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Customer relationship management and marketing practices in airlines industry- An empirical study

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Abstract
The civil aviation sector is the sunrise sector in the Indian economy, contributing significantly to the GDP. The rise in air travel at global level and the present civil aviation policy of the Indian government has changed the mind set of the Indian traveler to prefer airlines instead of the other modes of travel. It can be said that, in India, not only the private airlines, but also the public sector airlines have started considering customers as the focal point in their business. No matter how well an airline company is doing, there is always room for improvement. Only continuous assessment of strategic vision enables an airlines company to stay ahead of changes in the world and in the competitive landscape. Though a lot has been talked about 'customer-centricity', this concept will remain new until it is implemented in each and every activity of the airline. With the increase in the overall market size of the industry, as well as increasing competition, different players in the industry should invest in improving the customer relationship. This would not only involve implementation of CRM solution, but also internal marketing of the CRM concept. Proper CRM implementation would not only ensure customer delight and increased customer satisfaction, but also help in acquiring new customers, in retaining the existing ones, and in maintaining their loyalty. The present study has been undertaken to analyze the expectations and perceptions of the customers and also to gauge the effectiveness of the CRM practices adopted by the airline companies. It is expected that this study will help the management of the airline companies to frame CRM strategies to maintain customer loyalty.

Keywords: Customer relationship marketing, customer expectation, customer perception

1. Introduction
The quality of life of air transportation services has been always one of the predominant factors that determine the economic progress of a country in the twenty first century. A well-managed system of air transport acts as a catalyst for economic transformation. A study by NCAER (The National Council of Applied Economic Research) has pointed out that 1% augments in GDP needs 1% raise in air passenger traffic and 1.3 per cent increase in air cargo traffic. All the manufacturing, merchandising, banking, extraction and other businesses will come to a grinding halt without air transportation that involves quick movement of men, machines and materials from one place to another.

Owing to the Open Sky Policy of the Government of India, civil aviation market has become highly competitive, demanding professional excellence in the management and marketing of the airlines services. So the formulation of a sound customer relationship management (CRM) and good marketing practices have become a necessity in the airlines industry the airline management bears the responsibility of offering world-class service to the users.

2. The Gradual Paradigm Shift
The focus of transactional marketing approach has been on individual transaction alone without providing an impetus for a continuous relationship with customers. The framework of transactional marketing has not given importance to a strategic long-term perspective. In contrast to the transactional marketing approach, the relationship marketing has focused multiple transactions rather than on isolated individual transactions. The affiliation marketing move toward has measured customers as insiders to the business and has aimed to build a long-term and an inexhaustible association with them. The spotlight of association marketing approach has centred on developing hard core loyal customers with the idea of retaining them forever. A degree of customer contact, commitment and services has been maintained

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in relationship marketing. The association marketing move toward has progressively in use the shape of customer relationship marketing. Relationship marketing has only a narrow focus on the customers. Today, the organizations prefer to use the word CRM more willingly than association marketing.

3. Benefits of CRM and Marketing Strategy in the Airline Industry

If the airline company has chosen the right Customer Relationship Management and Marketing strategy, the company can immediately increases the effectiveness of its services. The CRM and marketing implementation and its success rate depend purely upon the effectiveness of the strategies adopted for the customer acquisition, customer satisfaction and customer retention, and customer loyalty.

Peter Drucker (1954) inscribed that there is merely one legitimate explanation of business is to create a customer. Drucker has said that an organization's capability to continue in business is a function of its competitiveness and its ability to win a customer from the competition as the customer is the foundation of the business and keeps it in existence.

Hence customer gaining, pleasure, preservation, faithfulness and support have been taken into account for this particular study. If the airlines have adopted the right CRM strategies for these four stages, the airlines can arrest the rest of the stages in the customer life cycle- dissatisfaction, attrition and defection.

3.1 Customer expectation: refers to the preconceived ideas of a customer about a product or service. Customer expectation is influenced by a customer's sensitivity of the product or service and can be fashioned by previous experience, advertising, hearsay, awareness of competitors, and brand image. Customer anticipates encountering efficiency, reliability, confidence in the staff, and an individual attention in his or her benefaction. If a customer's expectation is met, the outcome is the customer satisfaction. Customer expectation is also known as Buyer Expectation.

