FREQUENT FLYER PROGRAMMES OF AVIATION COMPANIES

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The thesis „Frequent flyer programmes of aviation companies" deals with the importance of building deeper, long term relationship with customerswho are rewarded through loyalty programs for their faithfulness and loyalty. Based on the knowledge of handling relationship marketing aimed at establishing and maintaining relationship with customers, then customer relationship management (CRM) as an important tool that allows you to know them better or communicate with them. The thesis was to describe the benefits of building relatioship through loyalty programs of airlines. Our research shows that passengers on the basis of age, and membership in frequent flyer programs perceive these programs as the strategy of building long term relationship with customer and also expresses satisfaction with the functioning of these loyalty programs.

K e y w o r d s: relationship marketing, loyalty program, strategy, building relationship

1 INTRODUCTION

Nowadays there are lot of airlines in the market that carry passengers around the world. Each airline is trying to attract as many customers with offers, discounts, benefits and loyalty programs where passengers earn miles after each flight. If a passenger flies several times a year or periodically, should inform the airline about the advantages of using and earning miles. Airlines worlwide are connected to the three global alliances and passenger miles can be applied not only in the airline but also in partner airlines, which are in the same alliance. Loyalty programs are individual and each carrier may have different terms and benefits. Obviously, more miles bring more benefits and bigger discounts. Low cost airlines generally do not have frequent flyer programs. Loyalty programs are marketing tension for rewarding loyal and faithful customers. In this work we will also address building relationships with customers, modern marketing and customer relationship management.

2 GLOBAL ALLIANCES

Airline alliances are one of the largest and recently very popular forms of cooperation towards the distribution of air transport services between multiple airlines. The principle od global alliances consists in a carrier interface, where each provides its services in a region or part of the world. Optimally they should compete as little as possible, but in practice it is totally different.

Current practice does not allow global equity and mergers of foreign capital and that´s why it was necessary to form global alliances. From an economic perspective, it is is very important to achieve the greatest benefit offered by global network.

Alliances negotiate conventions about common carriage of passengers per flight, which in practice means that a line can be marked by two or three codes. Thanks to this, passengers can get to a destination where the other airline usually doesn´t fly. These agreements are usually concluded between companies of one alliance. We know of three members of major global alliances, Star Alliance, SkyTeam and Oneworld.

Star Alliance is currently the largest airline alliance. Founded in 1997 as the oldest one in the principle of cooperation between airlines. Its symbol is five airlines which founded this alliance. They were Air Canda, Lufthasnsa, Scandinavian Airlines System, Thai Airways and United Airlines.

It currently has 27 members and they are Adria Airways, Aegean Airlines, Air Canada, Air China, Air New Zealand, All Nippon Airways, Asiana, Blue1, bmi, Brussels Airlines, Croatia Airlines, EgyptAir, Ethiopian Airlines, Lufthansa, Polskie Linie Lotnicze, SAS, Shanghai Airlines, Singapore Airlines, South African Airways, Spainair, Swiss International Air Lines, TAM Airlines, TAP Portugal, Thai Airways International, Turkish Airlines, United Airlines and US Airways.

SkyTeam began on 22nd June 2000. Its founding members are Air France, Delta Air Lines, Aeromexico and Korean Air. It is the second largest alliance in the world. In September of that year they established air cargo carriers named

SkyTeam Cargo. SkyTeam flies to 169 countries, in more than 900 places and there are more than 13 000 flights daily. On certain routes codesharing exists between members of the alliance. Alliance members accept their loyalty programs and travelers who use the services of one company can gain points in other loyalty program.

The head of SkyTeam is the international airport in Amsterdam, which is known as the most important airport in Europe. Annually the alliance transports nearly 385 milion passengers and has almost 148 milion members of frequent flyer program. SkyTeam employs more than 313 000 employees.

I currently has 13 members and they are Aeroflot, Aeromexico, Air Europa, Air France, China Southern Airlines, Czech Airlines, Delta Air Lines, Kenya Airways, KLM Royal Dutch Airlines, Korean Air, Vietnam Airlines, TAROM and Alitalia. These airlines have major basis on 30 countries. Five new members should join the alliance in near future, They are Aerolineas Argentinas, Garuda Indonesia, Middle East Airlines, Saudi Arabian and Xiamen Airlines. SkyTeam Cargo has 9 members and they are Aeromexico Cargo, Air France Cargo, Alitalia Cargo, China Southern Cargo, Czech Airlines Cargo, NWA Cargo, KLM Cargo and Korean Cargo.

Oneworld Alliance was founded in 1999 with headquaters in New York, USA. It was established by American Airlines, British Airways, Canadian Airlines, Cathay Pacific and Qantas. Alliance flies to 870 destinations in 146 countries. It operates 9300 flight daily and trasports more than 335 milion passengers.

Oneworld alliance was chosen as the best airline alliance in 2002, 2004 and 2005 and was awarded by the Business Traveller. It has the highest rating and defeated two competing alliances. Oneworld has 11 members and they are American Airlines, British Airlines, Finnair, Iberia, Japan Airlines, LAN, Mexicana, Qantas, Royal Jordanian Airlines and S7. Future members include Kingfisher Airlines, British Airways and Malaysia Airlines.

