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Customer Satisfaction and its Importance to Market-Leader Strategies;

Case: Vietnam Airlines, German branch

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<p>The aim of this dissertation is to discover the importance of customer satisfaction to the market-leader strategies of Vietnam Airlines and simultaneously to measure customer satisfaction with the air-services of the business. Concerning the former research problem, the paper first mentioned the theories of market-leader strategies which were followed by an analysis to clarify the afore-mentioned assumption. In order to address the second research problem, the author conducted a survey in which the form of direct interviews was used to collect customers' evaluations.</p> <p>In regard to the measurement of customer satisfaction, the theoretical part demonstrated the relationship between customer satisfaction, customer loyalty and business performance to specify the significant influences of customer satisfaction to the overall performance of business in revenue growth, share of customers and customer tenure. Additionally, the paper mentioned crucial theories resolving around customer satisfaction such as customer relationship management, two dimensions of customer loyalty and the assessment of the value of market segment to build right relationship with customers. In the empirical part of the research, the author utilized a quantitative method to collect customers' evaluation on a 5-point rating scale. A qualitative method was also used with open-ended questions to discover reasons that lead to the rating decision of customers.</p> <p>Based on the data results of the research, the dissertation aims to identify potential and existing problems in the air-services of Vietnam Airlines and simultaneously to provide the business practical solutions to improve customer satisfaction.</p>	
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PREFACE

First of all, I would like to express my deepest gratitude to my parents and my older sister who have consistently supported and encouraged me in my academic life. They have always been by my side and followed each of my footsteps.

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1 INTRODUCTION

Customers are indisputably the primary reason for the existence of any service businesses (Hoffman & Bateson 2011, 288). As a result, ensuring a great level of customer satisfaction proves to be a crucial objective for many service firms, considering the current competitive business environment. In fact, the ability that a business can survive or suffer from failures is greatly influenced by the satisfaction levels of customers (Williams & Uysal 2003, 2). Instead of waiting for receiving complaints, it is recommended that every business should become proactive in valuing and measuring customer satisfaction. Conducting customer satisfaction surveys is worthy of the considerations of service firms since the questionnaire demonstrates that the business seriously pays attentions to the perceptions as well as the expectations of customers on experiencing its products/services. Additionally, the survey is also a means which enables customers to formally feedback to the business through which service firms can define potential and current problems needed to be addressed.

As indicated by Anton (1997, 2) it is observed that businesses which have a formal and systematic customer satisfaction measurement program are usually the market leader and are distinguished from other business rivals by the willingness to listen to customers' voices and to satisfy customers. Vietnam Airlines started to exploit the direct flight route between Germany and Vietnam since 2005 and has currently been the market leader of the aforementioned route. As the air-carrier captures the largest market share in the market, customer satisfaction is expected to have considerable influences on the market-leader strategies of Vietnam Airlines which are targeted to help the business remain its current position as the market leader. This hypothesis drives the author to conduct a research with a view to addressing two following issues:

Research problem 1: Identify the importance of customer satisfaction to the market-leader strategies of Vietnam Airlines.

Research problem 2: Measure customer satisfaction with services of Vietnam Airlines.

In regard to the structure, the dissertation is divided into two major parts. The first one focuses on analysing the importance of customer satisfaction to the market-leader strategies and the second one involves the measurements of customer satisfaction by a research on six service factors, namely check-in procedures, on-board services, luggage handling, ticket

purchasing, punctuality and safety. Each of the two mentioned parts can be subdivided into two sections with the first being theoretical framework and the following one being the application of the theories in the analysis and explanations.

The goal of the survey research is to discover the perceptions and evaluations of customers on experiencing the air-services of Vietnam Airlines. The survey results can be utilized as preference sources to address potential and existing problems that dissatisfy customers, and additionally to promote favoured service factors to outstanding competitive edges of Vietnam Airlines against other business rivals exploiting the same flight route.

2 VIETNAM AIRLINES CORPORATION

2.1 A brief overview of Vietnam Airlines (VNA)

Vietnam Airlines was officially established in May 1996, being constituted of 20 aviation enterprises and the airlines itself playing a role of the core business. The air-carrier has made significant efforts over years to expand its flight network to 20 domestic cities in Vietnam and 26 international destinations across Asia, Europe, Australia and the USA. Joining SkyTeam – the world's second largest airlines alliance in 2010, Vietnam Airlines marked an obvious advance in the global airlines industry through which the air-carrier simultaneously affirmed its international standard services. (Vietnam Airlines 2012.)

In the attempts of expanding its market in Europe, Vietnam Airlines officially launched a direct air-flight to Frankfurt, Germany in June, 2005. Initially, the air-carrier operated three flights per week between Vietnam and Germany and as of now, the number of flights per week has increased to eight. (Xinhua News Agency 2005 & VietnamOnline 1997-2011). For the concerned flight route, Vietnam Airlines offers not only commercial flights for air-passengers but also air-freight shipping services (Vietnam Airlines 2012).

2.2 Market leader in a competitive environment

The Germany-Vietnam flight route proves to be a harshly competitive environment as the route has been exploited by a number of well-established air-carriers such as Lufthansa, Singapore Airlines, Cathay Pacific, Emirates...just to name a few. The following figure provides an overview of the current market share (2011) among the airlines competing on the concerned flight route.

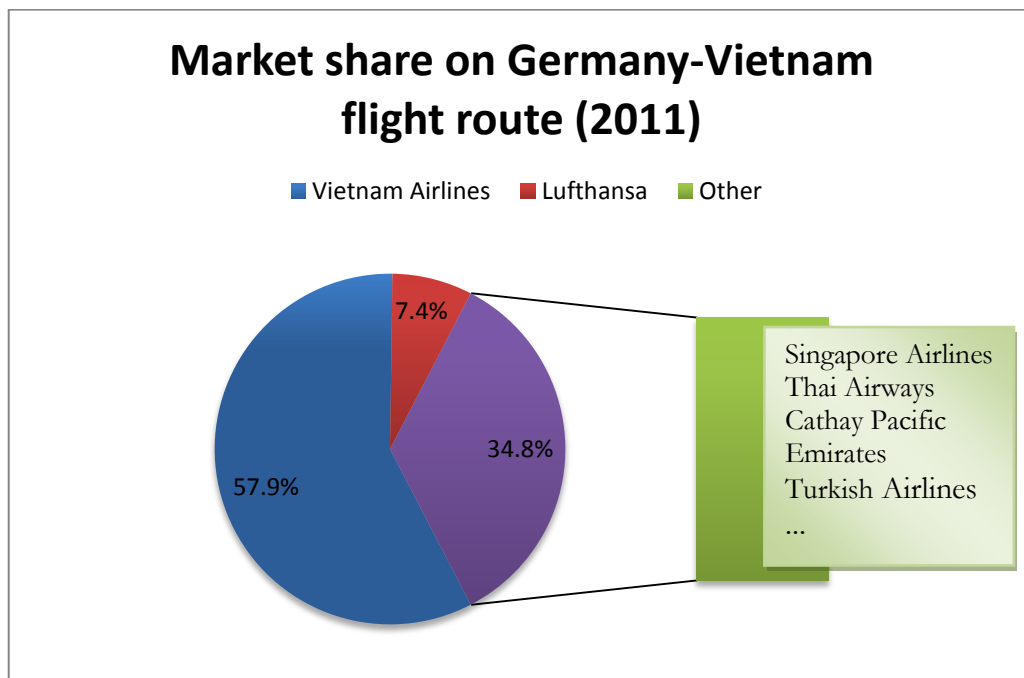


Figure 1: Market share of the Germany-Vietnam flight route in 2011 (Vietnam Airlines 2011)

As can be seen from the figure, Vietnam Airlines captures the largest market share with 57,9%, being the market leader of the concerned flight route in 2011. German air-carrier-Lufthansa which also offers non-stop flights between Germany and Vietnam is left far behind, accounting for only 7,4% of the total market share. The rest is the market share of other business rivals which offer at least one stop-over destination between the route like Thai Airways, Singapore Airlines, Turkish Airlines, etc. In brief, although Vietnam Airlines has the largest market share, considerable changes in the market share pie are still very likely to happen if the business fails to acquire an acceptably good level of customer satisfaction. Customers can, in fact, easily switch to the competitors of Vietnam Airlines owing to low-switching costs or to competing offers of business rivals.

3 THE IMPORTANCE OF CUSTOMER SATISFACTION TO THE MARKET-LEADER STRATEGIES

As mentioned earlier, Vietnam Airlines was the leader on the flight route Germany – Vietnam in 2011, capturing nearly 58% market share. As a dominant firm, the air-carrier targets to remain as the market leader. However, considering the aggressive business environment, the afore-mentioned objective has been challenged by a number of air-carriers exploiting the same flight route. Meanwhile, ensuring customer satisfaction is probably one of the key factors which considerably assists Vietnam Airlines in the market penetration, and simultaneously gives the business certain competitive edges in the race of winning market share from competitors. The next parts identify the importance of customer satisfaction to the market-leader strategies of Vietnam Airlines. In regard to the layout of the analysis, the first section presents marketing theories concerning market-leader strategies and the following one is the analysis.

3.1 Market-leader strategies

As implied by Kotler (1991, 375-385), in most industries, there is one dominant business which is acknowledged as the market leader. Basically, dominant firms capture the largest market share in the market and achieve the leadership position usually due to several factors such as the intensity of promotional programs, price adjustments, the coverage of distribution system or other unique and outstanding competitive edges. If dominant firms do not have the advantage of legal monopoly, it is definitely not easy for the businesses to remain its leadership in the market. Business rivals have constantly challenged the leader and strived to win its market share. Therefore, in the attempts of protecting its market position as the leader, dominant firms are expected to follow three actions as presented in the following figure.



Figure 2: Market-leader strategies. The figure is created by own author according to market-leader strategies of Kotler (1991, 375)

As can be seen in the figure, the market-leader strategies necessitate businesses to take actions on three fronts among which the first one involves the expansion of the total market size. Dominant firms may have different approaches to boost the total market demands, for instance, acquiring new customers (new users), finding out new uses of the products and encouraging customers to follow (new uses), or persuading customers to “use more of a product per use occasion” (more usage). In regard to the “new users” approach, dominant firms can employ market-penetration strategy in which the businesses strive to convince customers who have no intention to use a product to use the product. (Kotler 1991, 375-376)

Along with the attempts of expanding the total market, it is crucial that dominant firms pay attentions to the second front of the market-leader strategy in which businesses need to defend its current market share from possible attacks of business rivals. In the last front, dominant firms are expected to expand its market share, even in the case that the market size remains unchanged. It has been found that a gain of one point share can, in many markets, generate a considerable amount of profits for the business. The expansion of market share can be achieved by wining market share from other firms in the market. (Kotler 1991, 377-381.)

3.2 The analysis of the importance of customer satisfaction to the market-leader strategies of Vietnam Airlines

3.2.1 Expansion of the total market

As mentioned earlier in the theoretical part, there are many approaches to expand the market but in the particular context of Vietnam Airlines, the study only focuses on the new-user strategy. It is noticed that a high level of customer satisfaction is very likely to greatly assist Vietnam Airlines in acquiring new customers, which is explained in detail as followed.

New user approach

In the search of new customers, Vietnam Airlines has employed the market penetration strategy in which the air-carrier strives to persuade customers who have no intention to travel with Vietnam Airlines to use its air-services. Many efforts to acquire new customers has been annually done through various marketing channels, for instance, participating in travel exhibitions such as ITB, CMT Stuttgart, Hamburg Reisen or placing advertisements on prestigious German trade magazines like FVW. The cost for such marketing activities to attract new customers is definitely not a small number, probably up to thousands of euro or even more for each marketing event whereas the leakage of advertisements is worth paying attentions. For instance, not all readers of FVW magazine and visitors at ITB exhibition in Berlin have serious intentions to travel with Vietnam Airlines while the business has to spend a lot in the attempts of attract new customers. Certainly, the acquisition cost is worth considerations yet there are ways that help the business acquire new customers much cheaper and probably also easier. The key is to ensure a high level of customer satisfaction.

If customers have great experience on utilizing products/services of a firm, delighted customers are very likely to voluntarily share positive word of mouth (WOM) referrals to others, under various forms like normal conversations, dialogs or social network (Trehan. M & Trehan. R 2011, 129). Clearly to be seen, if Vietnam Airlines can achieve a high level of customer satisfaction, the business can take advantage of this free-of-charge advertising form. Furthermore, the referrals of satisfied customers are found more credible than the advertising messages created by companies since WOM advertisements derive from personal sources and are therefore impartial (Fisk, Grove, & John 2008, 139). If WOM is moved to social media on the internet, favorable appraisals of customers could be spread out much

faster (Sciencenordic 2012). The rapid dissemination of positive referrals on social networks proves that WOM advertisements are one of the critical advertising forces for Vietnam Airlines to acquire new customers. Last but not least, according to a study of Trusov, Bucklin and Pauwels (2009, 99), WOM communications prove to have effects which can last longer and be larger than the ones generated by traditional marketing activities. In summary, all afore-mentioned arguments denote that customer satisfaction can be seen as a critical indirect factor which considerably assists Vietnam Airlines in the new customer acquisition strategy through the effects of WOM marketing.

Probably, acquiring new users is one of the most significant market-expansion strategies of Vietnam Airlines as according to statistics data of this study research, new customers account to up to 47% of the total respondents. Therefore, in order to remain the leadership position in the market, it is essential that Vietnam Airlines achieve customer satisfaction, which not only enables the business to save a substantial amount of marketing costs but also helps avoid the marketing leakage caused by traditional advertisements.

3.2.2 Defense of current market share

The concerned strategy aims to retain current customers, reducing the possible defection of customers to competitors to the minimum. However, the strategy appears to be a challenge to Vietnam Airlines as the flight route between Germany and Vietnam has been exploited by numbers of redoubtable business rivals, which can either offer very competitive prices or possess a popular well-established brand name in the airlines industry. Considering the air-fare issues in particular, there are a lot of strong competitors of Vietnam Airlines which can provide attractive offers. The competitive prices are likely to attract the existing customers of Vietnam Airlines who are not really emotionally attached to the business. The next table presents the relative position of the VNA's air fare in comparison with several selected competitors of the business.

Table 1: Estimated air-fares of FRA-HAN flight route during 10th May – 13th June (unit: €)
(The table is created by own author)

Nr	Airlines code	Airlines	Type	Booking class	Net fare	Taxes	Total fare
1	CI	China Airlines	PUB	L	430	90	520

2	CI	China Airlines	ALL	L	440	90	530
3	CI	China Airlines	PUB	N	470	90	560
4	SU	Aeroflot Russian Airlines	PUB	L	220	365	585
5	SU	Aeroflot Russian Airlines	PUB	W	280	365	645
6	VN	Vietnam Airlines	ETH	Q	366	285	651
7	MH	Malaysian Airline	ETH	V	285	403	688
8	QR	Qatar Airways	ETH	E	396	305	701

As visible from the table, there are plenty of VNA's business competitors which can offer a range of competitive air-fares such as China Airlines, Aeroflot, Malaysian Airlines etc. Given that there are attractive offers available, together with low switching costs, existing customers of VNA may totally be convinced to switch to other air-carriers, instead of sticking to the business as previously. On the other hand, many of the VNA's competitors are the airlines ranked among the top ten of best airlines in the world such as Emirates, Singapore Airlines, Cathay Pacific Airways (Skytrax, 1989-2012). Such brand-names are all prestigious and well-established airlines which service quality is ranked high according to international standards. The afore-mentioned business rivals definitely challenge Vietnam Airlines a lot in defending its current share market.

However, the attempts to prevent the VNA's customers from switching can be facilitated if the business has constantly ensured a high level of satisfaction among its customers. Delighted customers are likely to stay more loyal to Vietnam Airlines and also appear less vulnerable to attractive offers of other air-carriers. The loyalty is probably a key factor ensuring that existing customers are attached to Vietnam Airlines emotionally and voluntarily. In order to retain existing customers, an air-carrier can strategize to either offering constant price-reduction promotional programs, or improve its service quality to satisfy its customers on a higher level. However, promotional programs on the basis of price-reduction can hardly achieve customer loyalty sustainably as customers probably only stick to the business during the promotional time. Meanwhile, it is impossible for Vietnam Airlines to offer a deep price-reduction since the air-carrier is a benefit-oriented and full-service business. Therefore, Vietnam Airlines proves to have no better option than achieving customer satisfaction through offering high-standard air-services so as to defend its current market share on the long-term basis.

3.2.3 Expansion of market share

The expansion of market share involves acquiring customers from competitors, which undoubtedly necessitates much efforts and marketing expenditure from the business. In the particular context, Vietnam Airlines can attract customers through various actions such as reducing prices during specific periods, offering added value (free domestic tickets for international long-haul flights) etc. Such attempts to gain market share generate certain marketing costs, which affects the airlines' revenue to some extents. However, if Vietnam Airlines succeeds in satisfying customers, the business can take advantage of WOM advertisement by persuading customers of the business rivals to defect to VNA's air-services. With WOM advertisements of satisfied customers, Vietnam Airlines can possibly capture more share points from competitors in an easier way than marketing activities that the air-carrier has to make on its own. On the other hand, if Vietnam Airlines can both ensure high levels of customer satisfaction and take advantage of non-stop flights on the route Germany-Vietnam, the business can gain a critical competitive edge that other air-carriers can hardly imitate since for the time being, only Vietnam Airlines and Lufthansa have exploited direct long-haul flights between Germany and Vietnam without using a stop-over destination. In brief, high levels of customer satisfaction are likely to help Vietnam Airlines save considerable marketing costs in acquiring customers from competitors and concurrently play as a critical key assisting the business to compete better with other air-carriers in the war of capturing more market share.

