

Impact of Customer Loyalty Program to Customer Retention with Special Reference to Jet Airways

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I. INDUSTRY PROFILE

Aviation Industry in India

The aviation industry in India can be divided into military and civil aviation. The International Air Transport Association (IATA), India states that, it is the fastest growing aviation market. Bengaluru is the aviation center for India and comprises of 65% of the share of manufacturing.

Civil aviation in India can be traced back to 1911, when the first commercial civil aircraft took off from Allahabad for Naini.

Air India is India’s national airline and is a major airline to connect India to rest of the world

Other airlines that run in India include, IndiGo, Spice jet, Go air, Vistara etc. These ariline connect to as many, as 80 cities cress India and some, also operate overseas. A large chunk of India’s aviation potential remains untapped, even after Mumbai and Delhi airport corridor was ranked 10th by Amadeus in 2012 amount the world busiest airports



India is the world's third-biggest aviation market. The amount of air travelers grew 16.3% yearly from 1.4 million (1.40 crores in 2000– 01) to 135 million (13.5 crores in 2015-16, both household and international). It recorded an air activity of 131 million travelers in 2016, evaluated to be 60 million global travelers by 2017. The market is likewise evaluated to have 800 aeroplanes by 2020. In 2015, Boeing anticipated India's interest for aeroplanes to touch 1,740 or 4.3% of worldwide volume, estimated at \$240 billion, throughout the following 20 years in India.

Investment

As per information declared by the Department of Industrial Policy and Promotion (DIPP), FDI inflows in air transport (counting airship cargo) between April 2000 and March 2017 remained at US\$ 1.01 billion.

India is evaluated to see a venture of US \$25 billion in the following decade in the airplane terminals segment, an interest for 935 more planes and air traffic development of 13% for each, as reviewed by Morgan Stanley. As indicated by them, the offer of air and railway travel consolidated in India will develop to 15.2 for every percentage by 2027 from 7.9 for each penny now.

Capex of Rs 65,000 crore (US\$ 10.08 billion) have been settled by the Airports Authority of India (Rs 17,500 crore (US\$ 27.13 billion) for the following five years) and around Rs 22,000 crore (US\$ 3.41 billion) for brownfield extension in Delhi, Mumbai, Hyderabad and Bengaluru by private administrators and around Rs 21,000 crore (US\$ 32.55 billion) for greenfield air terminals.

Company Profile

Jet Airways company profile

Jet airways is an Indian International full service airline, that is headquartered, in Mumbai. According to the IATA, in October 2017, it was the second largest airline in the Indian aviation sector after Indigo airlines, with an 17.8% passenger market share. Jet airways operates over 300 flights on a regular basis to 68 destinations worldwide from its hub Mumbai. Other secondary hubs include, Amsterdam, Chennai, New Delhi, Bengaluru and Jet airways was born in April 1992 as a limited liability company, the airline begun its services, as an air taxi in 1993. It began full services in 1995 and added International flights in 2004. The company went public in 2005 and 2007, it acquired Air Sahara. It became the biggest carrier by passenger market share in the country by 2010, this position was held until 2012.

History

- 1992- 2005 Beginning
- 2006-2009: Growth and expansion
- 2010: Current

Beginning

Jet Airways was born as a limited liability company on 1 April 1992. In 1993 it started operations with the Boeing 737- 300 type. In 2012, all the shares were transferred to Tailwinds International .The equity capital of 60% was held by Naresh Goyal, Gulf air 20% and 20 % with Kuwait airways. In October 1997 the “Ministry of Civil Aviation” banned foreign investment in passenger airline, Naresh Goyal took over control of the entire company. The first international flight launched by the airline in 2004 was between Chennai and Colombo. In 2004 the company got listed in BSE and became a public company on 28 December 2004.