3.2 Customer perception: refers to the individual's subjective way of interpreting and making sense of an object. In so far as the potential customer's perceptions are concerned, each customer may construe the brand theory in his own means and make his own meaning out of his interpretation. The diverse characteristics of a brand would be apparent in a different way and such perceptions would have severe implication in the ultimate brand selection. A customer perceives a brand as a mismatch to his expectation and deletes the brand from the procedure of choice. It is to this coverage that the insight of a customer plays a key role in the brand selection process.

4. Need for the study

The growing expectations of the customers have forced airlines to innovate, serve and satisfy the consumers better and faster and for a longer time. So customer acquisition and retention has become the mantra for the airline industry. Airline service providers today recognize that they cannot appeal to all buyers in the market place. Customers are many, extensively sprinkled, and assorted in their requirements and traveling practices. Hence, it has become very important for the airline service providers to understand the expectations of the customers, and segment them according to their needs. The present study has been undertaken to analyze the expectations and perceptions of the customers and also to gauge the effectiveness of the CRM practices adopted by the airline companies. It is expected that this study will help the management of the airline companies to frame CRM strategies to maintain customer loyalty.

5. Objectives of the study

- To understand the managements' perception about customer relationship management and marketing practices adopted by their airlines.
- To evaluate the level of expectations and perceptions of the passengers about the customer relationship management and marketing practices in airlines.

6. Research Methodology

Two questionnaires have been designed based on the questionnaire which was developed in a western context by Parasuraman. A, Zeithmal V.A. and Berry Leonard (1988) with appropriate modifications wherever necessary, to suit the needs of the present study in the Indian context.

6.1 Sampling Design

Since there were only 9 respondents in the category of managers in the Coimbatore sector, the census method has been used for the collection of data. A design had been formulated for the selection of respondents from among the passengers as under: (a) Selection of airlines and (b) Selection of airlines passengers.

6.2 Selection of airlines: seven domestic airlines companies which were drawn from the list (AAI) of airlines operating from Coimbatore airport have been considered for the study. Among these, only 3 airlines were providing "full services" to the passengers. The three airlines selected for the study are: (1) Air India (2) Jet airways and (3) King Fisher airlines.

6.3 Selection of airline passengers: The three airlines put together, on the average, carried 1000 passengers daily and these 1000 passengers have constituted as the population of the respondents for the study. But the number of passengers, the flight schedules and the frequency of flights has varied everyday. On the above basis, it has been roughly estimated that there were 333 passengers (1000/3) per day for each airline. One third of the population was set as a sample size and accordingly a quota sample of 111 respondents has been fixed for each airline, in such a manner that the total sample size has been 333.

6.4 Measures

Thirty two statements were included in the questionnaire to decipher the degree of customer relationship management practiced by the airlines. The variables pertaining to customer relationship management were prepared on a five point scale to give maximum accuracy in response to the statements.

The overall rating for management perception about CRM and marketing practices of the airlines was calculated by adding up all the rating assigned to each of the 32 statements by the respondents which were marked from 'strongly agree' to 'strongly disagree'.

All the respondents (airline passengers) were contacted in person to clarify any doubt in filling the questionnaire. The section relating to the relationship between the airline and customer has been classified as:
- Customer's expectations about the airline services (18 questions)
- Customer's perception about the airline service (18 questions)

In the two sections the number of statements given were rated in a 5 point rating scale ranging from strongly agree to strongly disagree. The total of the individual score has been taken as the total scores for the expectations and perceptions and also for the further analysis.

7. Variables used for the study
The expectation and perception of airline passengers were measured by considering 18 dependent variables. These variables were identified after consulting with the airline authorities and also by referring to the available literature, as shown below:
1. providing information about the change of flight schedules
2. Facilities at the enquiry counter
3. Professional appearance of employees
4. Time taken at the check-in counter
5. Training given for the ground staff
6. Helping mentality of the employees
7. Personal attention at the check-in counter
8. Clarity of boarding announcements
9. Handling the passenger requirements, when the flight is delayed
10. Friendly welcome at boarding time
11. Special attention to passengers according to their requirements
12. Professionalism and courtesy of cabin crew
13. Informative announcements and its clarity
14. Magazines and newspapers in the flight
15. Cleanliness of the cabin
16. Maintenance of washrooms
17. Quality of food and
18. Quantity of food

8. Finding and Discussion
First objective - the management's perceptions about customer relationship management (CRM) and marketing practices have been analyzed by using the weighted average mean values. The result shows that the airline companies operating from Coimbatore have not been giving equal importance to different strategies. J.A. (5.00) and AI (4.00) (Table 1) (Appendix) have been giving more importance to customer loyalty strategy while KFA (4.21) has given prime importance to customer satisfaction strategy. AI and JA are two of the older airline companies which have a large number of customers than the younger KFA. Companies with large number of satisfied customers have been giving more importance to customer loyalty strategy for converting the satisfied customers into loyal customers. Customer loyalty strategies of AI and JA could increase the profit earning capacity; this has been supported by Roger (1996). The second objective of the study has been to evaluate the level of expectation and perception of the passengers about the CRM and marketing practices in airlines. The analysis of variance has been used to fulfill this objective.

