes above, from which the first one shows that the customer was expecting good lounge service or in other words physical facilities. These lounge services are provided to the silver and gold members’ as an extra service from the alliances. As we can see the customer had a certain expectation towards alliances services and those were fulfilled, which created a satisfied service experience. Then again the last quote implies that alliance services were not predictable, since the customer did not get the entertainment services he would have expected, but was forced to fly with an alliance partner airline, which did not offer the same advantages. By concluding this we can see that these two subcategories surprise and predictability are closely related and can be seen more or less for all of the quotes presented above.

(2) Reliability

The second category consisted of critical incidents, which had characteristics of reliability. This dimension includes the critical incidents concerning; on time provided, accurate services without mistakes to its customers. The critical incidents found from our data which had these characteristics was categorised under this determinant. The incidents had in some way exceeded the “normal” quality of service and became an exceptional service experience. These incidents were mostly due to delayed or cancelled flights also lost or delayed luggage played a major role. More detailed answers gained from the data are introduced beneath as examples.

“The flight I was supposed to take from Malaga was delayed five hours, which meant that I would miss my connection flight from Frankfurt to Copenhagen. I suggested that they would put me on another flight so that I could be at the final destination in time. The airline did not agree to do that since the company that provided a suitable flight did not belong to the same

alliance. Instead they told me that they would compensate me either by money or travel checks and I could take a flight the next day. They even agreed that it would be cheaper to book another flight, than compensate me, but they could not do it, because the flight did not belong to the same alliance”

“Because of a delayed flight I missed the connecting flight and the routing became very complicated. I was supposed to have a direct flight from New York to Helsinki. Instead I had to wait a couple of hours in the airport for my connection that would take me from New York to Amsterdam. In Amsterdam I needed to wait for the next connection that took me from Amsterdam to Frankfurt. In Frankfurt I changed the plane to Hamburg and from Hamburg I finally got on my connecting flight to Helsinki.

From the first two quotes in the reliability dimension we can detect a subcategory, *flexibility*. From these quotes we can clearly notice the inflexibility of alliances routing services. The routing and connecting flights with partner airlines were inflexible consisting of lot of waiting. The same thing was noticed in several cases in our study. This implicated the problem that can occur when companies are joined to work as one. The schedules and service routings etc. can be extremely hard to combine and manage which leads to rigidity and influences the service quality. The quotes shows the alliances clear influence on reliability and moreover the subcategory of flexibility.

“My luggage got lost on a flight. The luggage was missing 8 days. I called to the airline every day without getting any information.”

“I was on a flight that made a stopover and change of plane. When I finally got to the end destination my luggage was missing. The service clerk said it had gone on the wrong airplane and was now somewhere in Africa. When I, after a couple of days, received my luggage there was missing items like my jewellery, clothes and some cosmetics. I did not get any compensation from the airline since my ticket was purchased with my husband’s credit card but I was the one checking in the luggage.”

In the two quotes concerning luggage we could see the subcategory of *dependable*. This is due to the fact that when passengers are using airline alliance services they have a certain trust in them, since they need to give their luggage to the service staff and believe it is handled correctly and that they will receive it in end destination unharmed and on time. This leaves airline alliances with a great deal of dependability, which needs to be handled properly. The problem here can be that,

before individual airlines were a lot smaller consisting of their own service personnel operating in different services, but now when alliances have taken the service process over the services are handled through different partners and companies. This issue might make the dependability harder to manage and due to that these issues, like the ones presented above, might arise. The subcategories detected here are flexibility, and dependable.

(3) Responsiveness

This category of incidents includes the incidents, which have had characteristics concerning the service firms' employees and their willingness to help and respond to customers' needs and requests, as well as providing prompt service through the whole service process. Most of the incidents reported here happened in some of the services provided before entering the airplane such as check-in or gate services.

“I play golf professionally so I travel around the world with my golf bag. The airline alliances do not have common rules concerning travelling with the golf bag. First, in the check-in the service person told me that I need to pay extra for my bag. Due to that I needed to go to another counter to pay the fee and then come back to the check-in line and check in again. This happens almost every time and with different service procedures.”