3.2.4 Summary

In the attempt of summarizing the analysis, the following figure provides a brief overview of the advantages that customer satisfaction can contribute to the VNA's market-leader strategies.

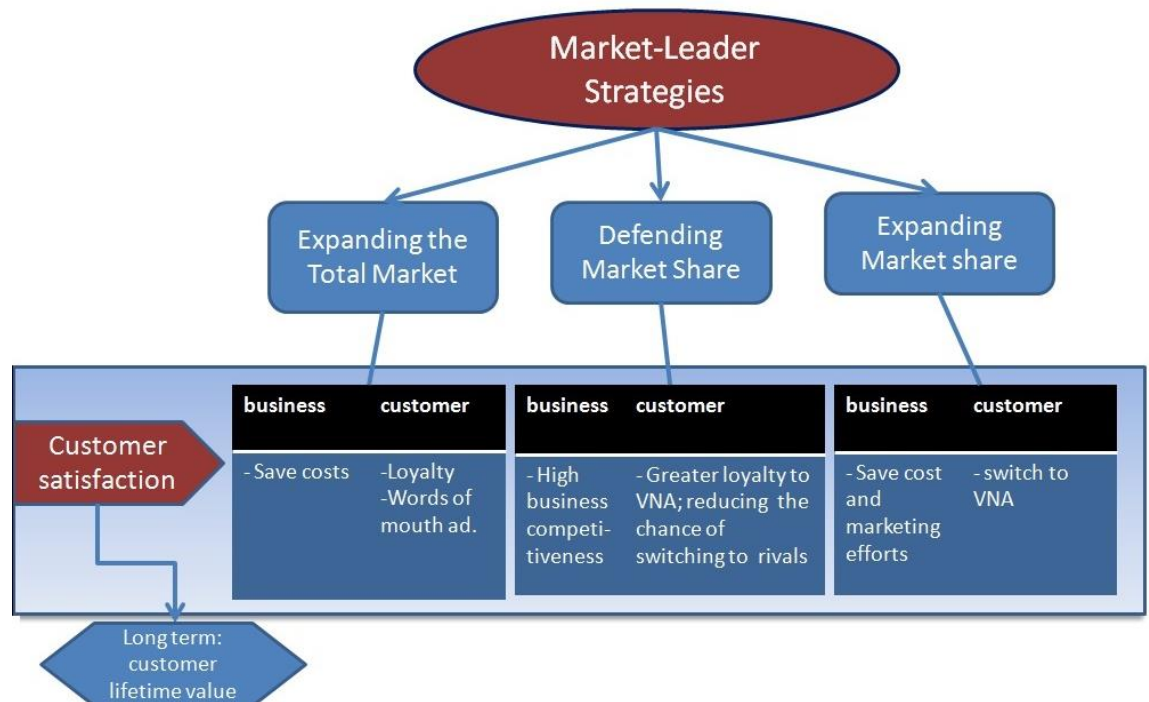


Figure 3: Summary of the importance of customer satisfaction to the market-leader strategies of Vietnam Airlines. (The figure is created by own author)

4 THE MEASUREMENT OF CUSTOMER SATISFACTION

This part deals with the second research problem which aims to measure the satisfaction levels of the VNA's customers. The part can be divided into two major sections. The first one is the theoretical framework concerning customer satisfaction. The second section focuses on the research in which the paper mentions research methodology, implementation process, study results and last but not least several suggestions for Vietnam Airlines to improve service quality as well as customer satisfaction.

4.1 Theoretical framework

The theoretical framework of this part mainly focuses on two major issues: firstly reviewing several significant concepts revolving around the study subject – customer satisfaction, customer relationship management - and additionally specifying its importance to the business. Regarding the second issue, the study mentions marketing theories concerning market-leader strategies with a view to assisting readers to apprehend better the following part of the theoretical framework in which the paper analyses the importance of customer satisfaction to the market leader strategies of Vietnam Airlines in the German market.

4.1.1 Definition of customer satisfaction

One of the most crucial terms mentioned throughout the study is the concept “customer satisfaction”. As pointed out by Kotler and Gary (2008, 13), the term indicates “the extent to which a product's perceived performance matches a buyer's expectations”. The more the performance of a product/service can match the expectations from the market, the more satisfied customers prove to be. Customers with high satisfaction are likely to become loyal to particular brand names and the loyalty displays in the repeat purchases of a certain product/service, which occurs over an extended time-range. It is widely acknowledged that customer loyalty has significant influence on the profitability of firms. (The financial times ltd, 2013.)

On the contrary, if the business fails to satisfy customers or even just create a slight downfall of complete satisfaction, a significant drop in loyalty is totally predictable as customers are likely to switch to other business rivals on the market. Once falling into the situation, the loss of revenues is indisputably remarkable since the business does not only lose a single but the entire possible purchases that customers can make during their whole lifetime, which is, in brief, expressed under the marketing term “customer lifetime value”. (Kotler & Armstrong 2008, 20.)

According to Cook (2012, 6-7), when it comes to levels of customer satisfaction, there is four stages customers may undergo in the relationship with businesses, which is presented in the following pyramid figure.

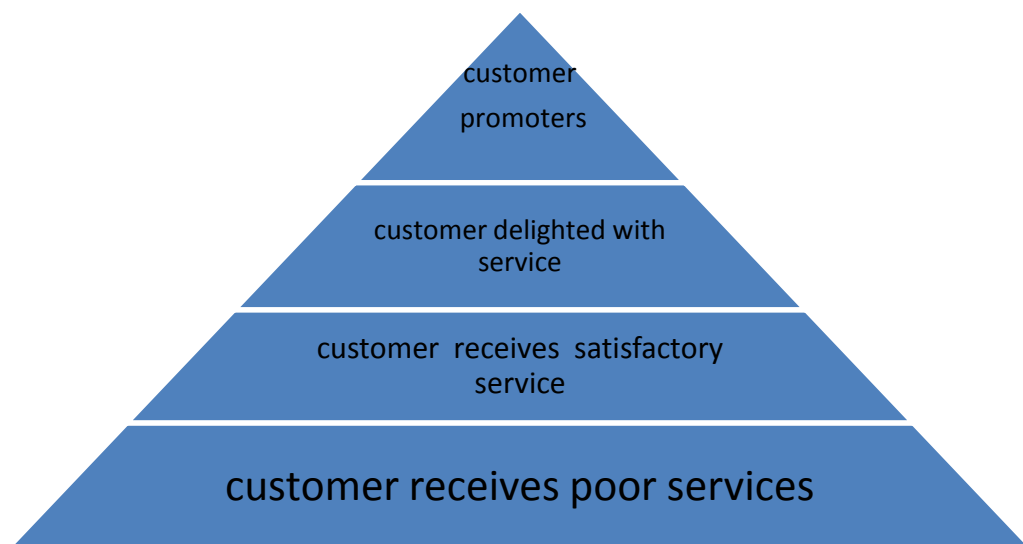


Figure 4: The customer-advocacy pyramid. (Cook 2012, 7)

At the lowest level of the pyramid, customers experience services which are below standard and hence fail to satisfy customers’ expectations. The situation makes the customers faced up with three options: either to make complaints with the business, or to express discontent with other people, or do nothing. It is potential that customers still remain to the business, due to some considerations of convenience or location, but can also opt for leaving. (Cook 2012, 6-7.)

The next level occurs when customers receive satisfactory services which basically match expectations from customers. Similar to the base level, customers can either cling to the brand or seek for competing products/services. At this level, customers are likely to be rational in the relationship with the business. (Cook 2012, 6-7.)

In the third stages of the pyramid, customers are emotionally attached to the business as services customers receive are beyond their expectations. Customers are delighted and customer loyalty is, therefore, considerably improved. If complaints are well addressed, the business can also lead customers to shift from the base level of the pyramid to this delighted stage. (Cook 2012, 7.)

Last but not least, level four which are placed at the pyramid's pinnacle occurs when customers have persistently been satisfied on utilizing products/services of a business. Customers are described as "promoters" who love the brand and are willing to voice their satisfaction as well as promote the brand to their friends, relatives or even acquaintances. If asked in a survey to answer a questionnaire, promoters are the ones who opt for the answer of 9 or 10 on the ten-point rating scale with 10 denoting the highest level of satisfaction. (Cook 2012, 7.)

4.1.2 Customer relationship management (CRM)

An effective CRM is very likely to result in customer satisfaction, which demonstrates that CRM should be the heart for any firms which long for success. However, it is not simple to build an effective CRM program since businesses need to have a good control of knowledge revolving around customer satisfaction. (Longenecker, Petty, Palich, & Hoy 2012, 433.) The following part of the paper helps reader understand the importance of CRM to businesses, different dimensions of customer loyalty as well as benefits generated by customer retention.

4.1.2.1 Rationale for CRM

According to Kotler and Armstrong (2008, 13), there is a strong relationship among customer satisfaction, loyalty and business performance; if achieving a higher level of customer satisfaction, the business is likely to gain a greater customer loyalty and thereby leading to better results in business performance. The relationship is also described by Buttle (2004, 20) with a model representing the "satisfaction - profit chain", as shown in the following figure.

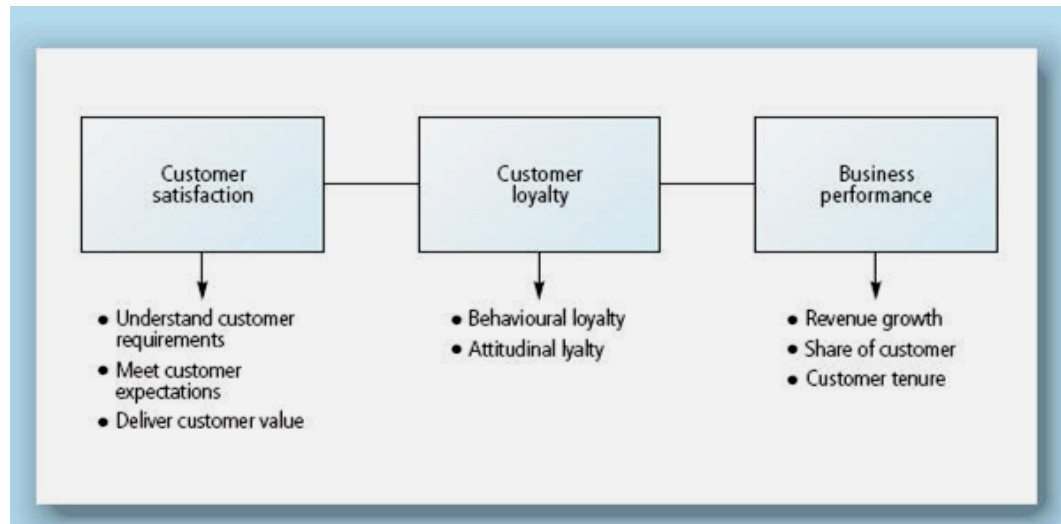


Figure 5: Customer satisfaction, loyalty and business performance. (Buttle 2004, 20)

Grasping expectations as well as requirements of customers enables a business to have a better understanding of the market, which results in a rising satisfaction level among its customers. As customer satisfaction increases, the repurchase intention of customers is, correspondingly, reinforced. In other words, customers become more loyal to certain brands, which is demonstrated by their behaviour of repeating purchases. Customer loyalty can be approached by the behavioural or attitudinal dimensions in which the former is measured by repeated purchases of certain products/services whereas the latter refers to trusts, beliefs or emotional commitments to a brand-name. A growing level of customer loyalty, regardless of which dimensions, implies a good signal to a business as the issue has positive influences on the business performance on various considerations among which the first to mention was a growth in revenue. Obviously, an increasing number of loyal customers who patronize certain products/services help improve the sales and profits of businesses. The second benefit of achieving a good level of customer satisfaction and loyalty is an increase in the share of customer. (Buttle 2004, 20-22.) The concept represents the portion a company acquires from customers' purchases in the product categories of the business. Existing customers who are loyal to particular products might purchase other product types if the business is able to either expand the product portfolio or train employees to perform better cross-selling. A higher level of cross-selling among current customers means that the firm acquires a greater share in the budget of customers. (Kotler & Armstrong 2008, 20-21.) The third benefit involves customer tenure which refers to the length of relationship between customers and the business (Dawes 2007, 1). Obviously, an

improvement in customer satisfaction and loyalty implies that customers are likely to remain with the business for a longer term.

In addition to the enhancement of business performance, CRM can also generate other values for the business among which “relationship benefits” is one of considerable issues. The concept is defined as “activities on the part of customers” which occurs “as a result of relationship”. (Knox & Maklan & Payne & Peppard & Ryals 2003, 271.) Basically, relationship benefits are known with two forms. The first one is word-of-mouth advertisement in which satisfied customers provide favourable comments in regard to products/services of a business to others. Customers play the role of free-of-charge marketing channels, which do assist the business in acquiring new customers. As for the other form of relationship benefits, customers may test newly-launched products, or get involved in business activities of firms as investors or as other types of stakeholders. (ibid.)

An effective CRM program can help the business minimise the influences of negative WOM referrals through the management of customers’ complaints. In the relationship with customers, businesses are expected to measure customer satisfaction proactively and handle complaints carefully due to several following reasons. (Hoffman & Bateson 2011, 288.)

- 96% of the dissatisfied customers of a business do not make complaints and every unhappy customer, on average, voices their dissatisfaction with products/services of businesses to 9 or 10 other people.
- It is estimated that 26 more customers are faced up with similar problems for every complaint a business receives.
- If a customer’s complaint is successfully handled, the customer is likely to tell the issue to 5 other people and simultaneously is likely to remain with the business by purchasing its products/services in the next times. (Hoffman & Bateson 2011, 288.)

4.1.2.2 Dimensions of customer loyalty

As indicated by Barnes (2006, 17), it is not necessary that customers who are satisfied with certain products/services of a brand are loyal to the business. Meanwhile, loyal customers are almost satisfied, but can still be dissatisfied with some components of services.

Therefore, in order to facilitating CRM in identifying the different dimensions of customer loyalty as well as in understanding the extent to which customers are loyal to a brand, Buttle (2004, 22) mentioned the two-dimensional model of customer loyalty, initially proposed by Dick and Basu. According to the model, loyal customers, with different degrees of loyalty and satisfaction, are divided into four different categories, which are illustrated in the following figure.

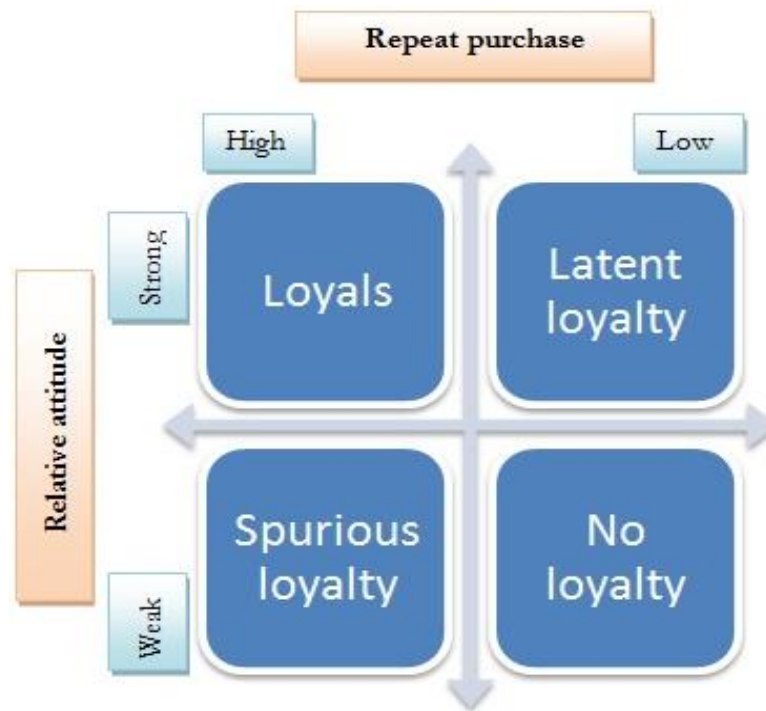


Figure 6: Two-dimensional model of customer loyalty (Dick & Basu 1994, 99-113)

As visible in the model of Dick and Basu, customer loyalty can be approached by two major dimensions, namely behaviour and attitude. When it comes to customer loyalty, there is an interaction between the attitude of customers to a brand and their repeat purchase behaviour to the products/services of the brand. (Garland & Gendall 2004, 81.) Among four loyalty groups, customers described as loyalists demonstrate a high level of repeat purchase and also a strong attitudinal attachment while customers named as no loyalty are totally contrary with a low level of repeat purchase and a weak level of relative attitude. Customers with latent loyalty are featured by infrequent purchase behaviour although the customers have a strong emotional attachment to the business (Rai 2013, 141). There are various explanations for latent loyalty such as the inconvenience of location, the overpricing or the unavailability of favoured- products/services at the time customers would like to purchase. Such situations give customers with latent loyalty no opportunity to display the

preference to their favoured-brands through purchase actions. The last category mentioned in the model is spurious loyalty. The term describes the situation in which customers patronize certain brands yet have low emotional connections to the business since the customers make frequent purchase action on the basis of favourable situations such as location convenience, promotional offers, etc. Customers considered as spurious loyalists can easily switch to other brands which offer competing alternatives. (Saren 2006, 50.)

