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## A STUDY OF CRM PRACTICES IN AIRLINE INDUSTRY

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### ABSTRACT

The tradition transaction approaches of marketing have become insufficient to achieve the marketing goals. Hence it leads to the relationship management approach to the marketing. The new approach to marketing holds that people do not buy things but buy solutions to problems and that to succeed, firms need unique insights into customers and their problems. When the things are viewed in this manner, 'relationships' with customers become the key to attracting and holding them. Airline sectors in India have adopted various CRM practices in order to compete with national as well as International competitive practices..A successful Airline will be one that makes the most of existing customer data, that targets those customers with the right kind of buying opportunity at the right time, that services those customers well, and that rewards them in some (extra) way for doing business with the company, maybe through loyalty programs, discount vouchers or gift certificates. This paper examines various CRM practices and its impact on marketing operations.

**(Key words: Marketing goals, Relationship management, Loyalty)**

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### 1.INTRODUCTION

It is now an established fact that building closer relationship with customers resulted in better returns to companies through the following means -

- Increased use of company service by loyal customers.
- Charging of price premiums for customized services.
- Referrals by satisfied customers that brought new customers.

It is more specific in service industry specially Airlines where customer retention is a tough task. Frequent shifting of customers to rival Airlines is a normal phenomenon. Therefore Airlines constantly endeavor for customer relationship through various CRM practices.

*Berry* accords that CRM stresses on attracting new customers but it should be viewed only an intermediate step in the marketing process. Developing relationship with these customers and turning them into loyal ones are equally important aspects of marketing". Customer Relationship Management can be defined as a business model that has, as its principal goal, the identification, anticipation and understanding of the needs of potential and current customers, to increase retention, growth and profitability.

CRM had its origins in two unrelated places. One was in the U.S. where it was driven by technology. Under the direction of marketers, information technology and statistical algorithms were developed to increase the efficiency and effectiveness of selling what a company makes. CRM systems such as call centers, web sites, customer service and support teams, and loyalty programs are used to manage the relationship with customers. The second place CRM developed was in B2B (business to business) marketing in Scandinavia and Northern Europe. The IMP (Industrial Marketing and Purchasing) Group has been instrumental in developing our understanding about the nature and effects of building long-term, trust-based relationships with customers. These are typically managed by marketing and sales. They may be based as much on the structural ties between companies as they are on personal relationships among managers. Here, the emphasis is on understanding customer needs and then solving problems or delivering benefits that create demonstrable customer value. While information technology is important in this style of CRM, it is designed to support, rather than drive the customer relationship. The types of relationship that develop here are often deep and meaningful—both for the companies and the people involved.

CRM differs from traditional direct marketing in that it usually involves customer contact over a variety of contact media

The key CRM missions are to increase:-

- (1) Operational and marketing efficiency,
- (2) Customer loyalty,
- (3) Customer retention,
- (4) Customer satisfaction and
- (5) Long-term profitability.

## **2.OBJECTIVES:**

**The objectives of the present Research is**

**\*To study the CRM practices being done by the Airlines**

**\*To know the impact of CRM on the flier's value**

**\*To know the impact of CRM on the marketing success of Airlines**

**\*To find the impact of CRM on the Brand Equity in Airlines**

### **3. RESEARCH METHODOLOGY & SCOPE**

This study is based on secondary data, analysis of relevant data of present Airlines of customer relationship and literature reviews. Since the data are studied from the available secondary data as such conclusions are based on these data. Reliability is directly proportionate to these data.

### **4. REVIEW OF LITERATURE & DATA ANALYSIS:**

David M. Bjellos (Multi cultural CRM): "Airlines must adopt culture-specific training if they are to capitalize on the strengths of crewmembers of all nationalities"

If airlines globally expect to reach safety parity, they must fully commit to airline- and culture-specific EM-CRM training as a primary tool in overcoming cultural resistance at both national and company levels. For aviators and trainers, an opportunity exists to learn from the new idiom and a new ethos, and to integrate fresh thinking into problem solving. This CRM approach will capitalize on the strengths of each participant. As with all highly technical pursuits, that most complex of components — the human — remains both our problem and our solution.

Li, C.; Harris, D.; Yu, C. "Routes to Failure: Analysis of 41 Civil Aviation Accidents From the Republic of China Using the Human Factors Analysis and Classification System." Accident Analysis and Prevention. 2008.

Juliet Namukasa, (2013) "The influence of airline service quality on passenger satisfaction and loyalty: The case of Uganda airline industry", The TQM Journal, Vol. 25 Iss: 5, pp.520 – 532 has found that the service quality is a key to the passenger satisfaction. It applies both on board as well as other services.

