

Customer Experience Management in Airline Industry



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The current study discusses the impact of different factors on consumer experience in airline industry. A survey was conducted on the sample of 164 respondents who were frequent flyers across Maharashtra. Initially secondary data was collected through journals and reports of airlines industry. The primary data was collected through a structured questionnaire. The data was analysed using SPSS statistical software. In the first stage, exploratory factor analysis was carried out while in the second stage, linear regression analysis was done. The original contribution to the research is customer advocacy and loyalty leading to customer retention

Keywords: Customer Experience, Airlines Industry, Customer Advocacy, Customer Retention

1. Introduction

Due to changing lifestyles and priorities, People around the globe are very much inclined towards travelling nowadays. They are open to explore and experience new ideas and new places. This has given a great push to Global air travels with an increase in destinations and routes. Airline industry is going through a dynamic shift facing multiple challenges of reducing costs, attracting and maintaining demand as well as keeping up with quality standards (Baker, 2013). This has also elevated the customer perception and expectation of service quality. As volume is increasing, air fares are considerably decreasing facilitated by introduction of economy / no frills airlines. Intense competition and thus more alternatives for customer is something which is an effort to meet increasing demands and differentiate in various markets.

Positive customer experience can be one of the deciding factors on the loyalty quotient of the customers for a particular airline. As per the report of IATA “Customers who had a positive customer service experience were 16 percent more likely to remain loyal in the coming year than those who had not contacted customer service. Conversely, those who had a negative customer service experience were 24 percent less likely to remain loyal during the coming year than those who had not contacted customer service.”

Literature on customer experience is mostly available in practitioner-oriented journals or management books (e.g., Berry, Carbone, and Haeckel 2002; Meyer and Schwager 2007; Shaw and Ivens 2005). As per MIT report “Today, the global airline industry consists of over 2000 airlines operating more than 23,000 aircraft, providing service to over 3700 airports. In 2006, the world’s airlines flew almost 28 million scheduled flight departures and carried over 2 billion passengers.

India has become the world’s fastest growing domestic travel market for the 22nd time in a row, recording a 26.6 per cent year-on-year growth in January 2017, according to the IATA. According to CAPA, domestic air traffic is expected to grow 25 per cent and cross 130 million in financial year 2017-18. In the past decade, there has been a substantial investment by airlines to put aside their traditional systems and move toward a transformation strategy. Some airlines realized substantial benefits by making investments in real-time data warehousing and analytical solutions. Airports across the globe are planning on increasing their spending on new technology to keep up with surging passenger traffic, which is expected to double to 370 million by 2020. Fliers would soon be able to use biometric details for security checks at airports after good feedback from a pilot project. (Source: Airports Authority of India).

This article attempts to explore the impact of various factors like Brand, Price and quality of services on customer experience in airline industry. This study also discusses and evaluate the relationship of different variables with customer loyalty and advocacy.

2. Review of Literature

Customers’ brand perceptions may influence their customer experience. Recent research has begun to investigate new aspects of this relationship. Specifically, Fitzsimons, Chartr and, and Fitzsimons (2008) found that the type of brand and consumers’ perceptions of the brand can influence their behaviour. Good brand image provides competence advantage to company for better positioning and market share. This justifies the customer beliefs, personal association and user experience while travelling by a certain Airline and feel connected and comfortable (Veloutsou, 2015; Lin and Lu, 2010). Favourable brand Image results in emotional trust which enables the customer to accept higher price (Kalyanaram and Little, 1994).

The change from traditional way of attending customers with focus of minimizing costs by outsourcing non-core services, new arrangements of employee and innovative distribution channels are indicating structural changes in Airline Industry (John C. Driver ,1999).Previous studies highlight the benchmarking quality of Mega carriers through customized meals, in flight entertainment, updated and high end aircrafts , frequent flyer programs etc to name a few (Zaid,1994; Sultan and Simpson, 2000; Wirtz and Johnston, 2003). Attracting new customer is challenging and costly affair in globalized economy and firms started to introduce enticing offers spending a lot of money. (Goyles and Gokey, 2005). Customer retention

became more important thus shifting the focus from customer attraction. Customer loyalty is being discussed as outcome of customer satisfaction and repurchase behaviour of customers are tracked to monitor defecting customers in the long run (Andreas H Zins, 2001).

(RF Kamarudin, MAH Berhad, 2014) discussed in their paper titled Managing customer expectation for passenger service at airport about the conceptual model of managing customer expectation of the airport experience from the passengers' perspective. (M Arif, A Gupta, A Williams - Journal of Air Transport Management, 2013) analyzed and studied the tools used by aviation industry in particular three airports namely Abu Dhabi International airport, Dubai International Airport and Sharjah International Airport of the country and various government agencies to increase the customer satisfaction level. In regard to criteria for exceeding international expectations about airport facilities, reaching and sustaining customer expectations and customer loyalty.

Quality can be defined as as "ability of a set of inherit characteristics of product, system, or process to fulfil requirements of customers and the other interested parties" as stated by The Draft International Standard, ISO/DIS 9000:2000. Whereas (Parasuraman et al, 1998) debate that service quality is measured as outcome of customers' assessment between their expectation of the service and their opinion after using the service. Parasuraman et al. (1988) and Zeithaml et al. (1996) have mentioned about perceived service quality and behaviour intention relationship in their study which was further supported by Dabholkar (1996) highlighting better service perception and higher probability of endorsing the product or service.

Customer loyalty can be examined at two different levels as per the marketing literature. The first level discusses about the overall involvement of the customer with service/product brand whereas second level talks about his predisposition towards the brand which can be seen in his behaviour of re purchasing, referring or following as developing a relation (Jacoby and Kyner, 1973). Many researchers have identified different factors affecting customer loyalty as it is a foundation of competitive advantage and an important advantage to any organisation (Cossío-Silva et al., 2016).