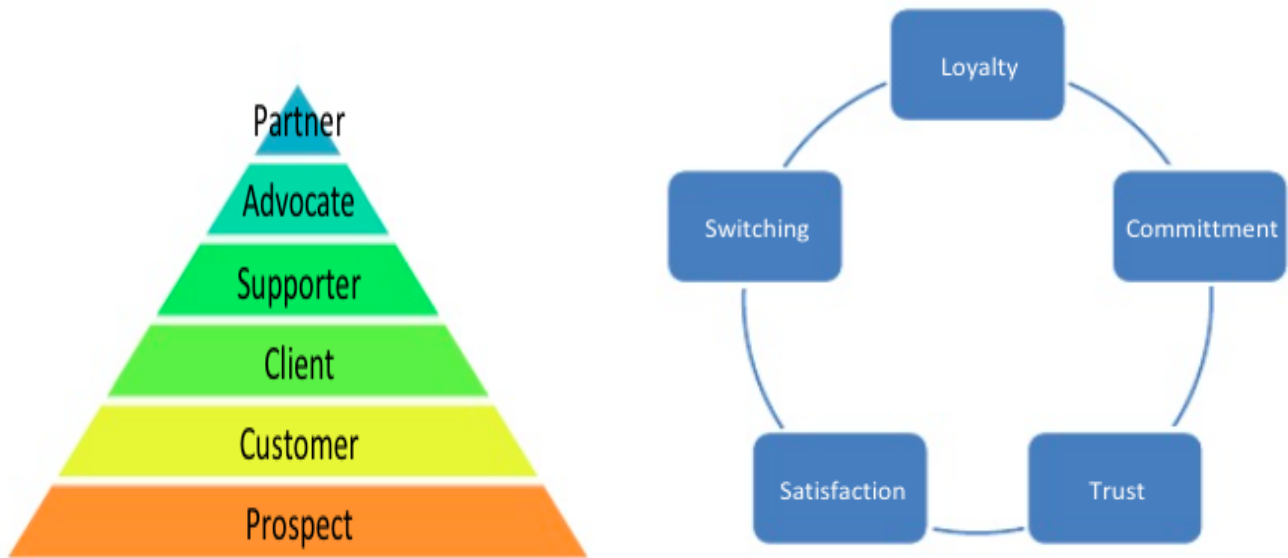
Growth and expansion

In January 2006, the airline declared its intentions to take over Air Sahara for 500 million dollars. Due to various reasons the deal fell out, but got back on track with Jet airways paying Rs.14.5 billion. In early 2007 the deal was struck and Air Sahara got renamed “Jet Lite”. Jet lite become a wholly owned subsidiary of Jet airways. In 2008, the airline launched its low cost brand “Jet Konnect”. It operated on profitable short haul routes with higher passenger load factors.

Current

In the third quarter the airline became the largest airline in India with a passenger market share of 22.6%. In 2013 the airline reduced its prices and begun a fare was with its competitors like Indigo and Spice Jet due to the falling demand of passengers. Currently jet airways is in a partnership with Abu Dhabi based Etihad Airways.

For Jet Airways, there is something called Loyalty ladder which runs as below:



The above relationship is kept up as to the current clients and prizes the separate clients with the diverse benefits being offered by the same. Where the most faithful clients are compensated with Gold Card, committed are remunerated with Silver and Gold, Dependable clients are recognized with Blue and blue Plus, satisfying clients are given powerful correspondence understanding the unexpressed needs of the clients. Also, in conclusion for the exchanging clients limit them with specific obstructions. Presently, Jet airways routes holds stake of 26.1 % of the market with regards to domestic air passengers.

The advantages related with customer loyalty and retention incorporate lower expenses of holding existing customers, instead of continually selecting new ones. In addition, it has been watched that long term clients are probably going to grow their relationship inside the item extend being offered. It is in this manner self-evident to take note of that when a traveller’s desires are met by a carrier, the traveller is probably going to come back to the airline when next he settles on his buy choice and eventually winds up noticeably faithful to the carrier, now and again, alongside the individuals from his family. Behaviourally steadfast clients go about as data channels, that casually connects systems of companions, relatives and other potential clients to the organisation. Thus with a specific end goal to accomplish client maintenance and unwaveringness, it is critical to give a certain degree of unrivalled administration esteem that would at last bring about having an aggressive advantage. Loyalty is accomplished by associations that show decency, consistency and dependability in the different scope of administrations. Quality as for this administration is subsequently the hole amongst the expectation and observations created as to the same.