8.1 Expectation
There is a significant difference in the average expectation scores about services among the respondents of the three selected airlines. Expectation of the respondents is not dependent on their gender. The age and the educational qualification of the respondents also do not contribute to any significant variation in their expectation. But the expectation varies based on the occupation and monthly income of the respondents. The respondents' expectations are dependent on their years of travel experience with the airline and also the method of ticketing. But the expectations of the respondents do not vary on the basis of their purpose of travel, frequency of travel or the class of travel.

A customer's expectation about the services of an organization acts as a standard for the performance evaluation of that organization. Customers compare their expectation on the performance of an organization, with the actual services offered to them. CRM and marketing can be improved through the proper analysis of the customer's expectation of services (Olshavsky and Kumar, 2001) [5]. This work can be done more easily by analyzing the difference in the customers' expectations when they are classified on demographic and economic factors and also by their travel characteristics. In the present study, for the above stated purpose, customers have been classified on the basis of gender, age, education and occupation as personal factors, income as the economic factor and the years of experience with an airline, the purpose of travel, frequency of travel, class of travel and the method of ticketing as their travel characteristics.

The respondents' expectations have not significantly differed when they were classified on the basis of their purpose of travel, frequency of travel and class of travel. Gagliano and Hathcote (1994) [2] in their study have observed greater disparity between expectations and perceptions based on the monthly income of the customers. The present study has also supported the findings of Gagliano and Hathcote. It is also inferred that the customers, when classified on the basis of income are price-sensitive in nature. Lee *et al* (2003) [3] have reported that companies should consider the customer's expectation and perception in relationship marketing efforts, as they are fundamental to enhancing customer trustworthiness. A development of customer reliability decreases price sensitivity. Based on the findings of the present study and the supported study, the airline companies have to formulate CRM strategies to cope with the different expectations of the different income group passengers.

8.2 Perception
The respondents of the three airlines have different perceptions regarding the airline services. The perceptions of the respondents about the CRM practices of the airlines do not differ when they are categorized on the basis of gender, age and educational qualification. But the respondents' perception varies based on their occupation and monthly income. The respondents' perception about the services of the airlines after classifying them on the basis of purpose of travel, frequency and the class of travel, are similar. When considered on the basis of the years of travel experience with the airlines and the method of ticketing, the respondents' perceptions vary significantly.

The present study has established that the respondents of the three airlines significantly differ in their perceptions which support the finding of Rao and Madhavaiah (2007) [4].

Regarding the income, passengers belonging to different income group have different perceptions about the airline services. This conclusion is supported by the finding of the study made by Taneja and Kaushik (2007) [7] in the mobile phone service sector.

The perceptions of the respondents differ significantly, when they are classified on the basis of years of travel experience with the airline. As the years of association of the respondents with the selected airlines increases, they tend to perceive the services of the airline from a different perspective which are influenced by the changing needs of the respondents and by the ever changing and competitive facilities provided by other airlines.

Analysis related to the perception of the respondents after classifying them on the basis of their purpose of travel, frequency and class of travel make it clear that whatever be the purpose, the frequency or the class of travel, the travelers have similar perceptions.

The gap between a customer's expectation and perception decides the level of satisfaction of the customer with the airlines services. The wider the gap, the higher will be the dissatisfaction and the lower, the rate of retention of customers. While framing customer retention strategy, airline companies have to assess the requirements of the customers and make all innovative steps for fulfilling their needs.