“When airplane boarding was taking place the gate service clerk said that only two passengers with standby tickets were allowed into the plane. Instead of taking the two who purchased their tickets first, like she should according to the rules, she took the first one who purchased the ticket and her friend (who was after me in the line). The service clerk did this without any question what so ever about if this was okay for me. I was left out from the flight and needed to wait several hours to get on board on another flight provided by my alliance.”

“I was changing plane during the flight and I had this incident in the gate. At the first check-in I was allowed to take my guitar as a hand baggage inside the airplane, since it was in a soft-guitar case. When I changed the plane at the stopover the gate service person told me that I could not take it with me into the plane as a hand-luggage, and that I needed to check-in the guitar as normal luggage under the plane. I unwillingly did that without having any proper guitar case, and when I received my guitar at the end destination, it was damaged.”

In the responsiveness dimension we identified a specific subcategory, which stands out clearly. This subcategory is *rules and regulations*. From the three first quotes we can see a common theme,

which is of course the responsiveness dimension, but also the fact that there are problems concerning the rules and regulation between the alliance member companies. There are even problems with the different parts of the service process, which are highly attached to each other, for example, in the check-in and the gate services. The customers' have to go through the same problems many times during the service process because the common regulations are interpretations made by the individual alliance partners and in the final case the service staff. Moreover, the rules and regulation are not the same in different parts of alliances services, which may have a huge influence on perceived service quality. This is because of the fact that same the critical incident may occur many times during the service process, which was the case in the critical incident concerning the quotes of the guitar.

“I went to the business check-in line, since I am a silver member of this alliance. There I was instructed back to normal check-in where the queue was long and slow. Finally, after many inquiries I received an answer from the service clerk, who said: `Oh...you are a silver member; I did not notice that earlier. I am so tired now so I did not check your card properly.’”

“At the end destination I asked information about my baggage from service desk, but the person there didn't want to speak English and I couldn't speak French so she decided not to serve or help me in any way. I decide never to fly with that airline again. ”

“One time when I still held the basic status member card of the alliance (I had not yet been upgraded to a silver member) I was positively surprised in the check-in desk. I went to the check-in and just for the fun of it asked if they could upgrade me. The service clerk smiled to me happily and told me that since I asked if they would do it, they made an exception and upgraded me. So I got to fly the whole way in business-class.”

Another subcategory identified from the quotes concern the issue of recognising *customers' best interests* and acting on them. This means that the service staff does not just operate their normal routines in service procedures, but rather understands what is best for the customers and acts towards their best interests. This may many times be forgotten, since the service staff is under continuous pressure of time due to big queues, which might lead them to only follow routines instead of customers' best interest. The handling of personal face to face encounters and signs of dedication towards customers' have a huge affect on the perceived service quality. To conclude, in this dimension two different subcategories were identified, which are rules and regulations and customers' best interests.

(4) Assurance

The fourth category presented by Parasuraman et al. (1986) was the assurance dimension, which concerns service personnel as a means of providing the customer confidence and feeling of safety. It also stresses the fact that the employees are courteous and have the needed knowledge to provide the service. In our research this category was not identified from the critical incidents. These features of service were not experienced critically by the alliance passengers.

(5) Empathy

This category represents the incidents which concern the service firms understanding towards the customers' problems and actions taken by giving the customer the personal attention and providing convenient opening hours. The incidents in this category mostly concerned the alliances response to failure. How do they respond on errors and provide personal attention to solve the problem.

“We were scheduled to have a connecting flight with an alliance partner at the stopover, but our primary flight was late so we were not sure if we were going to make it to the connecting flight. The flight attendance ensured us that there would be service staff waiting at the airport and they would take us to the right gate and make sure we would get on our connecting flight. When we arrived to the airport there was nobody there and we had to run and find the gate where the next flight would departure by ourselves. Due to this we missed the flight and needed to take the next flight which left in the next morning. I was seriously mad because they had broken their promise.”

In the empathy dimension we can see some important subcategories, which should be acknowledged. First of all, in the first quote we can identify the subcategory of *broken promise*. As the promise was broken the customer felt truly betrayed, which caused a negative critical incident. Here we can see the affect on alliances by the means of co-operation between different partners of alliances and between their service processes. One partner promised that the situation would be handled, but obviously the information never reached the other partner. There was a promise made, face to face, to avoid the problem but this promise was broken.