Practically, the behavioural approach of loyalty is attractive since revenues and profits of a business relate closely to purchase actions, not to attitudes of customers. Nevertheless, with the attitudinal approach, the business can figure out issues needed to be achieved so as to gain a greater level of customers' emotional attachments to the brand (Buttle 2004, 21-23).

4.1.2.3 Customer retention

Apprehending the importance of customer value to business's profitability, many companies make enormous efforts to maintain relationship with customers on the long-term basis, which reflects the main ideas of the concept "customer retention". Given that retained customers are likely to yield higher profits than newly acquired customers, customer retention had, therefore, more reasons to become strategic objectives of many firms. The concept as opposed to customer retention is customer defection which indicates the action in which customers stop to use certain products/services of a brand-name. A high retention rate signals a low defection rate and vice versa. (Buttle 2004, 298-302.)

Customer retention plays a significant role for businesses as retaining customers can generate a variety of benefits among which profitability is an outstanding example. In comparison with acquiring new customers, customer retention can help businesses avoid the acquisition costs which are the expenditure a business has to incur in order to attract and convince new customers to use products/services of the business. (Godson 2009, 72-75.) It is estimated that the costs of new-customer acquisition are, on average, about five times more than that of customer retention (Bly 2009, 114). In addition to saving acquisition costs, good performance in retaining existing customers allows a business to take advantage of customer lifetime value which is considered as a "virtuous circle". The term implies the fact that extra profits a company can gain from customer retention can also be utilized to improve its services, which can help retain even more customers. (Godson 2009, 75-79.)

Existing customers who are retained to maintain a long-term relationship with a business are found to have higher value than the customers who purchase products/services of the business for the first time. The following part lists out several positive values derived from good performance of businesses in retaining and satisfying customers.

- Existing customers who are satisfied are apt to provide word-of-mouth referrals which are seen to convey a more powerful advertising message than that created by the business.
- Existing customers who are happy with products/services of a brand name seem to be less price-sensitive.
- If there is any problem arising, existing satisfied customers tend to be more tolerant and sympathetic to the business. (Godson 2009, 75-79.)

4.1.3 Management of customer relationship through apprehending the value of market segments

In order to facilitate the customer relationship management, it is crucial that businesses segment the consumer market based on shared attributes. However, not all market segments are profitable and suitable to establish a long-term business relationship. The following parts present the different approaches to segment a market and management of customer relationship by categorising segment markets based on potential profitability and project loyalty.

4.1.3.1 Market segmentation

Market segmentation is one of the disciplines which is often utilized in order to manage marketing effectively. As defined by Buttle (2009, 127), the term indicates “the process of dividing up a market into more-or-less homogenous subsets for which it is possible to create different value propositions”. The process ends by the action of selecting out the right market segments that businesses want to serve. For each segment selected, companies exercise different management methods. Market segmentation is aimed for two main

purposes: to finding out potential segments for the new-customer acquisition strategy of businesses, and to gather existing customers into differentiated groups which are placed under different relationship management policies of businesses. (Buttle 2009, 127-132.)

During the segmentation process, customers are basically grouped based on shared characteristics, which refer to either user or usage attributes. The next figure summarizes criteria which can be used to segment consumer market.

User attributes	<p><i>Demographic attributes:</i> age, gender, occupational status, household size, marital status, terminal educational age, household income, stage of family lifecycle, religion, ethnic origin, nationality</p> <p><i>Geographica attributes:</i> country, region, TV region, city, city size, postcode, residential neighbourhood</p> <p><i>Psychographic attributes:</i> lifestyle, personality</p>
Usage attributes	Benefits sought, volume consumed, share of category spend

Figure 7: Criteria to segment consumer markets. (Buttle 2009, 130)

Concerning user attributes, the group is sub-divided into three types, namely demographic, geographic and psychographic attributes. Marketers can segment a market according to demographic criteria such as age, gender, ethnic origin, marital status; or according to geographical units such as country, region, city; or according to psychographic aspects involving consumers such as lifestyle, personality...just to name a few. Like user attributes, usage ones are also useful tools for the segmentation process of CRM. Segmentation according to benefits is considered as a standard tool since it is obvious that customers make purchase of a product owing to its particular benefits that the product can deliver. Therefore, CRM managers need to apprehend the benefits that consumers seek or expect from products/services in the market. Besides, it is also possible to segment a market based on the volume of business customer do with a business. In fact, the combination of more than one variable is common for many segmentation programs. (Buttle 2009, 129-132.)

4.1.3.2 Assessment of market segments to build right relationship with customers in CRM

After the segmentation process, the business may be fronted with a number of market segment alternatives which require businesses to choose out the potential and attractive ones to employ suitable relationship management strategies (Buttle 2009, 135). In fact, as indicated by Kotler and Armstrong (2008, 22), it should be taken into account that not all customers, even the loyal ones, are worth investments from the business. There are customers who are satisfied and loyal but yield low profits and conversely there are disloyal customers who can be good investments for the business. As a result, it is essential that companies assess the characteristics of market segments so that the business can employ suitable strategies of managing and building relationship with customers. According to potential profitability, customers can be classified into many groups, based on which the business can effectively manage relationship with customers. The categorization of customers according to two dimensions, namely profitability and projected loyalty is illustrated in the next figure.

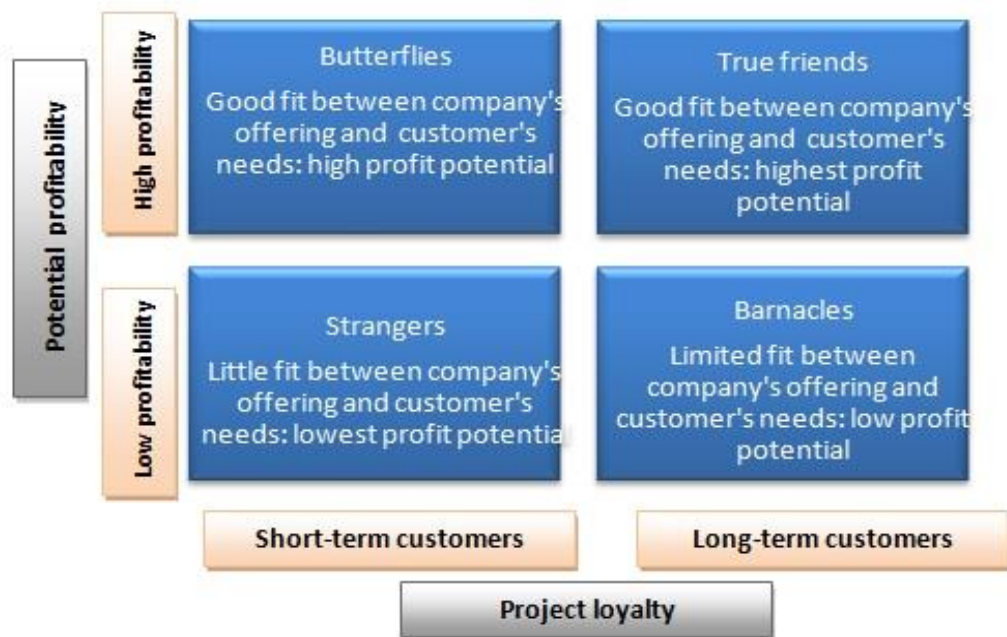


Figure 8: Customer relationship groups. (Reinartz & Kumar 2002, 93)

As can be seen in the figure, customers considered as “strangers” are unlikely to be profitable and loyal to the business. Inferably, the customers’ need just fit the business’ offerings on a low degree and accordingly the business is not recommended to invest in “strangers”. Meanwhile, “butterflies” bring about good profits for the business but the

customers are disloyal ones nevertheless. Companies can take advantage of the high profitability of “butterflies” just for a short-time range as the customers are rarely successfully persuaded and converted into loyal ones to the business. Therefore, companies are advised to offer promotional blitzes in order to attract and gain profitable transactions with such types of customers. The investments should be then subjected to a cease to help the business avoid a waste of resources. As for customers considered as “true friends”, the need of the customers and companies’ offering are totally fitted. “True friends” are the customers who are highly loyal to the business and simultaneous demonstrate high profitability. Companies are long to retain and build long-standing relationship with such groups of customers and if possible, convert the group into “true believer” who actively promote for the business by voicing their satisfaction with the social network. Last but not least, customers categorized as “barnacles” are strongly attached to the business by their loyalty but show a low potential of profitability. The customers’ need just fits the offering of business on a limited level. In the relationship with such group, the business is expected to increase the customers’ profitability through a greater number of transactions with the customers. If the companies fail to make such type of customers more profitable, it is recommended that the business should make no further relationship investments. (Kotler & Armstrong 2008, 22.)

4.2 Survey research and its methodology

4.2.1 Aims of research

The research is conducted with a view to measuring customer satisfaction with Vietnam Airlines’ services. Based on the study results, the research can provide proper suggestions to help the air-carrier effectively improve its service quality as well as customer satisfaction. Particularly, the research aims to collect as many qualitative results as possible through direct interviews so as to discover detailed reasons that delight or disappoint customers. Face-to-face interviews were utilized in the survey to avoid language-related misunderstandings which possibly occur with online surveys. There are six service factors taken in consideration in the research, namely check-in procedures, on-board services, luggage handling, ticket-purchasing, safety and punctuality. In addition to measuring customer satisfaction with the afore-mentioned service dimensions, the research aimed to discover the

decisive service factors that influence customers' decisions to use the air-services of Vietnam Airlines.

4.2.2 Research method and questionnaire design

In terms of research methodology, the survey utilises both quantitative and qualitative methods. As pointed out by Taylor (2005, 235), the former method is expected to yield "objective and reliable" numerical results whereas the latter one is supposed to provide "subjective" answers that feature "personality variables". In this research, quantitative method is used to yield objective data reflecting customers' evaluation of the VNA's air-services and qualitative method is aimed to collect explanations of customers for their rating choices. Quantitative questions were designed based on a 5-pointing rating scale. However, there is one limitation of an odd-numbered rating scale that the mid-point of the scale is very likely to attract a large number of respondents (Goldstein & Hersen 2000, 27).

According to the requests of the commission party – Vietnam Airlines, the questionnaires were designed with two versions which were distinguished by a slight difference in terms of number of questions as well as the issues of concerns. The first question version was utilised to make interviews with the outbound travellers who flew with Vietnam Airlines from Germany to Vietnam and the second one was intended for inbound passengers on the reverse flight route. Not all questions are subjected to the analysis of the research as some are added to the questionnaire just to collect further information for the commission party and do not necessarily serve the research purpose of measuring customer satisfaction. Particularly, question 2 and 5 in both versions are not analyzed in the study. Also, questions 10 and 11 in the questionnaire version for inbound passengers are also ignored in the analysis parts.

With respect to the structure of the questionnaire, the first section comprises questions which were aimed to collect general information upon passengers. The next section includes quantitative questions designed to examine the attitudes of customers towards six service-dimensions of Vietnam Airlines. Collected quantitative data were intended to combine with the general information so as to discover the correlation between the two considerations. By the end of each questionnaire version, there was a text box to collect further comments or explanations of respondents. As qualitative data are considered as a crucial source of

reference for the research, respondents were encouraged to provide further information in the process of interviews.

4.2.3 Sampling method and implementation process

In regard to the sampling method, the research refers to making face-to-face interviews with air-passengers on a random basis. As for outbound flight route (from Germany to Vietnam), the survey was conducted at Frankfurt International airport within a week from the 11th to 19th of June 2012 and on the reverse route, interviews were made with inbound passengers who travelled from Ho Chi Minh city to Frankfurt, prior the flight departure time at Tan Son Nhat airport and also during the flight (on-board interviews) on the 24nd of August 2012. Basically, there are two main reasons for utilising the form of direct interviews in the survey, instead of conducting online surveys or distributing questionnaires for air-passengers to fill out. The first reason is that the study aims to receive as many qualitative data as possible so as to obtain explanations of respondents for their rating decisions. Online-surveys can, in fact, collect a larger amount of quantitative data yet respondents are very likely to leave qualitative questions blank. Additionally, considering the particular context of the survey location like airports, it is noticed that air-passengers are normally occupied with moving and travelling all the time and correspondingly answer quantitative questions without a careful consideration. The issue gives rise to a doubt that the final results presenting the trend of customers' evaluations may be imprecise. In short, face-to-face interviews were preferably used in the research so as to collect more qualitative data, possibly gain more precise quantitative results and simultaneously reduce to the maximum respondents' misunderstanding on interpreting the questionnaires.

4.2.4 Limitations

During the implementation process, the research encountered several limitations among which languages used in the research proved to be of critical issues. As most of the VNA's customers were expected to come from Germany, Vietnam or some other European countries, the questionnaire should be trilingual, including German, Vietnamese and English language. However, interviews were conducted on-board or at the airport so it appeared

impossible to carry along bulky piles of papers during the survey. Therefore, the author only used the English version of questionnaires for both inbound and outbound route. The limitation is that although the author could offer further explanations in either English or Vietnamese during the survey, not all respondents could understand English well. The limited knowledge of English may make participants misunderstand interview questions and provide response choices that do not reflect their actual opinions.

Besides, the research is also faced up with the lack of time and human resources to gather a large amount of samples. Due to the working security at Frankfurt airport and on airplane, conducting interviews is restricted to a limited time-frame: approximately one week for the outbound questionnaire and only one day for the inbound version. The initial objective was to collect at least 100 samples of each questionnaire version but since making direct interview is a time-and-effort consuming work, the total samples collected in reality are just 164. Certainly, a small number of samples considerably affect the generalization of the study results.

Last but not least, as utilising direct interviews in the implementation process and having limited time to approach respondents, the questionnaire could not be designed as detailed as that of online-surveys. Therefore, the number of the VNA's service factors studied in the research is limited, which makes the research unable to obtain a comprehensive appraisal of the VNA's air-services.

4.2.5 Generalization of the study results

The generalization of the study results is defined as the action that generalizes a relationship found in a small amount of samples to that in a broader group from which the samples derive (Schwab 2005, 17). In the research, the generalization of study results is impossible due to several weaknesses of the dissertation. First of all, the total of samples collected (164 observations) is insignificant in comparison with the number of passengers travelling with Vietnam Airlines each year. Second, the survey was conducted in the summer – the high season of Vietnam Airlines so the proportion of passengers travelling for tourism purposes is remarkably high and also the proportion of German customers over Vietnamese ones is probably much different than that in the low season. Obviously, the difference in customer profiles at different periods of the year can yield opposite study results. Meanwhile, the

survey can only be conducted in a limited time frame – within a week – so the study results may not reflect a comprehensive overview of the VNA's customer satisfaction. Considering afore-mentioned issues, the study results should only be considered as a preference source but not be generalized to reflect the evaluation of the whole customer market of Vietnam Airlines.

4.3 Analysis of study results and Explanations

Basically, the analysis and explanation process comprises two main parts. The first one aims to provide general information concerning customer profile such as customer origins, purpose of the trip, the frequency of travelling, the proportion of new/existing customers and the price-sensitiveness of customers. The following part presents the satisfaction levels of customers towards the six service factors of Vietnam Airlines. The qualitative data collected in the survey is utilised to provide explanations for the trend in the customers' evaluations.

4.3.1 Data processing

After implementation process, collected data from the survey were codified by SPSS (a professional statistics software) and were then decoded so as to obtain graphs and tables illustrating the study results.

In fact, the number of valid samples subjected to analysis varies depending on each service factor. There are 164 samples taken in account on processing data regarding check-in services and ticket purchasing while only 106 samples are utilised to analyse the other service factors including luggage handling, on-board services, punctuality and safety. The reason is that, when it comes to the analysis of several dimensions like on-board services or punctuality, existing customers who have at least once experienced an entire process of the VNA's air-services are likely to provide more precise evaluations than new customers who just travelled for the first time with Vietnam Airlines and were, for instance, waiting for the check-in procedures at the time being interviewed. The next part presents the analysis of the study results and explanations for participants' response choices.

4.3.2 General information

Customer origin

The first issue of concerns is the information about the origin of passengers who participated in the survey. The next bar chart illustrates the proportion of five market segments which are defined according to the nationality of interview participants.