Customer satisfaction can be enhanced by providing quality service and implementing successful branding strategy which develops an emotional bond between customers and airline companies. This triggers high retention rate and also influence customer's willingness to pay higher price for quality services. (Hongwei Jiang a Yahua Zhang, 2016)

It seems there is more research pertaining to negative feedback or customer complaints but insignificant efforts for customer advocacy (Gour C. Saha, Theingi, 2009) there seems to be gap in research studies related to customer advocacy for experience shared specially in Indian subcontinent. Few studies make effort in few south Asian countries like Malaysia, China UAE, Taiwan etc but focus was largely on service quality and customer satisfaction. An attempt is made by this study to understand the outcome of satisfaction in terms of Customer retention and customer advocacy.

3. Research Methodology

A survey was conducted on the sample of 164 respondents who were frequent flyers across Maharashtra. Initially secondary data was collected through journals and reports of airlines industry. The primary data was collected through a structured questionnaire. The questionnaire had a 5 point Likert scale to capture the responses where 5 = strongly agree and 1 = strongly disagree. Non probability method of sampling ie convenience sampling was done to capture the respondents depending on their availability. The total sample size was 200 respondents out of which valid sample was 164. The respondents were business and leisure frequent flyers who travel by domestic and international airlines in Maharashtra, India. The data was analysed in two stages using SPSS statistical software. In the first stage, exploratory factor analysis was carried out while in the second stage, linear regression analysis was done.

Hypothesis

H1: Trust, price and service positively impact consumer loyalty

H2: Trust, price and service positively impact consumer advocacy.

Data Analysis

Results of Factor Analysis

Table 1 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.822
Bartlett's Test of Sphericity	Approx. Chi-Square	3726.384
	df	231
	Sig.	.000

Inference

The results of KMO test of 0.822 show the adequacy of data for carrying out factor analysis (Table 1). Results of factor analysis (Table 2) has identified six important factors that communicate consumer experience. These are brand factors, services, loyalty, pricing, loyalty points and consumer engagement. These six factors become the predominant factors in contribution to consumer experience.

Table 2 Pattern Matrix^a

	Component					
	1	2	3	4	5	6
Trust	.895					
Advocacy	.807					
Overall Satisfaction	.781					
Repeat_Travel_Same_Airline	.760					
Comfort	.747					
Safety						
Service Satisfaction						
Value_for_Money		.967				
Dynamic_Pricing		.783				
Confidence						
Offers			.746			
Brand_Loyalty			.711			
Reviews						
Pickup_Drop_Service				.884		
Unique Services				.848		
Ambience						
Need_Based						
Customer_Engagement					.958	
Past_Experience						
Timely_Info						
Loyalty_Points						.760
On_Time						
Extraction Method: Principal Component Analysis. Rotation Method: Promax with Kaiser Normalization. ^a						
a. Rotation converged in 9 iterations.						

Hypothesis 1

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.454 ^a	.206	.197	.820
a. Predictors: (Constant), Unique_Services, Trust, Dynamic_Pricing				

Table 4 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	2.032	.292		6.967	.000
	Trust	.419	.060	.393	6.969	.000
	Dynamic_Pricing	-.149	.049	-.180	-3.032	.003
	Unique_Services	.139	.040	.205	3.448	.001
a. Dependent Variable: Brand_Loyalty						

Inference

From table 3 and table 4 it is indicated that trust and unique services have a positive relationship with brand loyalty whereas dynamic pricing has a negative relation with brand loyalty.

Hypothesis 2

Table 5 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.652 ^a	.426	.419	.663

a. Predictors: (Constant), Unique_Services, Trust, Dynamic_Pricing

Table 6 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.048	.236		4.440	.000
	Trust	.589	.049	.580	12.107	.000
	Dynamic_Pricing	.185	.040	.234	4.642	.000
	Unique_Services	-.020	.033	-.031	-6.12	.541

a. Dependent Variable: Advocacy

Inference

From Table 5 and Table 6, it is clear that trust and dynamic pricing have a positive relationship with advocacy whereas unique services have a negative relationship with advocacy.

4. Limitations of Study

1. The study is limited to Maharashtra in Indian subcontinent. Research in other geographical landscapes in India might generate different perspective.
2. The focus of study is limited to brand, price and service quality. Addition of moderating and mediating factors like marketing communication and government regulations also influence the customer outcome.
3. The sample size is limited to 200 customers wherein valid responses were 164. Bigger and varied sample might influence the findings.

5. Conclusion

From the study, it can be concluded that in the airlines consumer experience is very important. From all the statistical analysis, it is shown that trust in the brand is the most important factor in consumer experience and it has a positive relationship with loyalty and advocacy. However certain factors such as dynamic pricing can have a negative effect on loyalty and unique services can have a negative effect on advocacy. However, the conclusion is limited to the data collected by the researchers and cannot be generalized. Hence, airlines industry should focus on the factors identified in factor analysis to enhance consumer experience. These are brand factors, services, loyalty, pricing, loyalty points and consumer engagement.

6. Managerial Implications

The study is an important step in the airlines industry in India to understand advocacy, loyalty and retention. Advocacy and loyalty lead to retention. With rising competition in the Indian airlines market, sustainability and survival strategy has gained tremendous importance. One of the survival strategy is enhanced customer experience leading to loyalty and advocacy which will result in customer retention. Firms can build on best practises for generating customer advocacies and customer retention for long term sustainability. The important factors highlighted in the study are brand, price and service quality. The airlines companies need to enhance their brand image, provide value for money offers and enhance customer experience through service quality.

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