With its current scenario in the competitive aviation industry, Jet Airways has been focussing more on consumer retention and including itself with building long holding associations with them as it has been

witnessed that gaining new clients is exorbitant in this industry. This maintenance is made possible through a total circle where the current clients are measured, met, analysed and at long last sets exchanging boundary. Measurement of maintenance is done based on number of purchasers lost and how consumer stays legitimate with Jet Privilege cards. In the second stage the interview with the clients begins with Feedback and later separates the same with negative input and later calls to get insights about the same. The third stage includes breaking down oppositions and administration information which begins with investigating with online entryways and criticism frames and later closures with activity as to their concern. All this collectively helps Jet airways in routing in building long haul associations with their customers. Various switching barriers incorporate an value for cash, Jet Privilege, value deserters, service defectors, hierarchical turncoats, showcase turncoats and consistent administration.

It can be classified into the following;



Financials

The company is listed in the Bombay Stock Exchange. Naresh Goyal owns 51% of the company and the remaining 49% by investors. The table below shows the trends for Jet airways and its subsidiaries (as of 31 March 2015)

	2010	2011	2012	2013	2014	2015	2016	2017
Revenue (INR bn)	122.3	147.2	170.6	174.0	177.1	202.8	229.0	236.7
Profit (₹: INR bn)	-16.4	-17.3	-14.2	-4.8	-36.7	-18.1	11.7	3.9
Departures	131,108	146,876	175,646	169,254	173,723	176,406	202,816	202,265
Number of passengers (mn)	12.0	14.6	17.3	16.8	17.2	19.4	23.4	24.4
Load Factor (%)	77.4	78.6	79.3	78.8	78.2	82.4	82.6	81.4
Number of aircraft (at year end)	86	97	102	95	101	107	116	113

(Source www.moneycontrol.com)

Jet airways SWOT analysis

Jet Airways SWOT Analysis	
Strengths	<ol style="list-style-type: none"> 1. Jet Airways has created a good image among the Indian fliers 2. Jet Airways is a trusted airline by the corporates 3. One of the biggest Indian airline companies with over 13,000 employees 4. Operations in over 60+ Indian cities and over 400 daily flights 5. Jet Airways is a top of the mind brand due to excellent operations and marketing 6. It also has international destinations in nearly 20 countries 7. Jet Airways has a strong customer service and provides inflight entertainment, lounges, frequent flier programs etc
Weaknesses	<ol style="list-style-type: none"> 1. Competition from the LCCs and other competitors means market share growth is tough for Jet Airways 2. Presence of other airlines on international routes making it difficult to have significant market share
Opportunities	<ol style="list-style-type: none"> 1. Jet Airways is strongly positioned in the International routes 2. Has presence in every segment 3. Increasing number of people opting to travel by airlines
Threats	<ol style="list-style-type: none"> 1. LCCs eating up the marketshare of Jet Airways 2. Rising Fuel Costs and Labour Costs 3. Unfavorable Govt policies and aviation regulations can affect Jet Airways' business operations

Segmentation, Targeting, Positioning

Jet Airways STP	
Segment	Air travellers preferring comfort over economy
Target Group	Corporate, Upper Middle Class
Positioning	Jet Airways is a premium airline based out of India serving domestic and international sectors

1.2.5 Jet Privilege Loyalty Program

Jet privilege is Jet airways award winning loyalty program, along with partner Etihad Airways, as a tactical partner , to establish Jet Privilege as an autonomous loyalty and reward company with the goal to manage operations of the programme independently.

Jet Privilege includes the following hierarchies of loyalty passengers.