3 FREQUENT FLYER PROGRAMMES OF AVIATION COMPANIES

Relationship marketing and CRM system is a realization of the idea of creating relationships with customers through loyalty programs. Loyalty programs allows to develop long term relationships with customers and thanks to rewarding for their faithfulness and loyalty. Loyalty programs offer a variety of benefits. And the customer has the feeling of being in a position in business relationship where he gets a variety of benefits in the form of discounts.

Many companies wants to increase their profit with effective manner. Loyalty program is one of the marketing tool. But not every loyalty program is a guarantee of the objective fulfillness, but it may become a significant cost item in the company. The main features of loyalty programs are of long duration, committed and better benefits. Loyalty programs are linked to personal data and therefore they are very asked for marketing purposes. Services of loyalty programs are most beneficial for both sides. They have many advantages. A successful loyalty program should not require the initial investment for the client.

Access to the client should be a partnership and of course should be rewarded by benefits. Many airlines offers frequent flyer programs. Registered customers accumulate miles which corresponds to the distance flown by the airline. There are also other ways to collect miles. In recent years customers could collect miles by using the credit of debet cards. Accumulated miles can be used for an air transport, other services and gifts, even greater benefits as travel class changes, prior reservation etc.

The most common was of gaining points was to fly with the airlines. Most programs reward passengers with number of points based on distance flown. Most airlines in Europe grant a fixed number of points for domestic flights regardless of distance. With the introduction of global alliances, frequent flyer programs are often distributed as to be beneficial for use within partner companies.

All points in frequent flyer program expire after a time, accounts are usually active only for two or three years, or terminated if the account is

inactove for some time. Many programs allows you to earn points not only for flying but also for the use of partner companies. It includes for example stays in hotels, car rental or purchase on certain shopping centers and stores. Many frequent flyer programs identify travelers who fly more than a few times a year by giving them different levels, which means that it gives them a different number of advantages. The levels are different and the benefits may include access to business lounges and the first class lounges, seat reservation on the plane, priority on the waiting list, check in priority, baggage handling priority, boarding priority or travel class changes.

3.1 Research purpose

The research that I realized was to observe targets or customers how they evaluate frequent flyer programs of aviation companies as the right choice of building long term relationships with customers. We have set a target that relates to whether passengers are satisfied with loyalty programs, what exactly they use when they travel and if the loyalty programs should be improved.

Hypothesis: Before survey I chose my own hypothesis, how the people will respond in my opinion.

H1: We assume that there is a relationship between gender and perception of the loyalty programs as a long term strategy.

H2: We assume that a relationship exists between age groups and the perception of the loyalty program.

H3: We assume that customers are satisfied with the loyalty program and would not want it to change.

3.2 Survey

As a research method I chose a survey to assess the facts. Initially, respondents were familiarized with the survey. The survey was anonymous and respondents answered in electronic form. It was sent to respondents by email. The survey contained 10 questions, four questions had more answers and six questions had only yes no answers. The questions were designed to be understandable, simple and concise.

Survey had three kinds of questions:

- direct – questions were usedfor the classification of respondents into specific groups by age and gender
- general – people´s look at frequent flyer program and the reason for the use in air transport
- definite – a view which was to determine if passengers perceive frequent flyer program as a way of building lasting relationships with customers and if they are satisfied with the programs.

Before the survey I have set three age groups. From 18 years – 25 years, from 26 years – 40 years and from 41 years – 60 years. The reasons are:

- age group 18 – 25 years – in this group we have mostly students or workers who have specific demands for air transport
- age group 26 – 40 years – in this group we have working people, traveling by air mostly on business trips, because they need your comfort, convenience and fast check in in case of frequent travel
- age group 41 – 60 years – in this group we have retired or working people who use air travel for business trips

Survey were sent by electronic post concrete by email communication to be completed by more respondents. I chose this method mainly in terms of time and also because it was sent abroad. Air transport in Slovak Republic is not that augmented, that´s why I decided to send it abroad. 30 respondents answered my questions.

3.3 Characteristics of the survey object

The survey was aimed at people who use air travel more frequently. Data were collected between January 2012 and March 2012 and the total sample consisted of 30 respondents. Research respondents participated in male and female ratio in 43% of women and 57% of men.
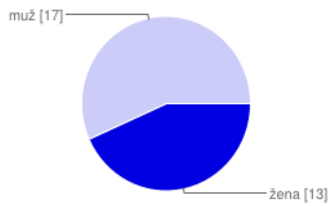
| men | 17 | 57% |
| women | 13 | 43% |

Chart 1. Representation of the percentage of men and women in the survey sample

As I mentioned earlier, the age structure was found in three age groups and the first from the age 18 – 25 years in the percentage of 10%, the second age group 26 – 40 years in the percentage of 83% and the third age group from age 41 to 60 years in the percentage of 7%.
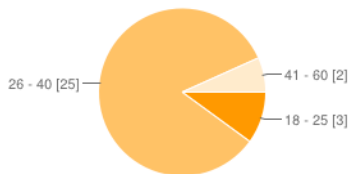
18-25	3	10%
26-40	25	83%
41-60	2	7%