“The plane was overbooked and the staff asked if there were any volunteers to take a flight the next morning. I was in no hurry so I volunteered. From the check-in I was escorted to a five star hotel in the airport, where I received a room including food and beverages. The airline gave me 100 € to spend because of this inconvenience and upgraded my membership card with 5000 mile points. I was very pleased with the way the airline took care of the situation.”

Another subcategory is seen on the quote above, where the service staff was handling customer compensation correctly and generously. The subcategory of *compensation* was identified many times, in different ways, when interpreting the data. First, there was the reclamation part made by the consumer, which was perceived as a difficult and time consuming process, which mostly led to disappointments, when and if the customer received compensation. If the compensation was handed on the initiative of the service staff and was considerable, it was mostly perceived as satisfying. The problem here from an alliance point of view is the fact who actually is obligated to provide the compensation for the customer. This may be an issue that brings some uncertainty inside the alliance and for the staff who handles the whole compensation process. This obviously influences customers perceived service quality. The compensation can be considered as a very important indicator of empathy and many times it may be the only way out from a negative critical incident. Due to this, it is perceived as a notable indicator when measuring empathy.

“... I went to ask from the Spanair desk if they knew where the baggage was. Spanairs service clerk didn't know about baggage and directed me to the Newco desk. Newco is a firm which handles Spanairs baggage handling. In Newcos desk the service clerk said that the baggage is in Copenhagen and gave me a telephone number to Newcos office where I could have further information later on. I called the number of Newco two times, but they didn't know or couldn't give any specific answer concerning my luggage. I tried to contact Blue1 through telephone and email several times. I haven't got an answer yet, and the flight was 8 weeks ago. Neither the call request nor the emails were ever answered.”

“I needed to change airline into another alliance partner's airplane in a stopover, but the baggage was checked-in the whole way. When I arrived to the end destination, the luggage was missing. When I asked about my luggage from the service staff, they instructed me elsewhere, to a partner who handled the baggage because they did not know anything about it. I called a couple of times to their service phone, where nobody answered. I left a message on their answering machine and sent two emails. The baggage was missing two days. For my query of compensation I have not got an answer yet, when three months have passed.”

The third subcategory detected here is the *escape from responsibility*. The problem is seen in the service staff, who is not acting to handle the passengers' problems, but rather forwarding the problem elsewhere. This brings up the issue whether it is easier, so to say, to hide behind the alliance and pass the problems elsewhere, than to take the problem into own hands and provide a

solution for the customer. Moreover, if there occurs problems in some alliance partners' service processes, is the other partner company's service staff willing to help the customer or is it just easier to direct the customer to the next service desk. This issue brought up the subcategory of escape from responsibility, which can be seen as a rather important issue to acknowledge. To conclude, we can see three different subcategories under the dimension of empathy; broken promise, compensation and escape from responsibility.

(6) Price

This category took in consideration critical incidents that concerned the price of certain services. The critical incidents in price category were usually related to customers' expectations and their overall perceptions of value. They felt that alliances should provide superior services, since the tickets were considered to be expensive.

“I feel that normal airlines try to compete with low-fare airlines. The means of differentiation from the low-cost airlines is the alliances and better services gained from those alliances. So, now when I need to pay much more for the tickets to normal airlines I should also have better services. It feels like that even though I have paid more for the ticket they are still cutting down services.”

“The low-fare airlines are cheap but they don't offer any services, so I fly with expensive airlines to get good services. Now that the competition has increased even the more expensive airlines have decreased their services, for example, on-board.”

“I used Oneworld Alliances tickets which allowed me to fly several flights with the same ticket. I paid 17,000 Swedish kronor for the tickets to Australia and within the same ticket I flew to Bangkok, Thailand and New-Zealand. I consider it to be a pretty cheap ticket compared to flight fares usually as I compared the price with normal ticket to Australia and it was about 15,000 Swedish kronor. So I was really happy with the price and the services I got.”