Findings indicated that the quality of pre-flight, in-flight and post-flight services had a statistically significant effect on passenger satisfaction. In addition to that, passenger satisfaction as a mediating variable also had a significant effect on passenger loyalty. It was noted that passenger satisfaction differed from person to person as some were more interested in off board facilities, others onboard, others in the quality of food while others wanted more extra luggage.

*Originality/value* – It was recommended that airline management should consider developing various strategies for improving service quality based on demographic characteristics of the customers such as occupation, age, gender and education level.

The trajectory of the global airline industry is pretty much like that of an aircraft. At times it takes off for the high skies and at times, it dips to ground levels. In between these highs and lows, lies the story of the industry – of its survival, of the new and emerging trends that fuel its

growth. What are the 5 trends that are driving and will continue to drive the airlines story in the future?

## **5.ANALYSIS**

### **AIRLINES WILL NEED TO BUILD 'SOCIAL' PACE TO CREATE BRAND EQUITY**

A number of leading global airlines have taken off on their 'social' flight and some are indulging in novel ways to engage with customers to build lasting relationships with them. Yes, it does mean stepping out of the corporate comfort zone and engaging real-time with the customer, but that's a feat airlines will have to achieve if they want to enhance brand equity and get a mind share of today's customer.

While some airlines have taken a lead in engaging with customers on social media and social media management, others are still wetting their feet. Among the recent innovative airline social media campaigns and initiatives are Virgin Atlantic's (VA) 'Looking for Linda', an interactive contest that got customers hooked with its unique concept; KLM's 'Meet & Seat' service where fliers can select seats alongside fellow passengers based on mutual interests in their social media profiles; and British Airways' Face-book application called 'Perfect Days' that encourages travelers to share a travel wish list and itinerary via a Face-book.

As social media takes precedence in the overall customer relationship management pie, airlines will need to look at building a large and robust resource pool that can respond to customer queries, complaints, posts and tweets round the clock.

As studies indicate, today the volume of social media communication for some of the world's leading airlines, ranges between 15,000 – 200,000 tweets and between 60,000 – 1,000,000 Face-book fans, but in the near future, the numbers will increase phenomenally. And as BBC presenter NikGowing observes in his study, 'Skyful of Lies and Black Swans', there is still a long way to go before airlines can actually become competent in the social media management.

It will thus, make strategic sense for airlines to partner with providers that can provide them with a readymade resource pool of social media experts and technology platforms that help enhance brand equity on social media.

**ONLINE AND OFFLINE CUSTOMERS MANEUVERING** -The online medium – the Internet, represented by online travel agencies and Websites in the airline business, is today a powerful revenue generator for airlines. As indicated by market research data, almost 75 percent of air tickets today are bought online. e-Commerce and automation of business processes such as web check-in have largely enhanced the convenience of air travel. Added to that is the increasing popularity of the smart phone, which is expected to play an active role in customer relationship management and revenue generation in the time to come.

No matter how strong the online channel becomes, the offline channel or the airline customer service contact center will still continue to be a critical touch point between the airlines and its

passengers, thanks to the 'personal' touch it brings. For many service-related complaints and challenges, passengers still prefer to 'speak' with a customer service agent. In many instances, customers often drop off from making an online purchase of air tickets or travel packages because of technical errors, slow Website speed, or during the billing process using debit / credit cards. Such customers can be retained by the intelligent convergence of the online and offline channels, either by the smart placement of the customer service contact center number or by activating a click-to-call feature either on the airlines' Website or on the travel agencies' Websites. Where the online channel fails, the offline channel – the customer service contact center can take over smoothly to solve customer queries or problems.

### **AN 'ALTIMETER' FOR THE AIRLINE BUSINESS**

With the proliferation of channels, the data generated in each channel is multiplying by the minute. This huge pile of data is a gold mine that contains very crucial information on passenger profiles, choices and preferences that can be leveraged by airlines to develop product offerings, strike away product / service offerings that do not appeal to customers, monitor challenges faced by customers and provide customized solutions, predict customer needs and preferences by the analysis of historical data and effectively cross- and / or up-sell additional products or services.

All this and much more in terms of sales, marketing and customer service can be achieved with the help of analytics. With its ability to extract crucial information from a huge pile of data that helps businesses make sound business decisions, analytics is emerging as a strategic enabler for the airlines business. For the airline industry analytics assumes importance in the form of social media analytics, contact center and speech analytics and revenue model analytics (particularly in the proration process).