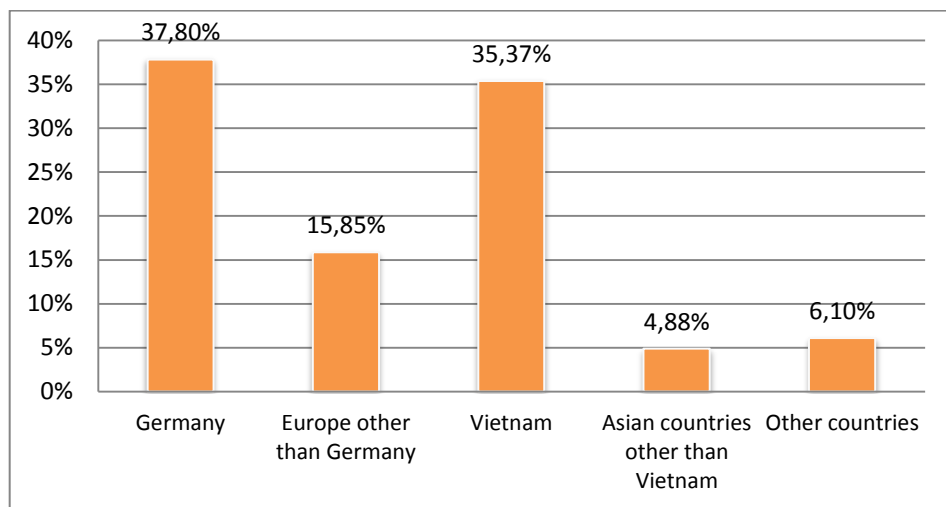


Figure 9: Passenger origin

As visible from the table, the two groups of passengers which dominate over other ones are the German and the Vietnamese, accounting for respectively 37,8% and 35,37% of the total samples. Coming next are passengers from European countries other than Germany such as Netherland, Belgium, Poland, France etc. There are a minor number of respondents who come from Asian countries other than Vietnam such as China, Thailand, Malaysian, etc. or from several other countries like Australia, the USA etc. The aim of the research is focusing on the two dominant market segments, namely German and Vietnamese customers, which are expected to have significant influence on the profitability of the German branch of Vietnam Airlines.

Purpose of the trip

The next issue subjected to analysis is the main purpose of the trip. The study focuses on the two market segments - business and non-business as the proportion of business/non-

business customers is expected to provide preferences for the analysis of service factors in the following parts. The questionnaire was, in fact, designed to offer respondents more response choices than needed by the research so as to collect as more detailed data as possible, according to the request of the commission party. The following figure presents the primary travel purposes of 164 respondents.

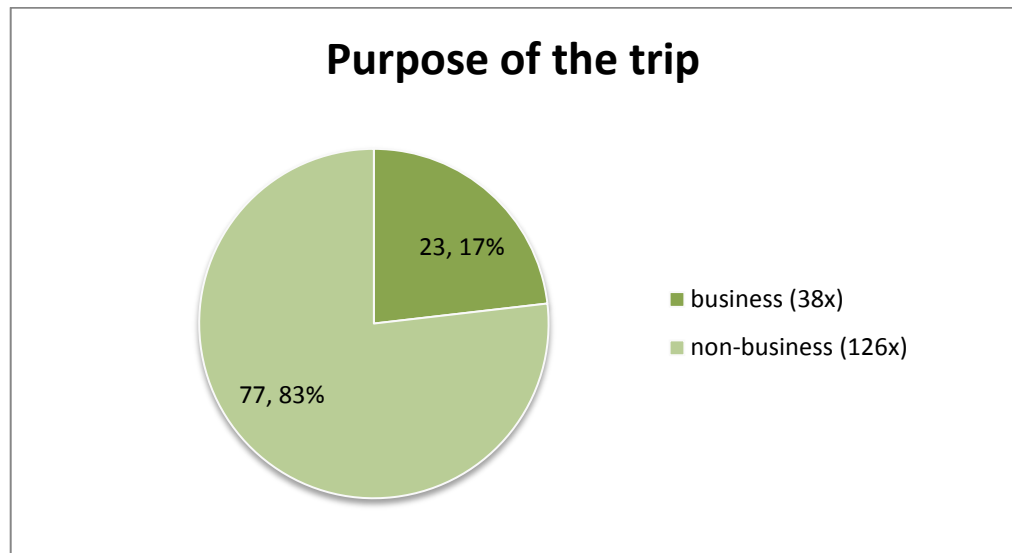


Figure 10: Main purposes of the trip

In the total of 164 samples, there were 23,17% participants travelling on business purposes whereas the rest of respondents travelling on such non-business purposes as leisure and tourism, visiting friends and family, studying etc. Although business passengers account for only approximately one-fourth of the total samples, the segment is very likely to be frequent flyers of Vietnam Airlines, who can considerably contribute to the revenue of the business. Therefore, the study of the attitudes as well as the evaluations of business/non-business customers proves to be crucial source that helps the air-carrier serve customers better, improve customer satisfaction and also increase its revenue.

New/existing customers

Another concern of the research is the information relating to the new and existing customers who participated in the survey. Existing customers are seen as the one who had, at least once, utilized the air-services of Vietnam Airlines whereas new customers are those who flew for the first time at the moment of being interviewed. The final aim of the study is to discover customer satisfaction among the two groups – new and existing customers – based on which the airlines can possibly predict the loyalty of customers. In the general

information part, the study, first of all, presents the distribution of the two categories - current and new customers - by the three considerations: inbound, outbound flights and the total of the two routes in the following stacked bar chart.

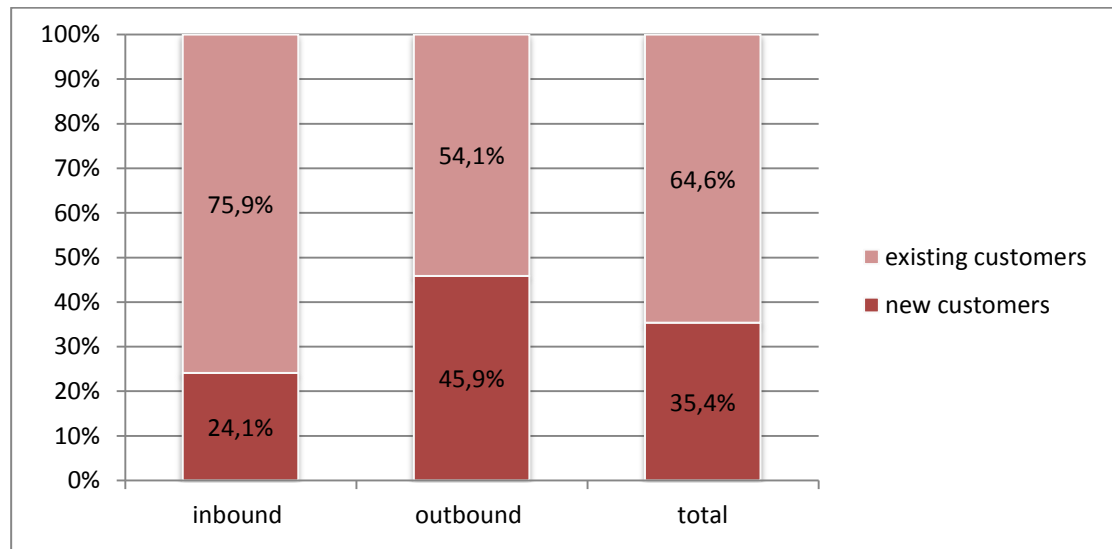


Figure 11: The distribution of new and existing customers, by inbound, outbound and return flight route.

As can be seen from the graph, the proportion of existing customers accounts for more than a half (54,1%) of the total collected samples on the outbound route whereas the percentage figure is much higher – 75,9% - on the reverse flight route. The reason is probably that the number of German tourists and Vietnamese people living in Germany who wished to visit Vietnam during the survey period dominates the number of tourists of the reverse route. Considering the both inbound and outbound route, the proportion of the existing customers is far more than that of the new ones, accounting respectively 64,6% and 35,4%. The figure 64,6% may demonstrate that the airlines achieves a good level of customer loyalty but nevertheless it should also be questioned if the existing customers in the research are true loyalists or just the spurious ones.

Travel frequency

In order to study about the travel frequency, the study asked participants about the number of times the customers travelled with Vietnam Airlines annually. The following pie chart summarises the data results of 164 samples.

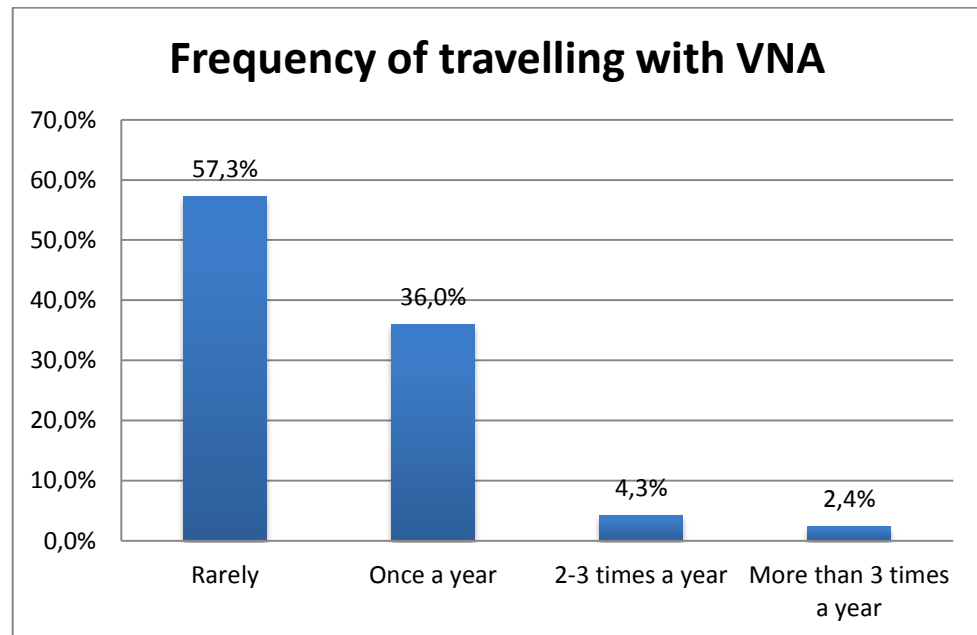


Figure 12: Frequency of travelling with VNA

Most of the respondents are the irregular customers who travel with Vietnam Airlines less than once a year, accounting for 57,3% of the total samples. The high rate of irregular customers is probably because the survey was conducted during the summer when there are a considerable number of Germany tourists travelling on tourism purposes. The participants who utilise the air-services of Vietnam Airlines once a year accounts for 36,0%. It is likely that Vietnamese customers who study or reside in Germany and surrounding European countries belong to this group. Besides, there is a small proportion of the respondents who travel with Vietnam Airlines more than twice a year, making up 6,7% in total. Meanwhile, the proportion of business customers in the survey is far larger – 23,17%, which implies that business customers of Vietnam Airlines are unlikely to travel with the air-carrier frequently on the annual basis.

Price-sensitiveness

The next table presents the price-sensitiveness of 164 air-passengers participating in the survey.



*do not care but with conditions: if the airfares vary in an acceptable range of €100 - €200

Figure 13: Price-sensitiveness of the VNA's customers

Concerning price-sensitiveness, 59 interview participants stated that the customers considered the airfares of Vietnam Airlines carefully before booking. Another 75 affirmed to remain with the business if the airfares varied in the accepted range of €100-€200. This group accounts for the highest proportion 46% in the survey. There are only 30 respondents who do not care the air-fare consideration at all, accounting for 18% of the total samples. In short, it can be noticed that the majority of the interview participants prove to be price-sensitive customers but are willing to be tolerant to the business if the air-fares increase in an acceptable range. These customers are probably loyal to the airlines due to specific factors that are persuasive enough to keep the customers staying with Vietnam Airlines, despite the raise of air-fares. However, the customers are likely to switch into latent loyalists if the VNA's air-fares are raised beyond their acceptable limit of €200.

4.3.3 On-board services

The first factor subjected to analysis is the on-board services. The following figure illustrates the evaluation of 106 existing customers of Vietnam Airlines towards its on-board services.

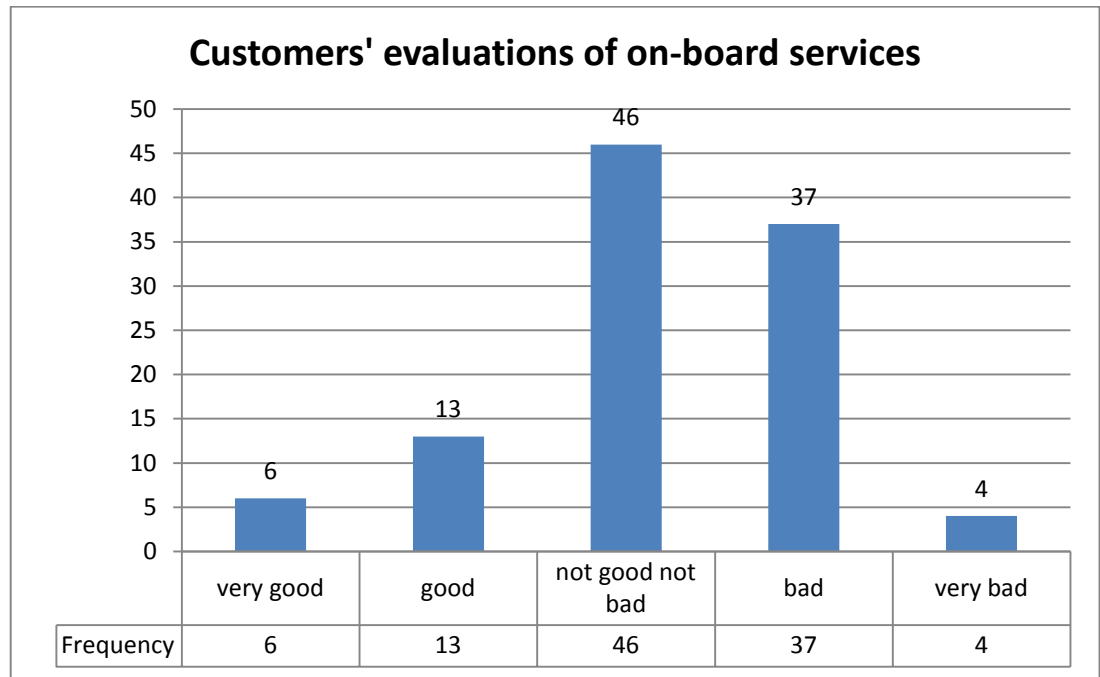


Figure 14: customers' evaluation of the VNA's on-board services

As visible in the bar-chart, the majority of respondents rates the on-board services of Vietnam Airlines as normal or bad, accounting for 78,3% of the total answers. As the questionnaire utilises the 5-point rating scale, it is understandable that the middle option was the most common response. However, the percentage figure 34,9% participants having low opinions of the VNA's onboard services is definitely alarming. Besides, there is an insignificant amount of respondents rating the on-board services as very bad. Nevertheless, there are 19 satisfied passengers who rated the on-board services as "good" or "very good".

Reasons for complaints

In the attempt of discovering the reasons for the customer dissatisfaction with VNA's on-board services, respondents were, during the survey, encouraged to provide particular reasons for their dissatisfaction. In the total of 106 valid samples, there are 41 participants having low opinions of the VNA's on-board services (opting for "bad" and "very bad" answers). The following pie chart presents the complaint reasons provided by 41 participants who are dissatisfied with the on-board services of Vietnam Airlines.

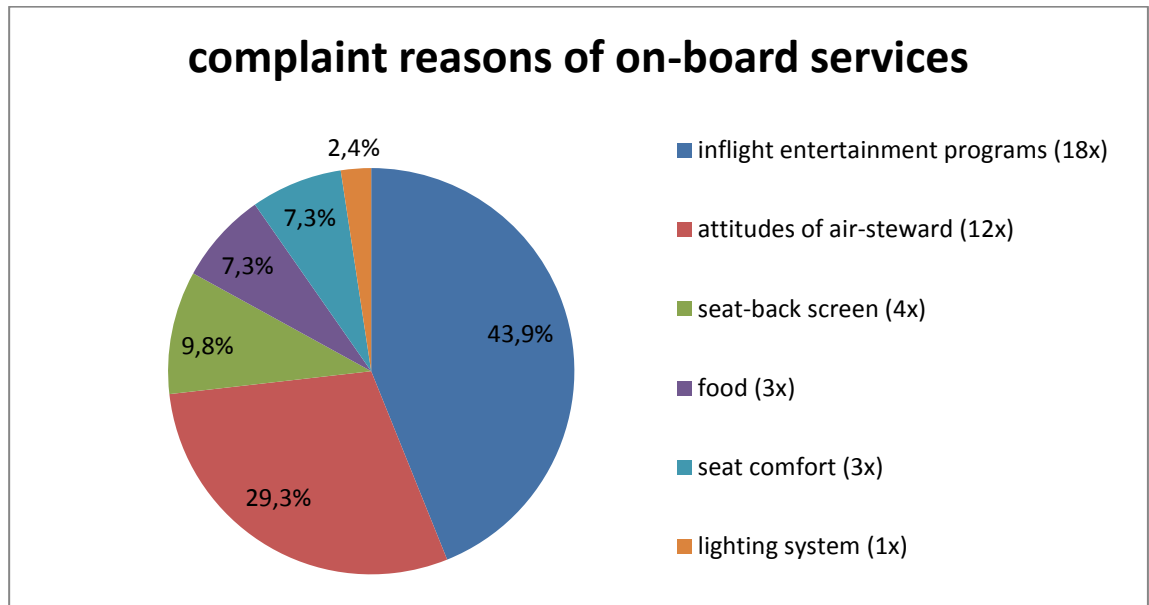


Figure 15: Complaint reasons of on-board services

As can be seen from the chart, in-flight entertainment programs prove to be the most common reason as there are 18 out of the 41 dissatisfied customers making complaints about the concerned convenience, accounting for 43,9%. Coming next are the attitudes of air-stewards, making up approximately 29,3% of total complaints received. The third most common reason involves the failure of seat-back screens with 9,8%, much lower than the figures of the first two reasons. There are only a small number of complaints which concern on-board food, seat comfort and lighting systems.