Exhibit: Stages in developing relationship with customers in customer life cycle
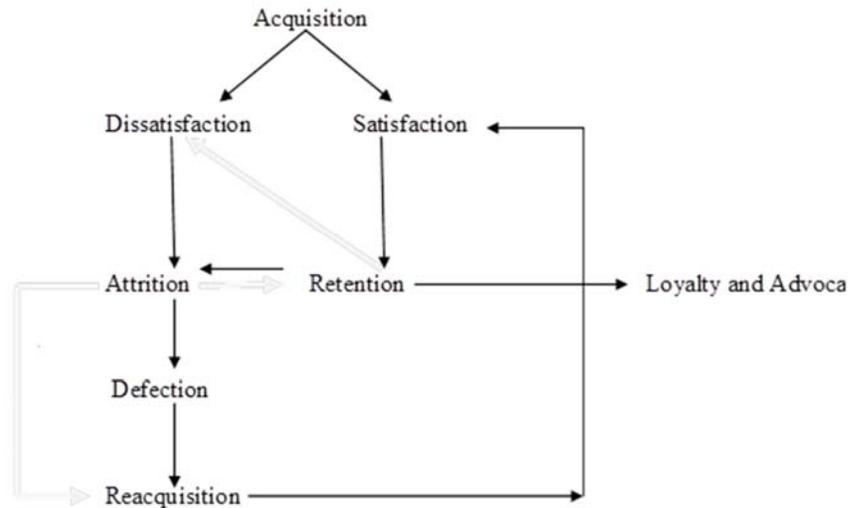
Acquisition is a stage in which customers are acquired for an airline's business. Customers so acquired would reach a state of either satisfaction or dissatisfaction. While satisfaction leads to retention, dissatisfaction leads to attrition. Satisfied customers who join the retention stage might proceed towards the loyalty stage or in the event of being dissatisfied, will join the attrition stage. Customers who join the retention stage. Those customers in the defection stage may be reacquired, by means of appropriate customer relationship management and marketing strategies designed and implemented for the purpose of reacquisition, to bring them back to the stage of satisfaction. Drucker (1954) said that an organization's ability to remain in business is a function of its competitiveness and its ability to win a customer from the competition as the customer is the foundation of the business and keeps it in existence.

Hence Customer Acquisition, Satisfaction, Retention, Loyalty and Advocacy have been taken into account for this particular study. If the airline have adopted the right CRM strategies for these four stages, the airlines can arrest the rest of the stages in the customer life cycle-dissatisfaction, attrition and defection-as seen in the above exhibit.

9. Conclusion

The overall customer perception level in this study shows that the Kingfisher airline passengers are delighted, and the Jet airways customers are satisfied a lot since their expectations are fulfilled. The expectations of the Air India passengers are far from being realized. Future research can also compare customer satisfaction, customer retention and

the attitude of the air line employees of full-service airlines with that of the budget airlines. In this competitive environment with eroding profit margins, the needs to reduce costs, and a means to acquire and retain the customers, are the prime drivers for the airlines. The airlines should hence, keep up healthy CRM and marketing practices to stay ahead in the race for a place in the sky.

10. Appendix

Table 1: Airline Management's Perception based on CRM practices

Mean scores of the CRM strategies	Air India	Jet Airways	Kingfisher
Customer Acquisition Strategy	3.45	3.91	3.73
Customer Satisfaction Strategy	3.50	4.21	3.79
Customer Retention Strategy	3.50	2.33	3.33
Customer Loyalty Strategy	4.00	5.00	3.00

Source: primary data

Table 2: Mean values of Expectation Scores of the Most Frequented Airlines

Airlines	Mean	S.D	No.
Air India	81.65	3.72	111
Jet Airways	82.48	3.20	111
Kingfisher	82.73	2.99	111
Total	82.29	3.34	333

Source: primary data

Table 3: ANOVA (Expectations Score)

Source of variation	Sum of Squares	df	Mean Square	F	Sign.
Between Groups	71.015	2	35.508	3.229	*
Within groups	3628.883	330	10.997		
Total	3699.898	332			

Table - 4: ANOVA –Expectations (Selected Airlines – Monthly income)

Source of variation	Sum of Squares	df	Mean Square	F	Sig.
Selected Airlines	68.885	2	34.442	3.207	*
Monthly Income	127.314	4	31.829	2.963	*
Residual	3501.568	326	10.741		
Total	3699.898	332	11.144		

Table 5: ANOVA –Perceptions (Selected Airlines – Monthly income)

Source of variation	Sum of Squares	df	Mean Square	F	Sig.
Selected Airlines	6893.330	2	3446.665	256.380	**
Monthly Income	273.112	4	68.278	5.079	**
Residual	4382.600	326	13.444		
Total	11679.081	332	35.178		

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