An altimeter measures the height of an aircraft above sea level – a crucial piece of information for the aircraft to remain aloft. Analytics equips the airlines business with crucial insights, in that sense, analytics is emerging as an 'altimeter' that will help the airline business stay aloft.

### **REVENUE GENERATION**

Inadvertently rising fuel prices, dull economic conditions and increasing competition are realities that are biting into the revenue generating potential of the global airlines business today. Airline companies are thus exploring newer ways of changing the course in revenue generation. Some of these strategies include tapping alternate revenue generating streams such as selling ancillary products and services across the value chain or stopping revenue leakage via the total revenue integrity route.

The ancillary route is an important revenue generator for airlines today. According to a PwC report, the top five U.S. carriers generated more than US\$ 12 billion in ancillary revenue during 2011. Services that are emerging as hot favorites in the ancillary services menu include paying for checked baggage, booking a preferred seat and wi-fi connectivity. Most airlines are faced with the problem of revenue leakage at various levels of the business and are now actively

looking at reining in this challenge by initiating a total revenue integrity program. Airlines must look at total revenue integrity program that cuts across multiple processes including ticketing processes, e-ticketing, and departure control and customer relationship management.

### **THE REGULATORY AND STANDARDIZATION ROUTE**

Regulations and directives on standardization will continue to dominate the airline business environment now and in the future. Most of these regulations are related to finance and accounting, environment and consumer rights. For instance, while airlines in the European Union are penalized for emissions above the limit specified by regulatory authorities, American airlines are adapting to the new pricing rules set by the U.S. Department of Transportation, wherein airline companies will have to include all taxes and fees while advertising fares for their flights.

While regulation envisages increased safety of passengers and improved sustainability of the business, compliance adds to the total cost of operations. It is a cost that airlines must bear on their own - without passing on to passengers. Since new regulations are a given for the global airlines industry, airlines must engage in a compliance program that can optimize business processes and transform operations.

In a bid to ease the effect on various environmental factors on the revenue of the global airlines, the International Air Transport Association (IATA) has introduced a directive – the Simplified Interline Settlement (SIS) that aims to standardize and speed up the interline billing and settlement in the industry. Here again, as airlines take the plunge towards standardization of the interline billing and settlement process; they will need to carefully look for a partner and a program that will be cost-effective and help process optimization.

### **INDUSTRY TRENDSETTER**

WNS is the world's largest travel BPM Company, with a legacy of having started out as a captive for British Airways. Today, WNS is a BPM partner for some of the leading global airlines across the globe. WNS provides the airlines industry with the latest, top-notch solutions to create opportunities from challenges. Whatever the business trend, WNS has a solution for your business.

### **SOCIAL MEDIA MANAGEMENT AND SOCIAL CUSTOMER SERVICE**

The WNS Sales Center of Excellence (CoE) that integrates the online and offline channels and adopts a 'sales through service' model to cross-sell and up-sell relevant services based on customer data. An end-to-end Analytics Solutions suite (including our award-winning analytics framework WADE<sup>SM</sup>) that leverages a huge team of domain experts and expertise in social media analytics, contact center and speech analytics and revenue model analytics that help you take informed decisions. Proprietary and industry-leading platforms such as Verifare®, Jade® and SmartPro that help enhance revenue generation for airlines

Process re-engineering techniques and a team of domain specialists that help airlines comply with industry regulations and standardization directives

To create successful customer-centric organisations, CIOs and even CEOs are asked to repeat this mantra: “CRM is a business initiative and is not about technology.” CRM is a management strategy that enables an organisation to become customer-focussed and develop stronger relationships with its clientele. It helps piece together information about customers, sales, marketing effectiveness, responsiveness and market trends. Technology can play a significant role in CRM being an enabler, but thinking about CRM solely in technological terms is wrong. It is not about solving a technology problem, it is a process that aligns your business around your customers’ needs. Software is only one component of this process.

### **BRAND SWITCHING**

Because of immense competition in today’s business market, the organizations are struggling to apply different marketing strategies and programs to gain more market share and acquire more customers on one hand, and to make them satisfied and loyal to their company, on the other hand. Therefore they can ensure long lasting relationship with their customers and create barriers in front of customer’s brand switch. Application of CRM as continuous marketing program has gained great importance recently. Through application of CRM organizations gain knowledge regarding their customers and transmit this knowledge to company offer to fulfill the needs of customers and satisfy them. Airlines’ effort to provide better loyalty programs and customization of service, besides making relationship with them can help to create customer satisfaction as prerequisite of loyalty.