According to the qualitative data collected, dissatisfied customers complained that the in-flight entertainment programs of Vietnam Airlines just had a limited number of channels and were not frequently updated. Particularly, it was reported that the offer of film and game channels was poor in terms of quantity whereas there were no special entertainment programs for children. Considering the fact that the long-haul flight between Germany and Vietnam lasts approximately 12 constant hours, the failure of the in-flight entertainment programs can totally let customers disappointed. Besides, there are four cases reporting that the respondents had once experienced the breakdown of seat-back screens, which also means that the passengers had no access to the entertainment programs on-board. The opinions mentioned above signal that the business needs to make considerable changes to the in-flight entertainment program in order to achieve customer satisfaction.

The next issue discussed is the employee attitude. There are ten cases expressed that air-stewards of Vietnam Airlines should be friendlier or, in particular, should give more smiles in communication with customers. Additionally, two respondents expected that air-stewards should behave in a more professional and subtle manner on handling the problems of the on-board services, for instance, the failure of entertainment programs. Although the proportion of dissatisfied participants who provided detailed reasons for their dissatisfaction with the VNA's employee attitudes is relatively small but as mentioned earlier in the theoretical framework, the majority of unhappy customers are not willing to voice their dissatisfaction with the business. Therefore, the improvement of employee attitudes is definitely of great concerns for the business.

Out of 41 dissatisfied respondents, there are 3 respondents feeling unhappy with the on-board food since either the dishes are not tasty or the selected menu alternative runs out. Another three are dissatisfied with worn seat-covers and there is one case reporting that the reading light is out of order. Although such service failures are, from time to time, probably inevitable for many airlines, Vietnam Airlines should take notice of even the smallest inconvenience possibly caused for passengers to ensure customer satisfaction to an optimal level.

Complaint reasons in correlation with customer origin

The next cross-tabulation is created in order to discover the correlation between the complaint reasons and the passenger origin.

Table 2: Cross-tabulation of complaint reasons and passenger origin

	passenger origin				Total
	Germany	Europe other than Germany	Vietnam	Asian countries other than Vietnam	
Entertainment	11	1	5	1	18
(% within complaint reason)	(61,1%)	(5,6%)	(27,8%)	(5,6%)	(100%)
flight attendant	2	0	10	0	12
(% within complaint reason)	(16,7%)	(0%)	(83,3%)	(0%)	(100%)
seat-back screen	4	0	0	0	4
	(100%)	(0%)	(0%)	(0%)	(100%)
Total	17	1	15	1	34
	(50,0%)	(2,9%)	(44,1%)	(2,9%)	(100%)

The three most common complaint reasons, namely entertainment programs, employee attitudes and seat-back screens, are selected to analyse the correlation with the passenger origin. As can be seen from the table, German and Vietnamese air-passengers are dominant among the total unhappy respondents yet there is an opposite between the two market segments when it comes to the reason for complaints. German passengers are the segment which makes the most complaints about in-flight entertainment programs while Vietnamese passengers mostly make complaints about the attitudes of flight attendants. Clearly to be seen, 11 out of the 18 dissatisfied customers who are unhappy with the in-flight entertainment programs being the German, leaving other segments far behind. The reason is probably that a considerable number of German respondents in the survey travelled as tourists (77,4%) who probably sought to have relaxing experience on-board, the failure of entertainment programs during such a long-haul flight might, more or less, dissatisfy the segment. Additionally, all 4 complaints concerning the failure of seat-back screens are provided by German customers, which indicates that the passengers from Germany are unlikely to be satisfied with the on-board amenities of Vietnam Airlines. Meanwhile, Vietnamese customers seem to be more sympathetic with small technical problems since the final aim of their trip is supposed to visit their homeland.

On the contrary, when it comes to the attitude of flight attendants, most of the complaints are made by Vietnamese passengers, accounting for 83,33% of the total. The reasons provided by dissatisfied Vietnamese passengers are consistent that flight-attendants are sometimes unfriendly to customers. In fact, the nuance of the mother tongue (Vietnamese) is likely to result in a greater dissatisfaction among Vietnamese passengers in case there are troubles on-board between flight attendants and air-passengers. Oppositely, German passengers make no complaints relating to the unfriendly attitudes of flights attendants but complain about the lack the professionalism in communication with customers. During the interview, there were two cases in which German passengers expressed disappointment with flight attendants as the customers had not received a satisfactory apology as well as a proper compensation while discovering that their seat-back screen broke down.

Positive appraisals

In addition to complaints, the survey also received positive feedback from the passengers. Out of 19 respondents who have high opinions of the on-board services of Vietnam

Airlines, there are 16 disclosing detailed reasons for their positive appraisals. The reasons for the customers' positive evaluations are listed as followed:

A variety of newspapers and magazines available on-board: 7x

Various free-of-charge alcohol drinks: 6x

Good customer-care by flight attendants: 3x

Clearly to be seen, the on-board service factor that satisfies customers most is the availability of various newspapers and magazines with 7 Vietnamese respondents expressing positive appraisals. Another 6 are satisfied with the on-board free-of-charge offer of various alcohol drinks. Last but not least, there are 3 air-passengers who are all German customers having high opinions of the customer care of flight attendants.

4.3.4 Ticket purchasing

The next issues taken into account concerns the ticket purchasing consideration. The following bar chart presents the customers' evaluations of the ticket-purchasing, based on the interview data of 164 inbound and outbound air-passengers.



Figure 16: Customers' evaluations of ticket purchasing issues

Most of the participants provide positive evaluations about ticket purchasing issue with 49,4% of 164 passengers opting for “good” and 18,9% for “very good”. Considering further positive comments recorded in the text box, there are 14 respondents highly appreciating the Rail and Fly (R&F) program of VNA, which entitles customers to use free-of-charge the entire train network across Germany. Given that several other air-carriers may charge, say €30 extra costs for those passengers who would like to utilize train services to come to airport, the offer of free R&F tickets is very likely to stimulate demands and considerably support passengers’ travelling in the domestic market. Besides, the purchase of the VNA’s long-haul tickets enables customers not only to utilize high-speed train network like ICE but also to travel with a flexible train time-table.

Apart from the positive opinions, there are, however, 26 respondents which account for 15,9% of the total samples, showing dissatisfaction with ticket purchasing issues. The complaints received are likely to have certain correlations with the booking methods customers refer to on purchasing tickets. The next cross-tabulation illustrates the concerned correlation.

Table 3: Cross-tabulation of ticket purchasing and booking methods

		ticket_purchase					Total
		very good	good	not good not bad	bad	very bad	
Booking.methods (% within booking methods)	VNA_website	9 (56,3%)	6 (37,5%)	0 (0%)	1 (6,3%)	0 (0%)	16 (100%)
	Tour_operator	0 (0%)	3 (27,3%)	8 (72,7%)	0 (0%)	0 (0%)	11 (100%)
	Travel_agency	16 (23,2%)	40 (58,0%)	8 (11,6%)	5 (7,2%)	0 (0%)	69 (100%)
	Online_bk	2 (3,4%)	32 (55,2%)	4 (6,9%)	18 (31,0)	2 (3,4%)	58 (100%)
	Other	4 (40,0%)	0 (0%)	6 (60,0%)	0 (0%)	0 (0%)	10 (100%)
Total	31 (18,9%)	81 (49,4%)	26 (15,9%)	24 (14,6%)	2 (1,2%)	164 (100%)	

Obviously, in the total of 26 negative assessments (selecting bad and very bad options), there are up to 20 opinions, accounting for 76,9%, concerning the online-booking method. Five complaints about ticket purchasing at travel agencies and one case relates to the booking via

VNA's website. Out of 26 negative responses, there are 24 cases providing specific complaint reasons, the other two cases making no further comments. The mentioned qualitative results are summarised in the next table.

Table 4: Complaint reasons of ticket-purchasing issues

	Frequency	Percentage (%)
R&F tickets: unavailable for online booking	17	70,83
Problems arising during utilizing R&F codes	5	20,83
Overbooking	2	8,34
Total	24	100

As can be seen from the table, approximately 71% of the respondents who make complaints expressed dissatisfaction with the failure of various ticket search engines in providing R&F personal pick-up numbers, which are easily obtained via travel agencies or tour operators. In fact, it is unlikely that all customers will contact travel agencies whenever purchasing air-tickets due to either customers' booking habits or simply because customers want to avoid inconvenience of the intermediary channels (extra fees/personal contacts). On the other hand, the costs of travelling by train to Frankfurt airport – in case of not utilising R&F services – may be relatively high, which is very likely to discourage passengers who live far away from the airport region from booking via ticket search engines. Taking a specific example reported during the survey to illustrate the issue, a German passenger who was on a business trip in China had to book the VNA's ticket via Expedia, before coming back to Germany for a few days and then travelling to Vietnam. The passenger had to pay approximately €155 for the train tickets to Frankfurt airport, which possibly accounted for up to 18% the value of the long-haul air-ticket. Obviously, the extra travelling costs due to the unavailability of R&F features when customers purchase the VNA's tickets via booking websites are probably the primary reason for the outstanding number of complaints about the online booking method. Similarly, the official website of Vietnam Airlines also lacks the R&F feature on the booking page, which is probably also the reason for a negative evaluation of customers of the VNA's website.

The next issue of concerns involves problems deriving from ticket purchasing at travel agencies. According to the survey, all five complaints which were received from customers booking via travel agencies exclusively relate to the utilisation of R&F personal pick-up numbers. Specifically, three cases expressed dissatisfaction since the travel agencies did not provide customers with R&F codes as expected, or since the train code was already used without the customers' knowledge. The other two cases involve problems of printing out R&F tickets at self-service ticket machines. The failure is assumedly due to either the possible service breakdown of ticket vending machines or the incompetence of customers in manipulating the system's interface.

With respect to the first three cases, although Rail and Fly is part of the VNA's marketing programs with a view to supporting passengers' travelling, travel agencies may, in some cases, take unfair advantage of the offer by using R&F pick-up numbers for private purposes. Since the offer of R&F services is mainly conducted by the 1-level ticket distribution channels of VNA such as travel agencies across Germany, it is definitely a challenge for the business to have proper measures to effectively monitor the utilisation of R&F codes at sales agencies.

Last but not least, two cases assessing the ticket purchasing issue as "very bad" both concern overbooking. Respondents specified the problem of VNA that the business offered more "valid" seats than its real capacity. Therefore the customers could still purchase tickets online as normal yet were refused to boarding on the due day and had to wait for next flights. It should be taken into account that survey was, in fact, conducted during the high season of VNA which normally witnessed a lot of fluctuations in the booking volume so overbooking issues are totally understandable.

Generally, although the positive responses about ticket purchasing issues dominate the number of complaints, the airlines should also take account of latent complaints which probably exist among dissatisfied respondents but the customers did not voice their disappointment during the direct interview. The reason is possibly because the customers are uncomfortable on making negative reviews in a face-to-face interview. The following bar chart presents the booking methods of the interview participants, which is supposed to let readers understand the scale of possible latent complaints.

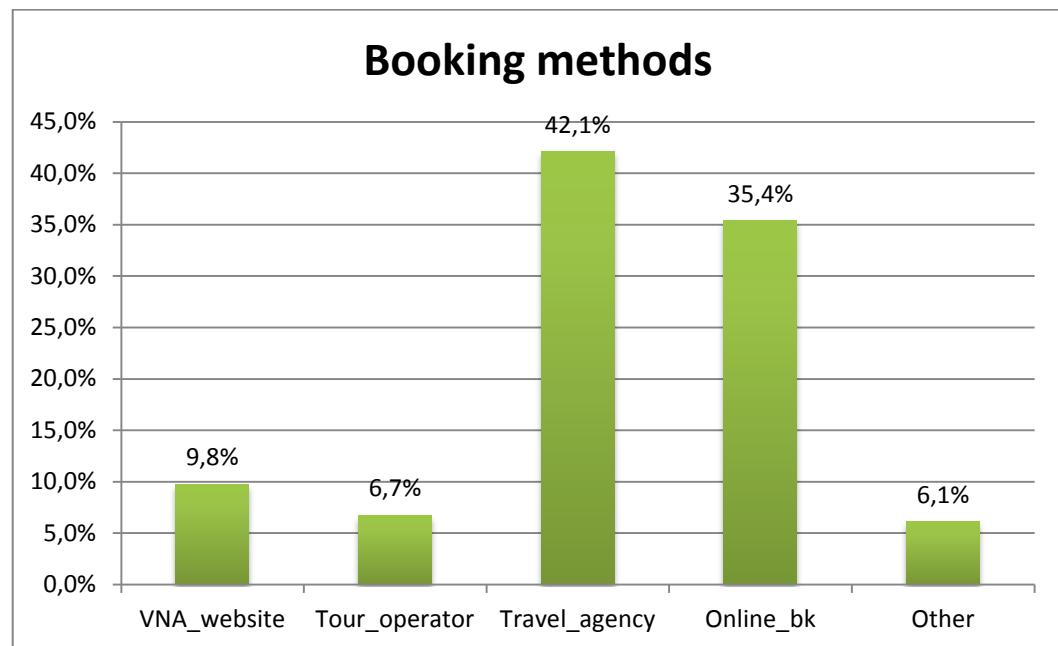


Figure 17: Booking methods of the VNA's customers

As visible from the bar chart, booking online (via ticket search engines) is the second most common booking method, making up 35,4% of the total number but also accounting for most of complaint reasons reported (70,83%). The unavailability of R&F feature on numbers of booking websites is probably a significant disadvantage for the customers who use the online booking method. As indicated in the theoretical part, most customers are unlikely to make complaints. The problem is possibly due to the fact that the individuals interviewed feel uncomfortable to provide negative reviews during face-to-face interviews. Therefore, it can be inferred that the proportion of customers who are dissatisfied with online booking seems to be much larger than the figure recorded in reality. Meanwhile, booking via search engines is the second most popular booking methods among respondents, which implies that there are probably a considerable number of customers who are faced up with similar problems with online booking but do not express their disappointment.

4.3.5 Check-in

Similar to afore-mentioned service factors, participants were asked to give their evaluations of the check-in services of VNA on the 5-point rating scale. The collected data are subjected

to separate analyses of inbound and outbound route, with a view to specifying the contrast in the service quality of each flight route.

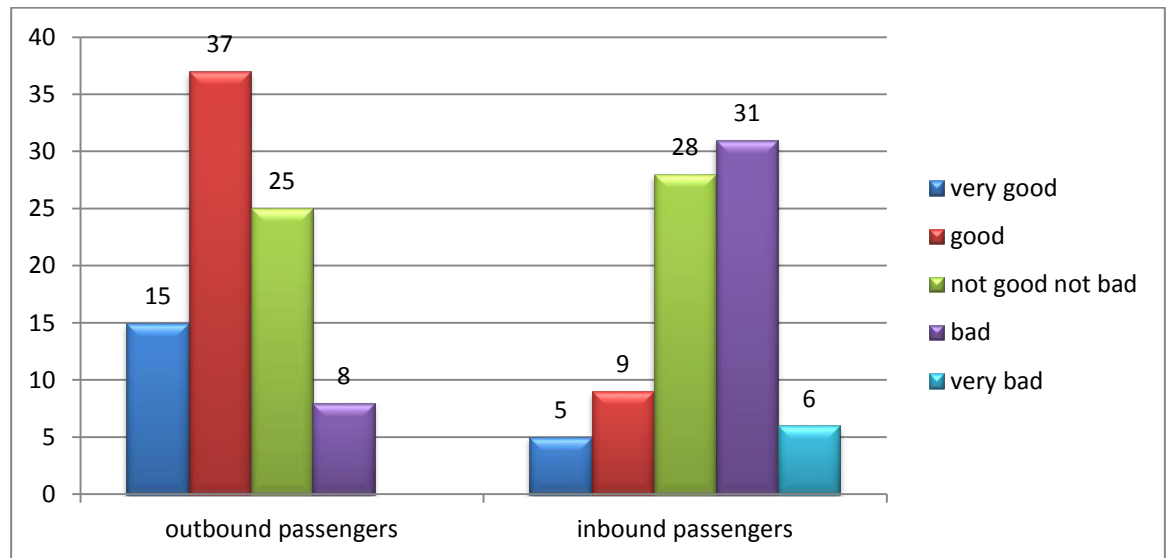


Figure 18: Customers' evaluations of the VNA's check-in procedures, by inbound and outbound passengers

Clearly to be seen, the majority of outbound passengers have high opinions of the check-in services with 37 respondents selecting "good" options and 15 other cases opting for "very good". The rate of negative answers is relatively low as only 8 passengers considered the services as "bad" and no answers of "very bad" were reported. Meanwhile, there is a sharp contrast for inbound passengers as most customers are dissatisfied with the check-in procedures. The number of participants selecting "bad" and "not good not bad" options is dominant in the total inbound samples, which indicates that check-in services of the Vietnam – Germany flight route have problems with customer satisfaction. Further explanations of the contrast are specified in the following parts.

Outbound route:

In the total of 52 positive opinions received, there are 14 respondents providing specific reasons for their positive appraisals. The reasons are summarised in the next chart.