There was also a subcategory detected from the price dimension, which concerned the relation of provided services and price. This subcategory is named *reasonableness*. As we can see from the quotes the price is many times considered to be a sign of superiority of services and good service quality or vice versa. If the price is high, customers expect to receive something more than just standard services. If they considered the service process being standard or there occurred some sort

of problem they feel that the services provided were not worth the high price and this led to a critical incident. At times when there was a match between expectations and the price the customer was satisfied. The service and price relation should be matched, which gives us the indicator of reasonableness. Especially, the match with prices and service should be acknowledged in the alliances where they use superior services as a means of differentiation and marketing.

From the five dimensions proposed by Parasuraman et al. (1986) only four were detected when categorising the data and illustrating whether they were valid service quality dimensions for measuring airline alliances service quality. The four dimensions identified were; Tangible, Reliability, Responsiveness, and Empathy. The features of the Assurance dimension were not found in any critical incidents reported in our study. Further, there was an additional determinant, which was clearly notable when categorising critical incidents. We took that determinant into consideration when categorising critical incidents, since it was so clearly spotted from the data. The additional dimension was *Price*. Under each of the primary dimensions we identified one or more subcategories (surprise, predictability, flexibility, dependability, rules & regulations, customers best interest, broken promise, compensation, escape from responsibility and reasonableness), which were highlighting different factors concerning the dimension. These subcategories were placed under each of the specific dimensions to give more insights of this particular determinant. When we interpreted the subcategories further, we could notice that these indicators are also valid to use even in larger scale. In other words these indicators are considered to be useful under other dimensions identified in this study as well, for example, the indicator of surprise and flexibility can easily be used in the responsiveness dimension. Also the rules and regulation can be placed under the empathy dimension. Further, the five main dimensions and the subcategories identified and presented in this study can be used to measure the customers perceived service quality of an alliance and more specifically an airline alliance.

Above one can see the analysis of the material gained from the interviews as well as the quotes. We chose to add a table with percentages and frequencies in order to provide the reader a more comprehensible way to get a clear insight of the dimensions. Table 1 shows the number of critical incidents that suited each of the categories. It also shows the split between satisfied and dissatisfied incidents. As we can see in terms of total number of incidents the reliability and responsiveness were the two dimensions with most critical incidents. The next dimension was empathy and after that the tangibility. The last dimension proposed by Parasuraman et al. (1986) was assurance, which did not include any incidents and were due to that not concerned a valid dimension when measuring

service quality of airline alliances. As we mentioned before we added one dimension which was discovered from the empirical data gathered. This dimension was price, which was the fourth most important dimension concerning perceived service quality. From the table and from the critical incidents gathered under each dimension we can see some insight into the way passengers' perceive service quality in airline alliances. The most influential dimensions were reliability and responsiveness, which can determine the perceived service quality of alliances in many situations.

Category	Incidents		Frequency satisfying	Frequency Dissatisfying	Percentage Satisfying	Percentage Dissatisfying
	Total/ Number	Incidents total/ %				
(1) Tangible	3	8	2	1	67	33
(2) Reliability	13	35	2	11	15	85
(3) Responsiveness	10	27	2	8	20	80
(4) Assurance	0	0	0	0	0	0
(5) Empathy	7	19	3	4	43	57
* Price	4	11	1	3	25	75
Total	37	100	10	27	27	73

Table 1. Overall frequencies

Further, we can see from table 1 the split between positive and negative incidents. The SERVQUAL instrument created by Parasuraman et al. (1986) determines what is important for customers', but it does not differentiate between satisfied and dissatisfied customers. (Johnston, 1995) The split between the positive and negative incidents play a secondary role to the contribution of understanding alliances service quality, since the dimensions can be identified fully through the total number of incidents identified in the different categories. As we can see the satisfying incidents are quite rare. This fact implies that satisfying incidents are much more infrequent in critical incidents and they rarely exceed expectations in alliance services. The only dimension, which had more positive incidents than negative was the tangible dimension. Most of the dissatisfying incidents were identified in the category of reliability, which was considered to be overall the most important dimension concerning alliances service quality. Further, the negative incidents were much more frequent than satisfying. This implies that expectations have not been fulfilled. The most dissatisfying incidents occurred in the categories of reliability and responsiveness, which can be seen to have an enormous affect on perceived service quality of alliances. The price dimension also gained several dissatisfying incidents in alliances service quality.