Chart 2. Illustration of the composition and age groups in the survey sample

Of the 30 respondents I found that 4 respondents fly several times a month, and that is 13% , 11 respondents once a month, that is about 37%. 9 respondents fly once a quarter, which is 30%, every six months 6 respondents and that is 20%. Tha largest percentage of people traveling by air is from age 26 – 40 years, mainly due to the current trend. Recently more people use air transport because of work than vacation. Air travel saves time when moving, especially on business trip and travelers can get to more distant destination. The journey is not that tiring than journey by car, train or bus. In the age group 18 – 25 years we have only three respondents, these are mostly young students. At the age of 41 to 60 years we have only 2 respondents who use air transport.
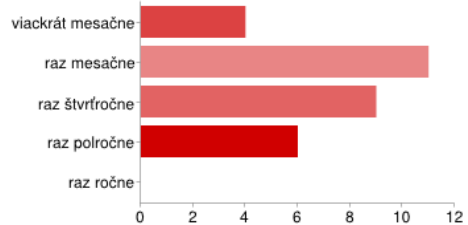

Chart 3. Illustration of the use of air tansport in terms of time

Work was focused on the frequent flyer program of aviation companies. From the data I found out that a high percentage od respondents fly more times a year and my next question in survey was whether they were members of frequent flyer programs.
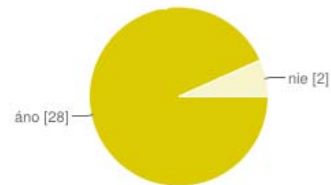

Chart 4. Illustration of the answer to the question: ,, Are you a member of the frequent flyer program?"

When I found that 93% of respondents are members of frequent flyer program I wanted to find out whether respondents are satisfied with those programs and if they would have change anything. As seen from the chart, 12 respondents are very satisfied , that is 40 The answer ,,rather satisfied" was chosen by 15 respondents, which is 50% and the remaining 3% of respondents said that they are average satisfied.
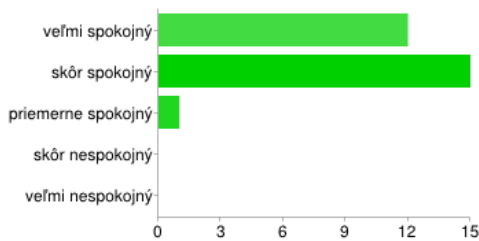
Chart 5. Illustration of satisfaction with membership in frequent flyer program

The data obtained show that passengers evaluate programs as a way of more effective long term strategy and prefer services such as discounts or products, mostly.
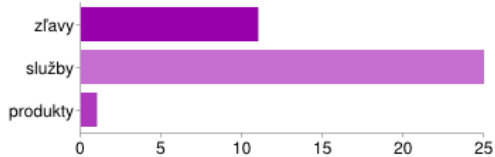

Chart 6. Illustration of the distribution of preferences offered the benefits of frequent flyer program

According to the findings based on data that air passengers are satisfied, so my next question was whether respondents would welcome the opportunity to use other benefits. From the 30 respondents appeared that 26 would not welcome any other benefits, they are satisfied with the programs, which is 87%.
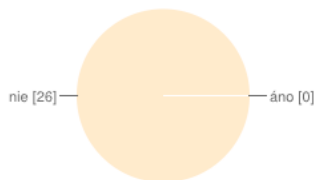

Chart 7. Illustration of interest in the use of another form of the frequent flyer program

3.4 Evaluation of the survey

Before our research I set out the hypotheses and I try to prove or disprove them.

H1: Frequent flyer program and its perception by travelers on the basis of gender.

The results showed a statistical relashionship between gender and perceptions of frequent flyer program as a strategy for building customer relationships. Hypothesis no.1 was confirmed. The survey showed that a men and women perceive a frequent flyer program as a way of acquiring a customer´s motivation.

H2: Frequent flyer program and perception based on age groups.

According to the survey the middle generation use frequent flyer programs, which is 83%. The survey showed that the age group most commonly use air transport in term of work and time. Air transport is more expensive and therefore I concluded that the younger generation mostly students use a cheaper form of transport. This is my hypothesis.

H3: Satisfaction with frequent flyer program and the perception of the benefits.

Hypothesis no. 3 was also confirmed. According to the survey, passengers are satisfied with frequent flyer programs. Up to 90% of passengers are satisfied. Due to the wide portfolio of concessions in the frequent flyer program travellers have always a choice.

4 SUMMARY

Frequent flyer programs are structured marketing efforts that reward and encourage the loyal customer behavior. This behavior is potentially beneficial to society. The market is very strong in these days. Each company tries to differentiate and give the customers something extra. In an increasing competition in the economic market it is very important to ensure the level and quality of service. Ability to obtain and retain customers by building long term relationships is quite difficult. More and more companies should value the customers and work on relationships between them and the customers.

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