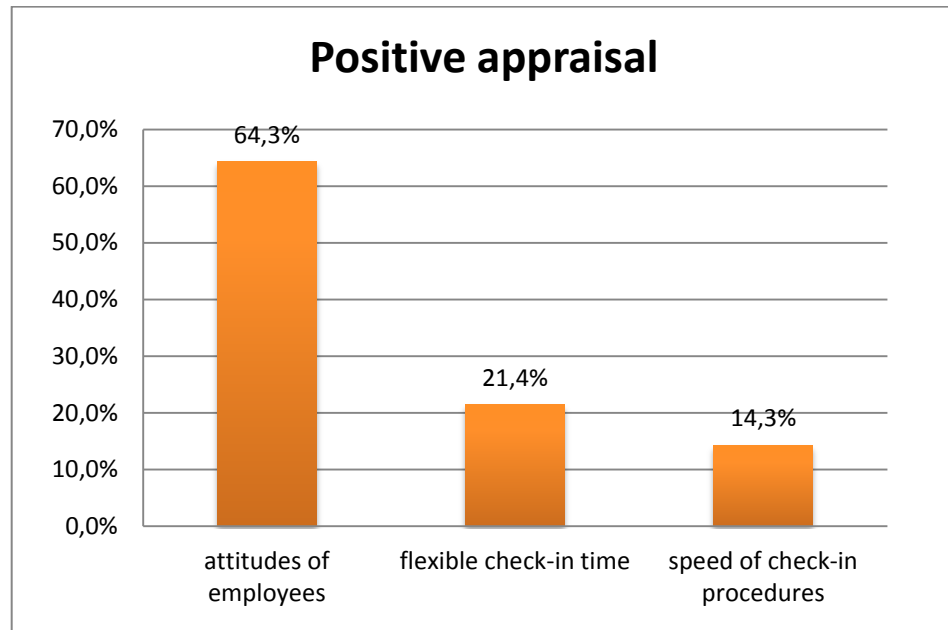


Figure 19: Positive evaluations of outbound passengers of the check-in procedures

Although the number of further comments received is modest in comparison with 52 positive answers, there is a noticeable bias as 9 out of 14 samples are satisfied with the attitudes of employees on making check-in procedures. 3 other responses have high opinions of the flexibility of check-in time as passengers can possibly check in during a wide range of time, from 9am until 1pm. The other two cases are satisfied with the speed of check-in procedures.

Besides, in spite of the common trend of evaluations, there is a small proportion of complaints reported. There are 8 respondents, accounting for approximately 9,4% of total outbound passengers interviewed, who expressed disappointment with the accessibility of the new check-in area in Terminal 2, as compared with the old one in terminal 1. Given the possible hassles of travelling with cumbersome luggage, outbound passengers may find the check-in area in Terminal 1 at Frankfurt airport more convenient since the building is located right above the train station. The convenience of the old check-in location obviously facilitates the travellers who utilise R&F services. Meanwhile, to access the new check-in area in terminal 2, passengers are expected to use either bus or Skyline if passengers arrive at the airport by train. According to the statistics data of this research, there are 57,6% outbound respondents using train to access Frankfurt airport. Therefore, it can be inferred that a larger number of outbound passengers may also encounter similar inconvenience yet do not voice their dissatisfaction. In fact, the change of the check-in area came into effect since 29th of May, 2011 - as part of the alliance Skyteam's activities (VietnamBreakingNews

2011). The switching of check-in area, to some extent, causes certain disorders for the VNA's customers.

Inbound route

Unlike the outbound route, inbound passengers who had check-in procedures at Tan Son Nhat airport expressed dissatisfaction as 39,2% inbound respondents rated the service factor as "bad" and this response option is also the most common answer. Clearly to be seen, the mentioned figure proves that the check-in services of the inbound route do have problems with customer satisfaction. Reasons for complaints exclusively involve two issues, namely the check-in speed and the attitudes of employees. The next table presents the complaint reasons of the check-in services of the inbound route.

Table 5: Complaint reasons of the check-in procedures, by inbound passengers

	Frequency	Percentage (%)
Speed of check-in	17	65,4
Attitudes of employees	9	34,6
Total	26	100

In the total of 37 negative answers (selecting bad and very bad options), there are 26 participants specifying reasons for their complaints, among which 17 individuals complained about the speed of check-in procedures. Waiting in queue to check in is probably not a rare situation for many air-carriers yet the number of dissatisfied customers with the check-in services due to long waiting time accounts up to 21,5% of the total inbound respondents. The figure indicates that Vietnam Airlines should have practical measures to boost the speed of its check-in services; otherwise the negative WOM referrals made by dissatisfied customers may challenge the VNA's strategies of retaining customers and acquiring new ones.

Besides, 9 other participants expressed disappointment with attitudes of check-in employees who should have been friendlier to customers. It can be noticed that there is a total contrast between the customers' evaluations as attitudes of employees are the most common reasons

for the positive appraisals of outbound respondents and simultaneously are the reason for complaints on the reverse flight route.

4.3.6 Safety

Safety is probably one of service factors which reflects a bias trend in the evaluations of customers. The following bar chart summarises the customers' evaluations of the VNA's safety.

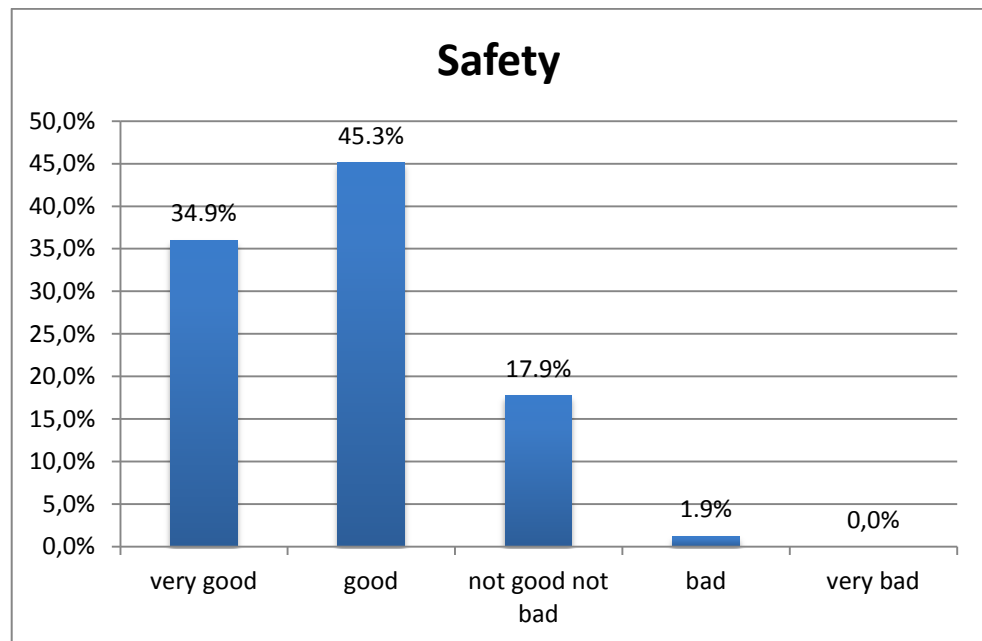


Figure 20: Customers' evaluations of safety

The safety consideration of VNA is highly appreciated as the majority of participants has positive evaluations with 45,3% selecting "good" and 34,9% opting for "very good" response choice. Coming next is 17,9% respondents who stated that the safety consideration of VNA flights was just at normal levels. There is a very limited proportion of negative answers, accounting for just 1,9% of the total samples. No answers of "very bad" were reported in the survey. Although the survey receives a high rate of positive evaluations from respondents, there are only 6 participants providing detailed reasons for their positive rating choices, among which two cases enjoyed a smooth flight on board and the rest 4 passengers

expressed that the VNA’s airplanes landed softly and smoothly in the previous times the customers travelled with the air-carrier.

4.3.7 Punctuality

The following issue to discuss is the punctuality of the VNA’s air-services. The next graph illustrates the customers’ evaluation of the VNA’s punctuality.

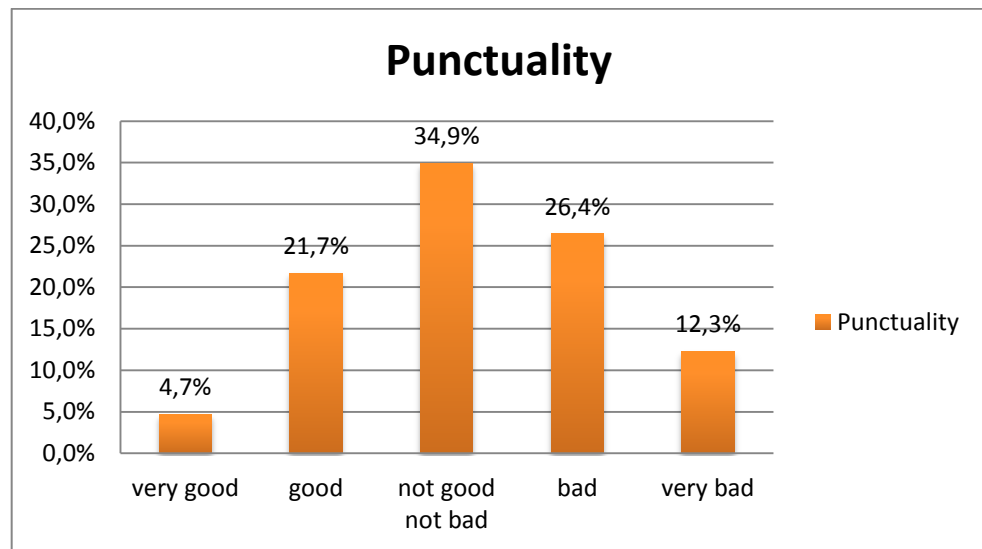


Figure 21: Customers’ evaluation of punctuality

As can be seen from the graph, the majority of the respondents (34,9%) considers the punctuality of the VNA’s air-services as normal – not good not bad. The proportions of the participants choosing bad and good option just have a little difference, accounting for 26,4% and 21,7% respectively. However, it can be noticed that the overall trend of the evaluations signals a slight negative feedback as there were 41 respondents opting for negative rating responses (bad and very bad) whereas only 28 participants voted for the positive ones. In order to discover further, the next table and bar chart illustrates the correlation between the customers’ evaluations of punctuality and the passenger origin.

Table 6: Cross-tabulation of punctuality and customer origin

	Punctuality					Total
	very good	good	not good not bad	bad	very bad	

	Germany	0	4	17	14	5	40
		(0%)	(10,0%)	(42,5%)	(35,0%)	(12,5%)	(100%)
passenger_	EU other than	1	3	4	2	1	11
origin	Germany	(9,1%)	(27,3%)	(36,4%)	(18,2%)	(9,1%)	(100%)
(% within	Vietnam	3	13	15	11	4	46
passenger		(6,5%)	(28,3%)	(32,6%)	(23,9%)	(8,7%)	(100%)
origin)	Asian countries other	1	0	1	0	0	2
	than VN	(50,0%)	(0%)	(50,0%)	(0%)	(0%)	(100%)
	Other countries	0	3	0	1	3	7
		(0%)	(42,9%)	(0%)	(14,3%)	(42,9%)	(100%)
Total		5	23	37	28	13	106
		(4,7%)	(21,7%)	(34,9%)	(26,4%)	(12,3%)	(100%)

As visible from the table, German passengers are the dominant group of customers who are dissatisfied with the punctuality of the VNA's services, as 19 out of 41 negative evaluations belong to German customers. Meanwhile, passengers from Vietnam appear more satisfied as this group of customers provides the most positive responses. Since other groups such as European or Asian passengers just account for a small proportion of the total samples, the research analyses the correlation of the punctuality consideration and the two dominant groups of the research, namely German and Vietnamese respondents. The next bar chart illustrates the concerned correlation.

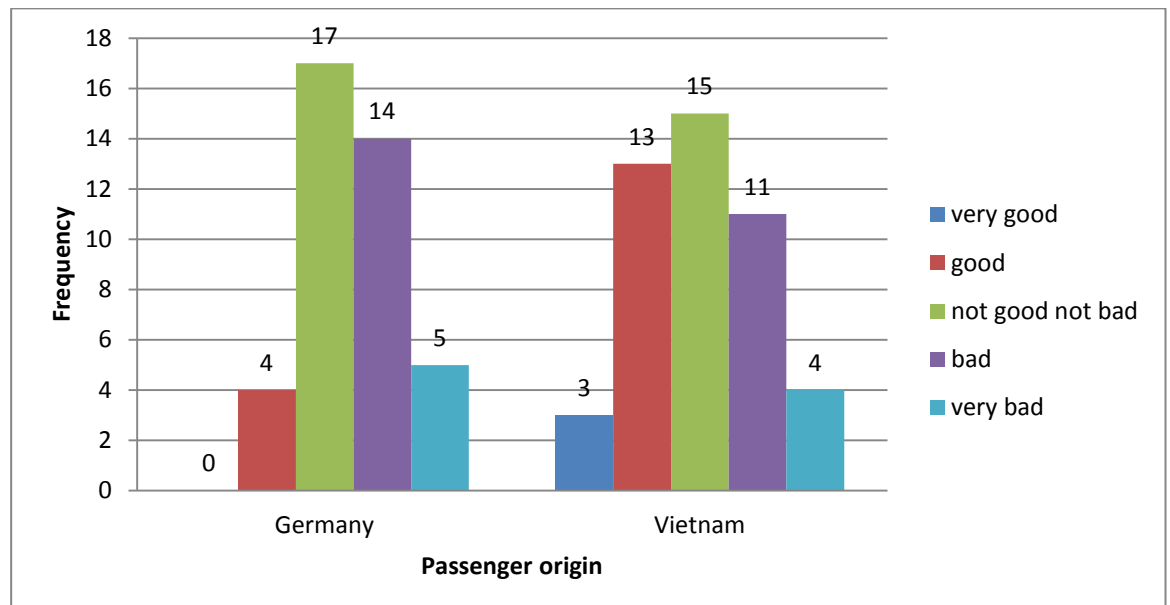


Figure 22: The correlation of punctuality and customer origin, by the two dominant segments - German and Vietnamese passengers

Considering the German and Vietnamese segments in particular, it can be noticed that the most common answer is the neutral opinion of “not good not bad” as there are up to 42,5% of the German respondents and 32,6% of the Vietnamese participants opting for the mentioned response choice. It is understandable that the mid-point of an odd-numbered rating scale usually attracts numbers of respondents. However, apart from the most common answer, it can be realised that there is a remarkable gap in the number of the German respondents who are dissatisfied with the punctuality of VNA’s air-services (19 participants) and those who are satisfied (4 participants). Clearly to be seen, the high proportion of the dissatisfied German respondents (47,5%) out of the total German individuals interviewed proves that the punctuality of the VNA’s air-services is probably a disappointment for many German passengers.

According to the qualitative data of the survey, there are 9 cases in which German respondents expressed dissatisfaction with the delayed flights of Vietnam Airlines. The delay resulted in late arrivals in Vietnam, which may shorten the holiday duration of German passengers. According to the survey data, 77,4% of the German respondents travel on tourism/leisure purpose. Such late arrivals probably impose negative influence on many German air-passengers whose holiday duration is limited to a given number of days. On the other hand, since outbound flights are designed to arrive in Vietnam early in the morning so as to let passengers enjoy almost the whole day, German customers who travel on business purposes may miss crucial deadlines owing to the delay of the VNA’s flights. The issue probably reasons for the high rate of negative evaluations made by German passengers. In fact, German tourists can be considered as “butterflies” which greatly contribute in the revenue of Vietnam Airlines but just stay with the business in the short run. Therefore, the customer dissatisfaction among this group can negatively affect the profitability of the business as dissatisfied “butterflies” can both defect to the VNA’s competitors and voice their dissatisfaction to other people.

As for the segment of Vietnamese customers, the number of the respondents who are satisfied with the punctuality of the VNA’s air-services is just slightly more than that of dissatisfied ones, unlike the noticeable contrast in the case of German respondents. The reason is probably that Vietnamese customers, due to cultural manners, are constrained to provide negative reviews during face-to-face interviews; or also probably that homeland-returning trip make Vietnamese passengers more sympathetic than other group of customers.

In short, the afore-mentioned facts and figures give the business warnings that Vietnam Airlines should improve its punctuality so as to enhance customer satisfaction of the two most important market segments – German and Vietnamese customers.

4.3.8 Luggage-handling

The aim of the research in the section is to study the satisfaction levels of customers towards the luggage-related issues when customers use the air-services of Vietnam Airlines. The focus is placed on the checked luggage which is possibly delayed, lost, tampered or damaged. In fact, it is totally uneasy for the airlines to get to know the luggage conditions of all passengers after flights unless customers proactively provide feedback to the business. If such luggage-related problems occur, the incidents are very likely to affect customer satisfaction and loyalty to the negative trend, which possibly make customers defect to the competitors of Vietnam Airlines. As a result, during the interview, air-passengers of Vietnam Airlines were asked to provide evaluations of the luggage-handling issue. The following chart presents the interview results of 106 existing customers.