V

- CONCLUSION -

This final chapter is a discussion, which also works as a conclusion of this thesis. A presentation of what we have learned from conducting this study about strategic alliances and service quality in alliances will be presented. Finally, the thesis contains managerial implications and suggestions for further research.

5.1. Discussion

The study is based on empirical findings gathered from 21 semi-structured interviews which were conducted with passengers' who are members' of one or several airline alliances. The data was gathered through 37 critical incidents, and has aimed to gain greater understanding about perceived service quality in airline alliances. We measured the gathered data through several different approaches. Finally we chose to look at whether the earlier service quality dimensions, proposed by Parasuraman et al. (1986), were valid to use as a base when measuring service quality of alliances. Through these measurements the valid dimensions as well as their subcategories, for measuring service quality of airline alliances, were identified.

As a conclusion we can say that there is a need for identifying different service quality dimensions in diverse service areas. The most commonly used basic dimensions proposed by earlier researches may not always be valid for the use of another service setting, which was the case in our study. There are many different researches conducted in the area of service quality and multiple different service quality models and dimensions created to measure these different service settings. The alliances service quality was still a fairly uncovered issue. This may be due to the fact that alliances are perceived as quite a complex phenomenon including multiple different companies' co-operation and several other factors that needs to be acknowledged when researching alliances. Further, if we look at the issue from an airline alliance point of view, we can notice that there were many researches done in the area of service quality in the airline industry. The studies of airlines service quality has been measured thoroughly and may have sometimes been contrasted with airline alliances service quality, which may have influenced the small number of researches done in airline

alliances. We consider services of alliances and services provided by individual airlines to go closely hand in hand, since they share more or less the same attributes. We found it to be important to illustrate the service quality dimensions that have a direct affect on airline alliances service quality and those factors that concern more alliances than individual airlines services. In other words we noticed the need to separate the dimensions measuring individual airlines service quality and the alliances service quality. By doing this we researched this issue through airline alliances, which are perceived as highly service based alliances and are the most visible sign of alliances for the consumers’.

Before discussing more about the dimensions and their subcategories identified, let us have a deeper look at our empirical data and its comparison with the gap analysis model introduced by Parasuraman et al. (1986). This way we can explore the data between the expectations and the actual performance. First of all when looking at the expectations side of the model we can see that every time that a critical incident occurred, expectations were either exceeded or lowered. When examining the data through expectations, we can see that the dissatisfying incidents were in majority of all critical incidents. This means that expectations towards alliances have been too high, and when the services are provided to customers’ they are not fulfilling the customers’ expectations, which lead to dissatisfying incidents. Moreover, if the expectations were exceeded satisfying incident happened, which means that expectations were too low or the service provider added some extra value in the mind of the customer. Whatever the case was these things created a critical incident and affected the customers perceived service quality. On the other side of the gap we can take a look at the performance point of view. There we clearly detected good service dimensions (tangible, reliability, responsiveness, empathy and price), which have a high importance when customers’ are creating their perception of alliances service quality. These dimensions whether they are satisfying or dissatisfying have a deep impact on customers’ service experience. These dimensions were the ones we aimed to find in order to gain greater understanding about alliances service quality. Through the gap between these two; expectations and experiences the overall services quality of the alliance is perceived. By this opening we can continue to discuss more in depth the dimensions identified.