Mr Hongwei Jiang , Application of e-CRM to the Airline Industry, RMIT University , Victoria, 3001, Australia opines that “The need to attract, acquire, leverage, and retain customers is still of primary concern to most businesses. Revenue growth through customer acquisition and retention remains a major requirement for competing successfully. Several studies document that the average company loses half its customers every 5 years and that it costs five to ten times as much to obtain a new customer as to keep an existing one (Kalakota et al, 2001).

### **CUSTOMER POWER**

Over the last few years numerous airlines have felt the chilling effects of increased 'customer power', as greater customer choice and lower barriers to defection have turned keeping customers into a battle that must be fought anew each day. Customer relationships are the key to airline business growth. Airlines must take absolute responsibility for a customer's satisfaction throughout the "want-it-buy-it-and-use-it" experience. This requires learning and tracking customers' needs, behaviors, and lifestyles and using this information to create a specific value proposition. This strategy is the path to consumer loyalty”.

### **CUSTOMERS DEMANDS**

Within turbulent, highly competitive marketplace, airlines are finding it increasingly important to respond both quickly and effectively to changing patterns of customer demand. Who are airlines' customers and what are their needs and aspirations? If airlines don't know the profitability by

customer, how can airlines be sure airlines are serving their best customers and applying their value to all business decision? If airlines had the means to do both, profits would soar. Not only would airlines become more efficient, the shareholders would see an investment in their only real source of revenue, the customer, and the meaningful profits that result. With so few new revenue opportunities, do airlines need more aircraft? Or instead should airlines consider a customer relationship management program that uncovers and maintains shareholder value. Airlines need to know and understand those customers who contribute the most to their bottom line.

### **PROFIT MARGINS**

Airlines in today's global marketplace are faced with increased competition and shirking profit margins. The challenge is sustaining and creating profits in the face of heavier competition and product homogenization. The opportunities are in managing customer relationships, controlling costs and applying customer profitability to the entire business.

As compared to earlier loyalty programs which used to offer reward miles on air travel alone, contemporary programs reward buying behavior at retail outlets, financial firms and brokerages and through credit cards as well.

These firms purchase reward miles from airlines at a certain price, thus offering them revenue and free mass marketing while the customers get an attractive incentive to spend.

This means that miles are earned mostly outside the airline, and incentivize frequent buyers rather than frequent fliers.

### **LOYALTY PROGRAMS**

Nevertheless, airlines love their loyalty programs due to their high cash generation ability which can be gauged from the following facts:

- American, Delta and United's FFPs each generate more than \$1 billion annually.
- Qantas reported more than \$1.1 billion in partner payments for 1 year ending June 2011.
- In 2002, when United filed for bankruptcy, the only part of its operations that was making money was its FFP.
- In December 2011, Air Canada's Frequent flier program Aero-plane announced that it will pay Air Canada Can\$70 million (\$60 million) ahead of schedule for reward tickets issued to help ease a cash crunch at Canada's biggest airline.

However, these developments have led to a shift in focus from "customer satisfaction" to "revenue optimization", turning FFPs into profit centers

### **5.CONCLUSION& SUGGESTIONS**

Ultimate objective of any CRM initiative, as for any other marketing exercise is a positive impact to the bottom line. However, CRM is different because it is a market pull strategy – ie. it identifies expressed consumer needs and acts on them, whereas generic marketing is a service push approach which tries to convince consumers about the need for a particular service.

Frequent flier programs are, by a subtle contrast, largely push based as suggested by the following definition: “Loyalty programs are structured marketing efforts that reward, and therefore encourage, loyal buying behavior – which is potentially beneficial to the firm.” However, FFPs have always promoted the CRM cause by essentially allowing airlines to access a minefield of valuable data about the customer’s travel patterns and behavior which is happily shared in lieu of reward miles and other fringe benefits. Therefore, they have retained their position as the staple CRM initiative for most brands. Frequent flier programs: Long term loyalty, or short term cash? Over a course of time, the utility of FFPs for airlines has increased exponentially, albeit in different ways. From a weapon in the marketing arsenal which required investment, they are now being operated as independent profit centers.

While the importance of Frequent Flier Programs for an Airline cannot be undermined, it is equally necessary to recognize the need for alternative measures to measure and maximize the value of each customer to the organization. Such an exercise enables effective resource utilization in service of the most valuable customers. Additionally, it also provides indicators which can be used to enhance customer satisfaction.

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