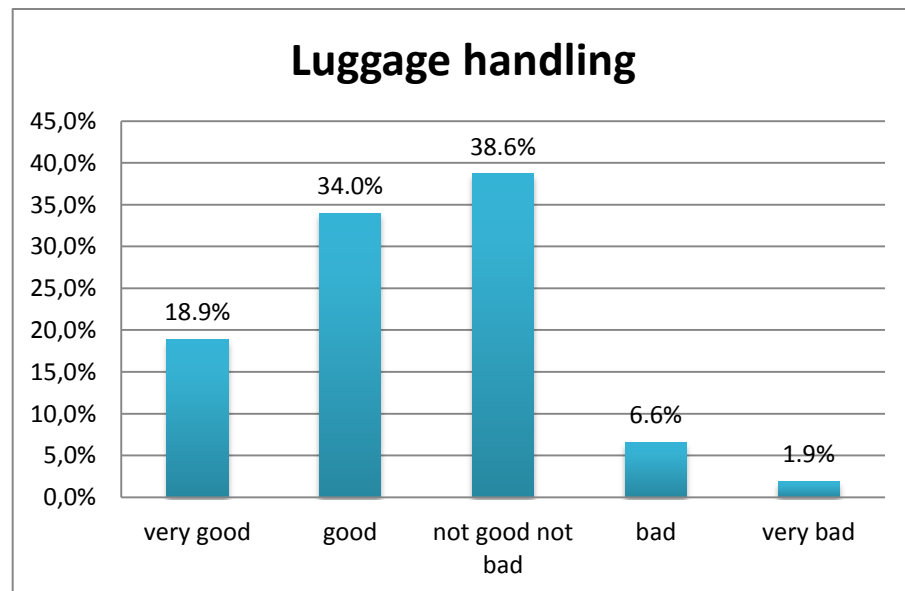


Figure 23: Customers' evaluation of luggage handling

Noticeably, there is an obvious trend in the customers' evaluations as most of the respondents have positive opinions of the luggage-handling services of Vietnam Airlines with 18,9% rating the service factor as very good and 34,0% rating as good. Oppositely,

there are only 7 respondents who provide negative feedback about the luggage-handling services of the airlines among which 5 cases consider the services as bad and 2 cases rating as very bad. All 7 dissatisfied respondents provide reasons for their complaints that the checked luggage is in damaged conditions. Additionally, two out of the seven cases are unhappy with the speed of the VNA's customer-care services in response to the luggage claim.

4.3.9 Satisfaction of new/existing customers

With a view to studying satisfaction levels of existing customers with the VNA's overall services, the author conducted interviews with both inbound and outbound passengers. Due to requests of the commission party, the amount of data collected from the both flight routes are more than the need of this research. The study aims to focus only on outbound passengers who are more likely to be influenced by the strategies of German branch of Vietnam Airlines. In the total 85 samples of outbound passengers, new/existing customers were asked if the customers were satisfied with the overall services of Vietnam Airlines, with three response choices being offered: "yes", "no" and "no answer". The study results are summarized and presented in the following table.

Table 7: Customer satisfaction, by new and existing outbound passengers

	Satisfied so far with the overall services of VNA?			Total
	Yes	No	N/A*	
New customers (% within new customers)	29 (74,4%)	3 (7,7%)	7 (17,9%)	39 (100%)
Existing customers (% within existing customers)	27 (58,7%)	14 (30,4%)	5 (10,9%)	46 (100%)
Total (% within new/existing customers)	56 (65,9%)	17 (20,0%)	12 (14,1%)	85 (100%)

*N/A: not answer

As can be seen from the table, out of 85 outbound passengers interviewed, new customers prove to be more satisfied with the overall services of Vietnam Airlines than the existing customers, with 74,4% of the new customers and 58,7% of the existing customers opting for the "yes". There are 17 participants in total who expressed dissatisfaction among which

14 cases are existing customers and the rest 3 are new customers, respectively accounting for 16,5% and 3,5% of the total 85 samples. Besides, there are 12 other cases refusing to provide answers. In short, it can be noticed that new outbound customers appear happier with the air-services of Vietnam Airlines than the existing ones. Additionally, the findings mentioned above give rise to an assumption that existing dissatisfied customers probably have spurious loyalty as the customers may still travel with Vietnam Airlines next times yet with a weak level of attitudinal loyalty. The customers may be loyal to the air-carrier due to certain reasons which can be further explained on analysing the correlation of new/existing customers and passenger origin as followed.

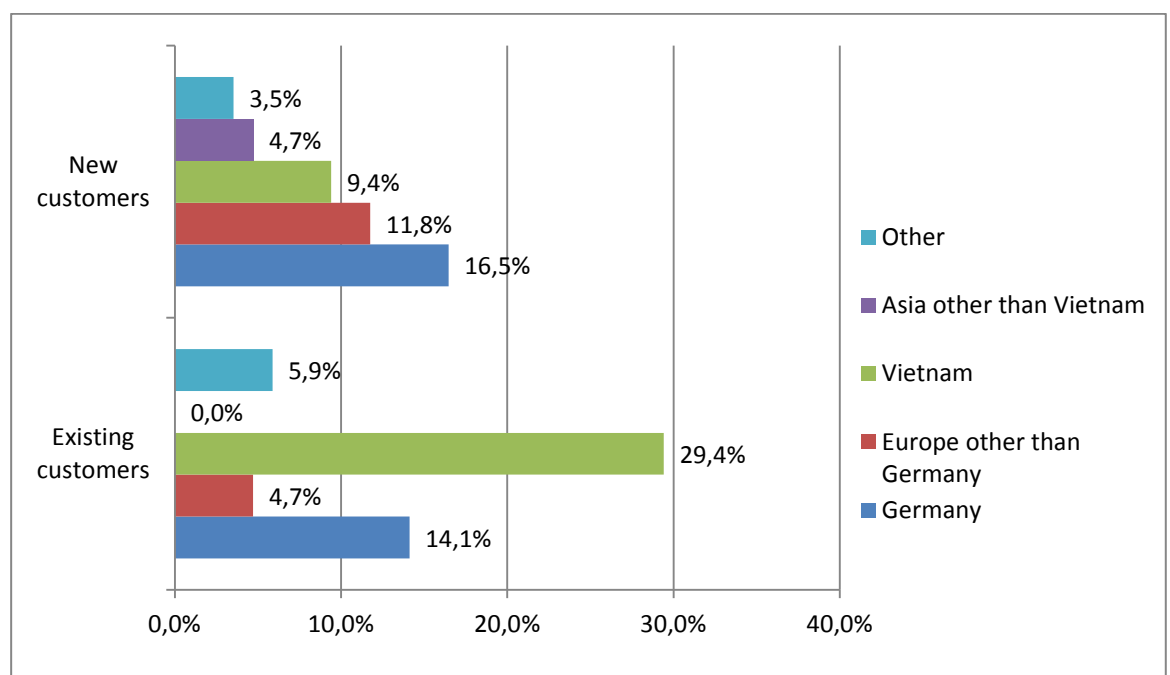


Figure 24: The correlation of new/existing customers and passenger origin

Visibly, among existing customers, passengers coming from Vietnam account for the most with 29,4%, followed by German passengers with 14,1%. By contrast, the dominant group among new customers is the German with 16,5%, followed by passengers coming from Europe (except Germany) and from Vietnam, which account for 11,8% and 9,4% respectively.

Vietnamese customers prove to be more loyal to the air-carrier than other groups possibly due to the ethnic consideration. There are 17 respondents providing explanations for their decisions to travel with Vietnam Airlines that the customers are simply the Vietnamese and long to use Vietnamese language on-board and also with the VNA's customer care department if there are any problems arising. Additionally, Vietnamese customers can also

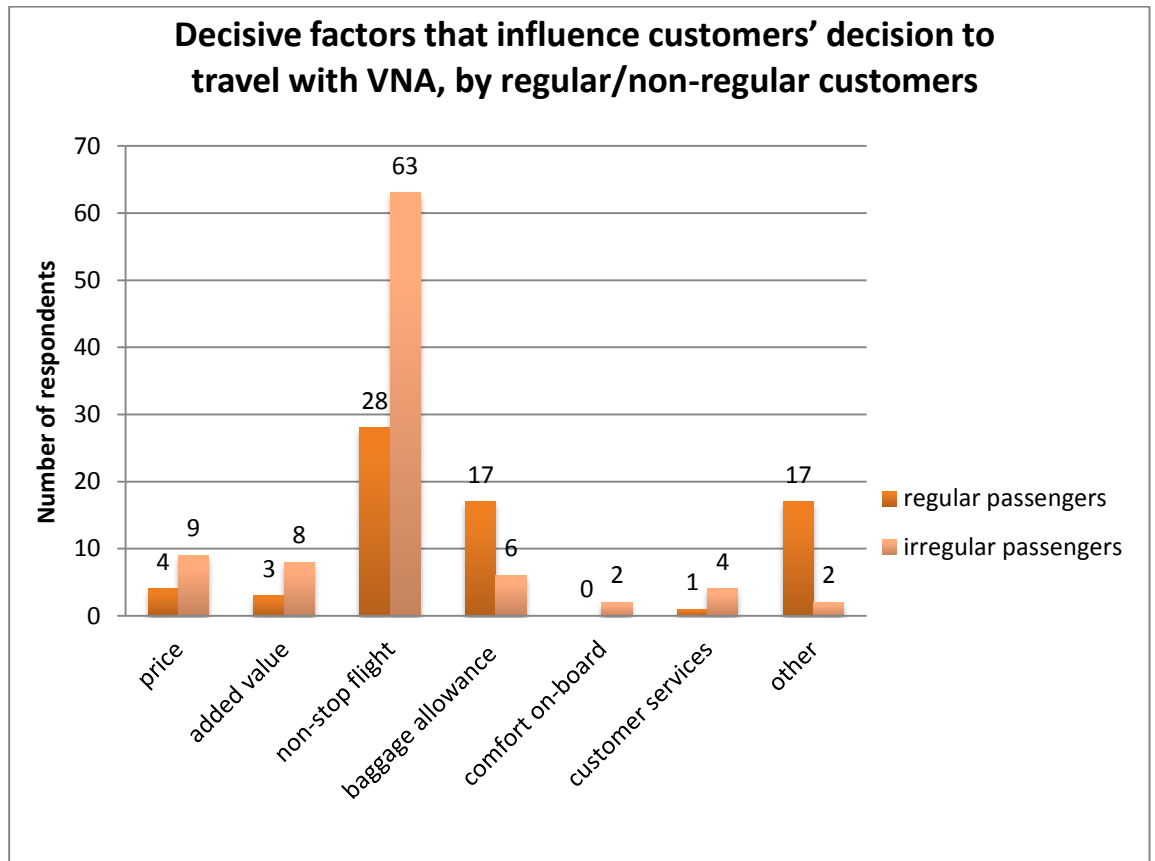
enjoy preferential treatments in relevant to luggage allowance, which is strategised for ethnic passengers only. Such issues may explain for the fact that Vietnamese customers account for the most in the total of outbound existing customers interviewed.

However, as pointed out earlier, when it comes to the attitude of flight attendants, Vietnamese passengers are the unhappiest group among the dissatisfied respondents who provide complaint reasons of the on-board services. It is assumed that that a certain number of existing Vietnamese customers have spurious loyalty since the customers may still opt for Vietnam Airlines next times due to ethnic and cultural reasons but the customers are not really satisfied with some service components of Vietnam Airlines.

As for new customers, the reason for the domination of German passengers over other segments is probably that the survey period was conducted during a high season for tourism so there may be numbers of German tourists willing to make a holiday trip.

4.3.10 Critical factors that influence customers' decision to travel with Vietnam Airlines

In order to discover the critical service factors of Vietnam Airlines that drive customers to travel with the air-carrier, all 164 interview participants were asked to provide evaluations towards a range of given factors such as price, added value, customer services, non-stop flight, comfort on-board and preferential treatments involving baggage allowance. The data collected were correlated with regular/irregular customers of Vietnam Airlines, which is illustrated in the next stacked bar chart.



*added value: free domestic flights, promotional treatment for add-on flights etc.

Figure 25: Decisive factors that influence customers' decision to travel with Vietnam Airlines

Clearly to be seen in the figure, the most attractive factor that influences customers' decision to travel with Vietnam Airlines is the non-stop flight with the highest votes - 55,5% from customers while the in-flight comfort received the lowest votes, accounting for only 3%. Among the given factors, most of the regular customers (28 cases) decide to travel with Vietnam Airlines since the air-carrier offers direct flights to Vietnam, leaving the other critical factors such as baggage allowance, added value far behind. Therefore, it can be inferred that a certain number of regular customers probably have spurious loyalty as the customers utilise the air-services of Vietnam Airlines due to the convenience of non-stop flights, not to the quality of customer services or the comfort on-board. Customer services and promotional programs prove to be not attractive enough to draw customers' attentions or be able to satisfy customers to the extent at which customers are emotionally attached to the business.

There are 19 participants who specify other critical factors that influence their decisions to travel with Vietnam Airlines, out of which 17 cases are regular customers who mentioned the ethnic consideration. Vietnamese regular customers are likely to seek for the flight experience of the same culture although some may be dissatisfied with certain components of the VNA's services such as the attitudes of flight attendants. In fact, this group of Vietnamese regular customers can be considered as "true friends" as the customers are likely to remain with the business in the long run thanks to the ethnic attachment. On the other hand, there is a considerable number of Vietnamese customers who study or reside in Europe, which may ensure the profitability of the group. As a result, Vietnam Airlines should pay particular attentions to the customer satisfaction of this group of customers.

Beside the popular factor "non-stop flights", there are no regular customers opting for the on-board comfort and there is only one case of regular customer specifying good customer services as the motivation for their decision to travel with the business. The sharp contrast indicates that regular customers seem to have behavioral loyalty due to the non-stop flight and ethnic issues, rather than being motivated by the VNA's customer services or the attractiveness of marketing programs.

4.4 Suggestions

With a view to improving the satisfaction levels of the VNA's customers, the study provides the business with several following suggestions:

- On-board services:
 - It is essential that the airlines should diversify the in-flight entertainment programs with more films, games, music and also offer special channels for kids if possible.
 - The business is expected to operate employee training programs so that flight attendants become friendlier to customers and simultaneously are able to address on-board complaints more professionally. In fact, if flight attendants can on spot handle complaints, for instance, regarding the break-down of seat-back screens, dissatisfied customers might shift from the base level of the customer-advocacy

pyramid to the level 3 at which customers start to become emotionally loyal to the airlines.

- Ticket purchasing
 - R&F feature should be supported on many more booking websites (for instance: Expedia, VNA's official website, etc.) so that customers do not necessarily obtain R&F tickets via travel agencies.
 - It is recommended that Vietnam Airlines should have appropriate measures to prevent travel agencies from utilizing R&F tickets of customers for private purposes.
- Check-in procedures
 - The check-in procedures of the inbound route need to be speeded up and check-in employees on this route are expected to be friendlier to customers.
- Punctuality
 - Employees should demonstrate more professional attitudes on handling the situation of delayed flights. If necessary, the business should offer timely compensation on spot in order to gain sympathy from passengers, regardless of whatever reasons for the delay, even due to objective ones. Timely actions of employees can help improve customer satisfaction of, for instance, German tourists – one of the VNA's target market segments – as the customers have to suffer from the shortening of their holiday.
- Luggage handling
 - The customer-care department of Vietnam Airlines needs to improve the speed of proceeding compensation claim concerning the damaged conditions of checked luggage.

5 CONCLUSION

By addressing the two research problems, the study has certain meanings for the business in the research context in particular and for the readers who pay attentions to Vietnam Airlines in general. The study results enable Vietnam Airlines to apprehend the satisfaction levels of different market segments so that the business can make appropriate adjustments in its policies of customer relationship management.

As pointed out earlier, there are still many problems in the air-services of Vietnam Airlines which negatively affect the satisfaction levels of customers. Unless Vietnam Airlines employs prompt and effective measures to address the problem, customers are very likely to defect to the competitors of the business. Clearly, Customer defection can considerably threaten the market-leader strategies of Vietnam Airlines as the business is challenged in the defence of its market share. Therefore, to remain the leadership position in the market on the long-term basis, it is essential that the air-carrier continuously improve its service quality to achieve a higher level of customer satisfaction.

Concerning customer loyalty, a certain number of existing Vietnamese customers are supposed to have spurious loyalty to the air-carrier due to non-stop flights. In the long run, it is important that Vietnam Airlines can convert such customers with spurious loyalty into true loyalists in order to take advantage of the potential profitability and the loyalty of the group.

For a better result, such surveys about customer satisfaction should be conducted on a frequent basis - at least during the both high and low seasons of Vietnam Airlines - so that the business can timely adjust CRM policies in accordance to changes in cognitions and evaluations of market segments.

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LIST OF APPENDICES

1/1 Questionnaire

2/1 Statistics data of the research

Questionnaire for outbound air-passengers

1. Where are you from?

	Germany. Region specifically ...
	Europe other than Germany
	Vietnam
	Asian countries other than Vietnam
	Other countries

2. What is your destination?

	Vietnam (only). Province ...
	Combination (Vietnam+Laos+Campodia)
	South East Asia ...
	Australia
	China
	Other ...