The five dimensions of SERVQUAL worked as a base for our data interpreting and were proved as a whole to be unsatisfactory for the use of airline alliances. Further, the four dimensions out of five were seen to be valid in our study. The four valid dimensions could be used when measuring the service quality of airline alliances and from the data interpreted we could identify one additional

dimension. Together these five dimensions proved to be the right dimensions to measure service quality of airline alliances. These five dimensions were seen to have an affect on customers' perceptions of service quality in our field of study. The dimensions identified were *reliability*, *responsiveness*, *empathy*, *tangible* and *price*. One result from the analysis was that the assurance dimension, which mainly concern factors of security and employees knowledge to provide services, was left without any critical incidents and therefore do not have an affect on perceived service quality in airline alliances. Further, under these five dimensions different subcategories were distinguished. These subcategories were seen under different dimensions, and were situated in the analysis part under a specific dimension. When studying closely these dimensions and their subcategories we noticed that the subcategories could also be used under different dimensions identified in this study and they are to a degree quite mixable. The subcategories discovered were; *surprise*, *predictability*, *flexibility*, *dependability*, *rules & regulations*, *customers' best interest*, *broken promise*, *compensation*, *escape from responsibility* and *reasonableness*. These subcategories can be used as indicators and as a base when measuring different dimensions and alliances service quality.

If we take a deeper look into the dimensions identified we can see that the reliability dimension was one of the key quality determinants. The same conclusion was identified by Parasuraman et al. (1986). In alliances services the accuracy of services was seen to have a huge affect on perceived service quality. Delayed and cancelled flights were identified to have a big share of the critical incidents gained, as well as the missing and delayed luggage. These incidents were mostly seen as dissatisfactory, which means that the accuracy and the mistakes happening in service experiences have a huge effect on perceived service quality and mostly a negative impact. The second determinant was responsiveness, which deals with prompt service and taking into notice the customers' needs. This quality determinant is perceived mostly in high-touch services, which means there is interaction between service personnel and customer. In high-touch services the human-touch is highly present during the service encounter. Further, in the high-touch services that had errors passengers' seemed to be less forgiving. These errors mostly led to critical incidents and had a severe influence on perceived service quality. Especially, the incidents where service staff made a promise, face to face, and then broke the promise was perceived as a major service quality failure.

The empathy determinant had most satisfied incidents. It stressed the service staffs' ability to solve the customers' problems and to give them personal attention. It was notable that in this category the dissatisfying incidents could easily be solved with professional and prompt service and turned into

satisfying incidents. Many incidents in this category first started by being dissatisfying incidents, but when service the staff had acted properly and corrected the problems it eventually led to a satisfying critical incident. As we can see especially from the responsiveness and empathy dimensions the behaviour of service staff is highly important in the service process. They have the power to influence the services provided and through those the critical incidents are shaped to be either satisfying or dissatisfying. Further, from the quotes we can see that in many cases when critical incident occurred whether it was due to some technical service machine or from an encounter with service staff, the actions taken after the incident by service personnel could turn even dissatisfying incident to satisfying one or in the other case a dissatisfying incident could lead to an even more dissatisfying incident. The positive incidents were really hard to gain from services and mostly they turned into positive incidents because of the actions taken by the service staff after a dissatisfying incident. The influence of service staff should be acknowledged and highlighted when looking at the issue of consumer perception towards the service quality of an alliance.

The price determinant was identified from the data and the relation of price and service was many times perceived dissatisfying. Customers' perceptions was that alliance flights are more expensive compared to other flights and the alliances are promising superior services, which customers in their opinion do not perceive to get. The price was a small category here with low percentages of critical incidents, but this might in the future have a severe affect on alliances perceived service quality, due to the low-fare airlines and the increasing competition. Further, the tangible dimension did not have such a big affect on the perception of service quality. This may be due to the reason that this dimension deals with the equipments of the service experience. Data showed that high-tech services, in other words the services handled through machines, were more easily forgiven by the customers. The errors happening in high-tech services were more unlikely to actually raise a critical incident. The ones that actually did break the limit of normal service quality were then perceived as positive critical incidents. For example, the self-check-in automat was seen as a fast and easy way to handle the check-in without having to wait in lines and face the service staff. This could be due to the fact that the passengers' who used high-tech services were really used to those and if a negative critical incident occurred they blamed themselves rather than the service provider. The fact that only a few critical incidents occurred here is due to the reason that airline alliances may not be perceived to have much so called "own" material or equipments, since those are provided through individual alliance partners and the critical incidents happening in that part of the service is considered to be the fault of an individual airline.