- Blue Plus
- Silver
- Gold
- Exclusive platinum



Key features of the Program

- Easy enrolling
- 5 hierarchies
- Flexible
- Faster tier up gradations
- Web access on a personal level
- Easier tier retention
- Purchase (Jet privilege) Jp miles
- Transfer Jp miles
- Jp miles upgrades
- Cash upgrade
- Redeem Jp miles
- Global partnerships
- Get miles through cash



Forecast and challenges

The Indian Aviation Sector has seen enormous development in the current past which is driven by sound statistic, macroeconomic, government supported changes and market flow. Right around 35 % of fares from India and 97% remote sightseers to India touch base via Air every year. Aeronautics area has experienced a noteworthy increase in past 5-6 years. As indicated by Union Budget 2012, with a compound yearly development rate of 18 percent, today Indian Aviation Industry positions ninth in the worldwide common avionics showcase. It has been evaluated that India would require 1032 new flying machines worth around US \$ 138 billion by 2028. It has been gauge that the air movement in India will keep on growing at the rate of 8 – 10% throughout the following 10 years.

An observed obstacle in this development of Indian avionics industry is the lack of qualified and experienced business pilots. In spite of the fact that India has adequate number of business pilots, they are either not type-appraised or don't have required flying knowledge. Nonetheless, the carriers can even now enroll these pilots and prepare them on their flying machines. Be that as it may, this turns into an expensive issue. Also, regardless of whether a carrier puts resources into such pilots, it will most likely be unable to hold them for a more drawn out period which implies misfortune to the aircraft. In this manner, it is critical that these aircrafts have orderly enlistment and maintenance rehearses set up.

Enrollment is considered as a standout amongst the most essential elements of an association. Unless the suitable individuals are enlisted, even the best designs, hierarchical diagrams,

What's more, control frameworks would not yield great outcomes. Choices with respect to representative testing, work approaches, programs, pay and corporate picture all affect selecting.

Obviously, representatives can choose to leave the type voluntarily and go along with it. What's more, in the war for ability, equal firms are probably going to draw esteemed workers away. Workers may find that their choices and openings are more appealing crosswise over firms instead of inside just a single firm. (Snell, et al, 2007)

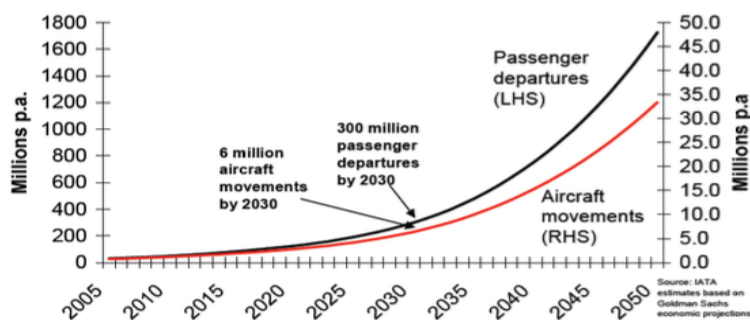
Greater part of the Indian air transporters today are following the efficient practices of enrollment concerning these pilots that influence their consequent maintenance with the aircrafts.

The specialist found that there are five variables of enlistment, specifically, Encouraging and Employee-accommodating Recruitment Policy, Impact of External Forces, Organizational Internal Factors, Employment Brand, and Organizational Growth and Self Advancement Opportunities that are firmly identified with four components of maintenance, in particular, Positive Work Culture, Opportunities for Individual Growth and Development, Salary-Benefit Package and Opportunity for Self Achievement. The most vital factor in charge of maintenance of these pilots is Positive Work Culture that is identified with the greater part of the enrollment hones took after by the carriers. Pay advantage Package has the rent impact on the maintenance of these pilots as it goes about as a cleanliness factor of Herzberg's hypothesis of inspiration, the nonattendance of which prompts disappointment, yet nearness of which does not ensure fulfillment. A large portion of the pilots are paid well by the vast majority of the aircrafts and that never again inspires them to remain

With these bearers further. Outside powers, inward factors and business mark assume an imperative part in the maintenance of these pilots.