3. How did you come to Frankfurt Airport?

	Rail & Fly
	Use private vehicles
	AB/LH Feeders (AirBerlin, Lufthansa)
	Other airlines
	Other

4. What is the main purpose of your trip?

	Visiting friends & families
	Business/Conference
	Leisure purpose/Tourism
	Studying

	Other ...
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5. How do you get to know Vietnam Airlines? (as detailed as possible)

	Travel Exhibitions
	Magazines
	Travel agents
	Friends/Relatives' recommendation
	Searching on internet
	Other

6. How did you book your tickets?

	Via Vietnam Airlines' website
	Via Tour operators
	Via Travel agencies Visit in person Phone booking
	Online booking
	Other

7. Why do you decide to travel with Vietnam Airlines? Please tick only one option you think most decisive

	Reasonable prices
	Added value (free domestic flights; promotion prices for add-on flights etc.)
	Non-stop flight
	More kilo allowed for checked luggage than other airlines
	Comfort on board
	Good customer services
	Other. Please specify

8. Is this your first flight experience with Vietnam Airlines?

Yes. Are you satisfied so far with our services? Yes No N/A*

No. Are you satisfied with previous experience with Vietnam Airlines? Yes No N/A

*N/A: not answer

9. How often do you travel with Vietnam Airlines?

	Rarely
	Once a year
	2-3 times a year
	More than 3 times a year

10. Are you price-sensitive?

Yes. I usually consider prices and added values carefully before booking.

No. I would not care so much if prices fluctuate €100-€200

No. I do not care at all as long as I can gain great flying experience.

11. Are you satisfied with Vietnam Airlines' services? Please fill in the table and if possible, specify the reason for your choice in the following text box.

Services \ Evaluation	Very good	Good	Not good not bad	Bad	Very bad
Check-in procedures					
Ticket purchasing					
Luggage handling					
On-board services					
Punctuality					

Safety					
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12. if you have further comments/opinions/expectations on our services, please let us know

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Questionnaire for inbound air-passengers

1. Where are you from?

	Germany. Region specifically ...
	Europe other than Germany
	Vietnam
	Asian countries other than Vietnam
	Other countries

2. What is your final destination?

	Germany
	Europe other than Germany
	Other countries

3. What is the main purpose of your trip?

	Visiting friends & families
	Business/Conference

	Leisure purpose/Tourism
	Studying
	Other

4. How do you get to know Vietnam Airlines? (as detailed as possible)

	Travel Exhibitions
	Magazines
	Suggestions from travel agents
	Friends/Relatives' recommendation
	Searching on internet
	Other

5. How did you book your tickets?

	Via Vietnam Airlines' website
	Via Tour operators
	Via Travel agencies Visit in person Phone booking
	Online booking
	Other

6. Why do you decide to travel with Vietnam Airlines? Please tick only one option you think most decisive

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9. Are you price-sensitive?

Yes. I usually consider prices and added values carefully before booking.

No. I would not care so much if prices fluctuate €100-€200

No. I do not care at all as long as I can gain great flying experience

10. Are you satisfied with your trips in Vietnam/surrounding countries?

(Satisfied)

(Unsatisfied)

11. Will you come back Vietnam? Why? (shortly explain please) Yes No

12. Are you satisfied with Vietnam Airlines' services? Please fill in the table and if possible, specify the reason for your choice in the following text box.

Services \ Evaluation	Very good	Good	Not good not bad	Bad	Very bad
Check-in procedures					
Ticket purchasing					
Luggage handling					
On-board services					
Punctuality					
Safety					

13. If you have further comments/opinions/expectations on our services, please let us know

SUMMARY OF STATISTICS DATA

Objective:

To achieve 200 samples in total in the survey in which

- 100 of the outbound questionnaire version (Germany-Vietnam)
 - 100 of the inbound questionnaire version (Vietnam-Germany)
-

Results:

There were 164 samples collected in reality (achieving 82%)

- 85 samples of the outbound version
 - 79 samples of the inbound version
 - 36 questionnaires were not utilized due to the limitation of time and resources of the research
-

Notes:

The survey is conducted as part of the requests by the commission party – Vietnam Airlines so:

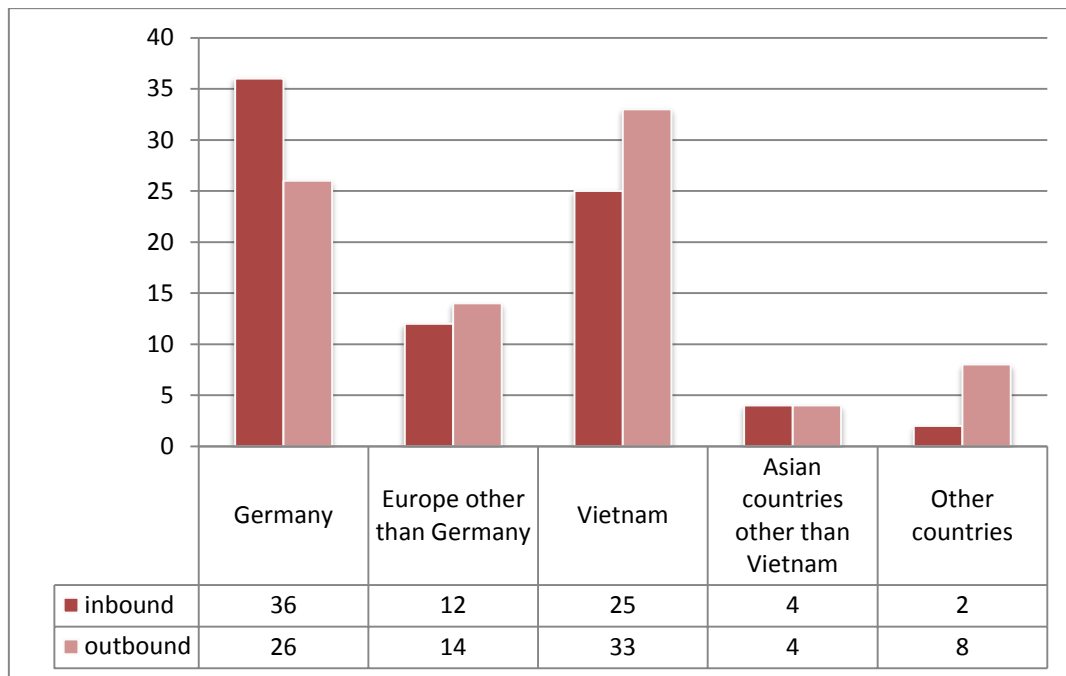
- The questions in the questionnaire contain more information than needed by the thesis with a view to providing the commission party as much interview data as possible.
- Question 2 & 5 (outbound versions), question 2, 4, 10 & 11 (inbound version) were, therefore, excluded from the analysis in the thesis.
- The next parts summarize the data statistics combined by the both questionnaire versions so the question numbering is not necessarily in the order as presented in each version.

Question 1: Where are you from?

Participants: 164

Passenger origin \ Quest. version	Inbound	Outbound	Total	Total (percentage)
Germany	36x	26x	62x	37,8
Europe other than Germany	12x	14x	26x	15,9
Vietnam	25x	33x	58x	35,4
Asian countries other than Vietnam	4x	4x	8x	4,9

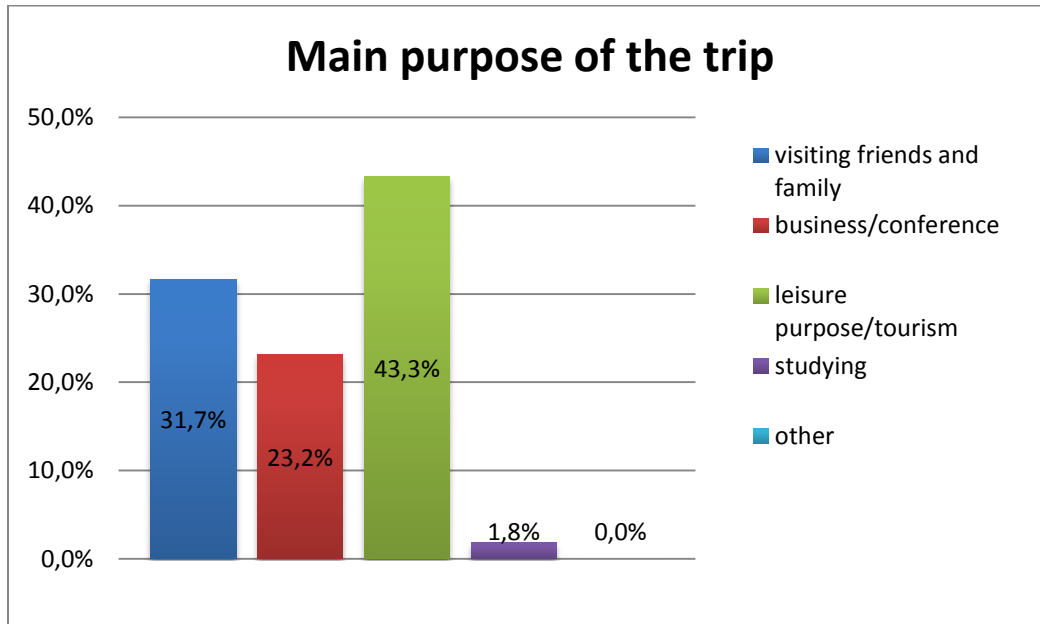
Other countries	2x	8x	10x	6,1
Total	79x	85x	164x	100



Question 2: What is the main purpose of your trip?

Participants: 164

	Count	Percentage (%)
Visiting friends & families	52x	31,7
Business/Conference	38x	23,2
Leisure purpose/Tourism	71x	43,3
Studying	3x	1,8
Other	0x	0
Total	164x	100



Question 3: How did you book your tickets?

Participants: 164

Booking method	Count	Percentage (%)
Via Vietnam Airlines' website	16x	9,8
Via Tour operators	11x	6,7
Via Travel agencies (49x) Visit in person (20x) Phone booking	69x	42,1
Online booking	58x	35,4
Other	10x	6,1
Total	164	100

Question 4: How did you come to Frankfurt Airport? (only in outbound version)

Participants: 85

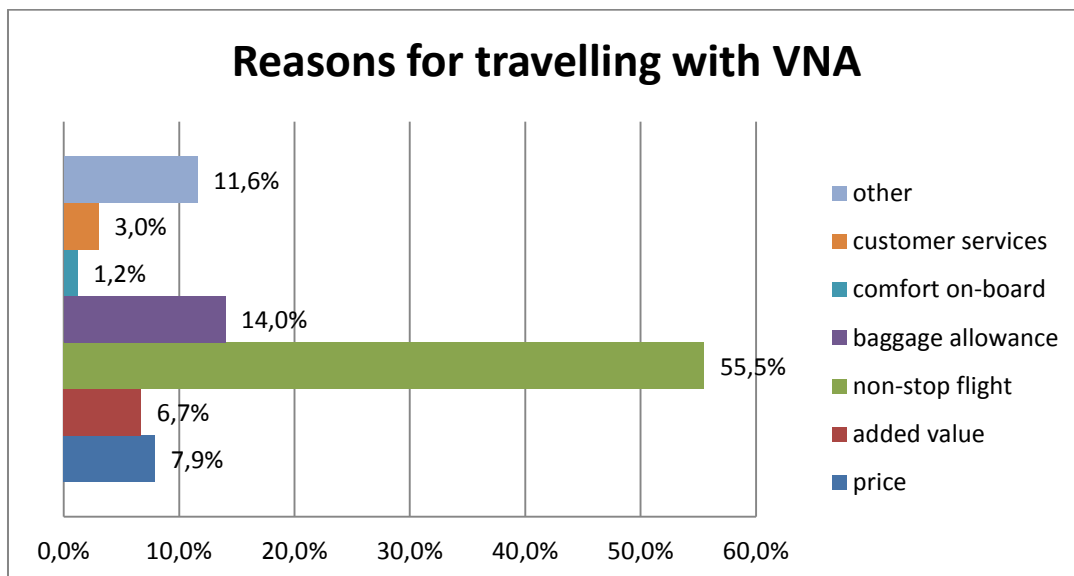
Frequency of travelling	Count	Percentage (%)
Rail and Fly (R&F)	49	57,6
Use private vehicles	15	17,6
AB/LH feeders (Airberlin, Lufthansa)	7	8,2
Other airlines	14	16,5
Other	0	0

Total	85	100
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Question 5: Why do you decide to travel with Vietnam Airlines? Please tick only one option you think most decisive

Participants: 164

13x	Reasonable prices		
11x	Added value (free domestic flights; promotion prices for add-on flights etc.)		
91x	Non-stop flight		
23x	More kilo allowed for checked luggage than other airlines		
2x	Comfort on board		
5x	Good customer services		
19x	Other. Please specify	17x	Ethnic reasons: passengers are Vietnamese
		2x	Suitable connecting flight time



Question 6: Is this your first flight experience with Vietnam Airlines?

	Inbound	Outbound	Total	Total
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				(percentage)
New customers	19	39	58	35,4
Existing customers	60	46	106	64,6
Total	79	85	164	100

Inbound

	Satisfied so far with the overall services of VNA?			Total
	Yes	No	N/A	
New customers	13x	5x	1x	19x
Existing customers	30x	14x	16x	60x
Total	43x	19x	17x	79x

Outbound:

	Satisfied so far with the overall services of VNA?			Total
	Yes	No	N/A	
New customers	29x	3x	7x	39x
Existing customers	27x	14x	5x	46x
Total	56x	17x	12x	85x

passenger_origin * new_existing_cus Crosstabulation

Count		new_existing_cus		Total
		existing_customer	new_customer	
passenger_origin	Germany	12	14	26
	Europe other than Germany	4	10	14
	Vietnam	25	8	33
	Asian countries other than Vietnam	0	4	4
	Other countries	5	3	8
	Total	46	39	85

Question 7: How often do you travel with Vietnam Airlines?

Participants: 164

Frequency of travelling	Count	Percentage (%)
Rarely	94x	57,3
Once a year	59x	36,0
2-3 times a year	7x	4,3
More than 3 times a year	4x	2,4
Total	164x	100

Question 8: Are you price-sensitive?

Participants: 164

Price-sensitiveness	Count	Percentage (%)
consider price carefully	59x	36,0
do not care if the air-fares vary little (100€ - 200€)	75x	45,7
do not care at all	30x	18,3
Total	164x	100

Question 9: Are you satisfied with Vietnam Airlines' services? Please give us your evaluation in the given table:

Services \ Evaluation	Very good	Good	Not good not bad	Bad	Very bad	Total
Check-in procedures	20x	46x	53x	39x	6x	164x
Ticket purchasing	31x	81x	26x	24x	2x	164x
Luggage handling	20x	36x	41x	7x	2x	106x
On-board services	6x	13x	46x	37x	4x	106x

Punctuality	5x	23x	37x	28x	13x	106x
Safety	37x	48x	19x	2x	0x	106x

- Crosstabulation of punctuality and customer origin

		Punctuality					Total
		very good	good	not good not bad	bad	very bad	
passenger_ origin	Germany	0	4	17	14	5	40
	EU other than Germany	1	3	4	2	1	11
	Vietnam	3	13	15	11	4	46
	Asian countries other than VN	1	0	1	0	0	2
	Other countries	0	3	0	1	3	7
Total		5	23	37	28	13	106

Question 10: If you have further comments/opinions/expectations on our services, please let us know.

Out of the total 164 samples:

- There were 133 cases providing further comments
- 31 cases gave no answers to the question.
- In the total of 133 further comments received, there were 151 specific reasons provided as explanations for the participants' evaluation.

The following parts summarize further opinions received from participants, categorized according to service factors.

On-board services

- Explanations for customers' negative appraisals of the VNA's on-board services

Reason for complaints	Count	Percentage (%)
In-flight entertainment programs	18x	43,9
attitudes of air-steward	12x	29,3
seat-back screen	4x	9,8

in-flight meal	3x	7,3
seat comfort	3x	7,3
lighting system	1x	2,4
Total	41x	100

Correlation of complaint reason and passenger origin

	passenger_origin				Total
	Germany	Europe other than Germany	Vietnam	Asian countries other than Vietnam	
entertainment	11	1	5	1	18
flight_attendant	2	0	10	0	12
seat-back_screen	4	0	0	0	4
Total	17	1	15	1	34

Note: the cross-tabulation above only takes account of the three most common reasons for complaints about the on-board services.

- **Positive appraisals of the on-board services of Vietnam Airlines**

Positive appraisals	Count
Many newspapers and magazines available on-board	7x
Various free-of-charge alcohol drinks	6x
Good customer-care by flight attendants	3x
Total	16x

Ticket purchasing:

- Further explanations of negative answers about the ticket-purchasing issues

	Frequency	Percentage (%)
R&F ticket: unavailable for online booking	17	70,83
Problems arising during utilizing R&F codes	5	20,83

Overbooking	2	8,34
Total	24	100

Check-in procedures

- **For outbound flights**

Positive comments of outbound passengers

Positive comments about check-in services	Count
Attitudes of employees	9x
Flexible check-in time	3x
Speed of check-in procedures	2x
Total	14x

Disappointment

Find the new check-in area in terminal 2 more inconvenient than in the old one (terminal 1): 8x

- **For inbound flights**

Reasons for complaints about check-in procedures

	Count	Percentage (%)
Speed of check-in	17x	65,4
Attitudes of employees	9x	34,6
Total	26x	100

Safety

Positive opinions concerning safety	Count
Landing softly and smoothly	4x
Smooth flight experience on-board	2x
Total	6x

Punctuality

Reasons for negative evaluations	Count
Delayed flights	9x
Total	9x

Luggage handling

Reasons for negative evaluations	Count
Checked luggage was in damaged conditions	7x
Total	7x