Furthermore, there were also differences regarding the positive and negative incidents in our study, but these did not have a huge influence in a way or another in our study. Yet, they showed us that some determinants are more likely to cause satisfying incidents and others dissatisfying incidents. It was clear that the intangible aspects were more likely to cause critical incidents than the tangible ones. From the data we could also identify the critical points of the service process, where the incidents are most likely to occur. The five dimensions including their subcategories were most likely to occur in the check-in, gate and luggage handling as well as in the routing provided by alliances. To end this chapter we can say that some of the determinants are more predominant than others and that tangible, reliability, responsiveness, empathy and price are the attributes having influence on airline alliances service quality. Whether these dimensions are usable in other service settings is questionable, but we recognize that these dimensions and their subcategories are valid to use when measuring consortium types of alliances and types of alliances that are highly related to exchange of services, service personnel, marketing and equipments.

5.2. Managerial implications

The results of this study have highlighted several issues which should be acknowledged by the managers of individual airlines being part of an alliance as well as managers of alliance operations, if they are to improve their customers' perception of service quality in alliance. First and foremost as stated before the competition in the airline industry is harder than ever before. Airlines are trying to find ways to differentiate themselves from others by different means. Some will lower the prices and cut down services and some will join an alliance. The problem here is that the ones that are competing through cheap prices and reduced services are forcing the others, for example alliance partners, to come up with some extra benefits in order to stay in business. Airline alliances are trying to differentiate through services and service quality which the low-fare airlines have reduced. Still, the low prices are seen as a big motivator for the customers, so the alliances need to lower their overall prices up to a certain point, which again shows in the provided services. This vicious circle leads to the fact which is identified in our data and quotes, which highlights the fact that in today's airline industry the level of ticket price and quality received is not necessarily equivalent. This leads to a critical incident and in order for managers to improve their perceived service quality, they need to do something about this equation. Another point identified from our study, which is seen through many dimensions and quotes is the fact that even though customers are nowadays used to handle their services increasingly through high-tech services (service machines) there are always moments where they need to count on the service staff and face-to-face encounters. As we can see the alliances are nowadays more and more relying on machines and self-service desks by the cost

of decreasing the number of service staff. This automatically leads to the issue of making it harder for alliances to provide the service quality customers expect from them. Also the fact that the service personnel are taking care of alliance partners' customers can have an affect on service quality. The issue of alliances frontline service personnel and their training, behaviour and mutual rules and regulations should be taken into consideration by managers. This was already acknowledged by SAS former president Carlzon who stated that the success of an airline company lies on the performance of the frontline personnel. Further more, one of the most important issues seen in our study is the service personnel's willingness to respond to failure. As we can see from our dimensions, the fact that professional handling of customers, face to face, can decrease the number of critical incidents and make the incidents even 'disappear' in the customers' perception. The frontline personnel were in many cases also the only mean to create satisfying incidents for the customers whose expectations concerning satisfying incidents were obviously really high. Dissatisfying incidents were even possible to be turned around to satisfying incidents by professional, on time, face to face actions from the service staff. This implies that response to failure is one of the most important issues for managers to realize when talking about an alliance service quality.

5.3. Limitations of the study and future research

This study has been limited to investigate the area of service quality in alliances and more specifically in airline alliances. It does not take into consideration other factors which are highly in touch with the issue of service quality like customer satisfaction or customer behaviour. Moreover, the emphasis is laid upon airline alliances, which means consortium types of alliances where several partners are co-operating highly through combined services as well as exchange of equipment and personnel.

This study identified the service quality dimensions for the use of airline alliances. However, it also aroused many issues that would benefit from further research. The factors influencing service quality like self-service machines and internet booking should be research more in order to understand their affect on overall perceived service quality. This is due to the fact that machines have started to replace service personnel in increasing numbers in many parts of the service process. What is their affect on alliances service quality, and is the future vision of airline services as follows; the only food provided on board is to be bought from vending machines, which are placed in the airplanes. Also the future research in this area could be directed on the correlation of service quality and overall pricing issues. This would be highly important in today's business world where the

competition is hard and different means are used to gain competitive advantage. What is the best strategy: is it low fares or high quality? This issue could be researched through low-fare airlines and airline alliances, which both use different means to survive and be successful in a tough market.

VI

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