Indian air bearers should center their enlistment and maintenance endeavors on the variables said above with the goal that they can enroll the pilots who coordinate their necessities and furthermore can be held for a more extended time. This will help them to diminish their HR expenses to a significant degree, particularly in the present situation where every single real carrier are experiencing monetary emergency and furthermore to influence them to understand their future development designs.

Forecast: Clear skies?



II. LITERATURE REVIEW

The Impact of Customer Loyalty Programs on Customer Retention

Dr. Sima Ghaleb Magatef Dr. Elham Fakhri Tomalieh

Dr.Sima Ghaleb an Dr Elham in their article “The impact of customer loyalty on customer retention, focuses on independent variable; loyalty programs which is further branched out into tier system reward, point system, charges on up from fee for VIP benefits and non monetary programs. According to the authors, on an average online retailer lose 25% of their customers every year and a small increase in customer retention strategies can increase profits up to 25%. The methodology used was a survey of 350 questionnaires, which was filled out by Jordanians customers (Friends, relative’s students and local malls). The participants had different educational, social, cultural backgrounds. The response rate was 81.14%. However, the findings clearly show that there is a significant evidence of the effect of all loyalty programs on building and maintaining customer retention.

The Influence of Loyalty Programs and Short-Term Promotions on Customer Retention

Michael Lewis

Michael Lewis in his article “The influence of loyalty programs and short term promotions on customers retention”. The author, is aware of the prominence of customer loyalty programs in a wide range of categories. However empirical research in measuring the influence of loyalty program is given very little focus to. According to the author, loyalty programs allow customers to shift from myopic to multiple period decision making. Michael Lewis evaluates a specific loyalty program with data from an online merchant at specialises in grocery and drugstore items. “Empirical results show that loyalty program under study is successful in increasing annual purchasing for a substantial proportion of customers.”

The relationship of customer satisfaction, customer loyalty and profitability

An empirical study

Roger Hallowell- Harvard school of business

This article written by Roger Hallowell, illustrates the relationship of profitability to intermediate customer related outcomes that managers can influence directly. Customer loyalty is related to customer satisfaction and profitability of the organisation. The method of collecting data was primary research (Survey). All the survey data was aggregated at divisional level. The data was collected from 12,000 retail banking customers. To conclude, the author suggests, that banks must wise target and serve only customers who need the service can have an edge over its competitors.

The Impact of switching costs st the customers satisfaction loyalty like -moblies phone service in France

Jonathan Lee, Janghuk Lee, Lawrence Feick

This Article is written by Jonathan lee , Janghuk lee and Lawrence Feick who focus on how objective of customer satisfaction programs is to increase customer retention rather .Theoretical background of Antecedents and consequence of service equality as majority highlighted mobile phone market in France is discussed with empirical illustration which makes the reader easy to comprehend. It is concluded through this Article that only loyalty programs accompanied by well designed customer satisfaction programs can be effective customer retention.

Customer loyalty: the future of hospitality marketing

Stowe Shoemaker, Robert C. Lewis

Stowe Shoemaker and Robert C. Lewis ,Customer loyalty: the future of hospitality marketing, emphasize on the fact, that the times for conquest marketing has elapsed and customer loyalty has taken huge importance. Reasons for this shift is, protecting market share from competitors, steal high value customers from competitors etc. The authors have defined frequency programs and loyalty programs. Frequency programs are used for repeat sales where as loyalty programs are used to build an emotional

attachment towards the brand. The methodology used was, primary research in the form of interviews and surveys. The authors firmly believe, that customer loyalty is the future for hospitality business. For a brand to prosper they must clearly know the difference between customer satisfaction and customer loyalty.

Customer loyalty and customer loyalty programs

Mark D. Uncles, Grahame R. Dowling, Kathy Hammond

According to the authors customer loyalty presents a paradox. And shows that loyalty in competitive repeat purchase markets is shaped more by passive acceptance of brands than by strongly held attitude about them. The authors reviews three perspectives on loyalty and relates these to a framework for understanding customer loyalty. Customer loyalty, is comprises customer brand commitment, customer brand acceptance and customer brand buying. The methodology used to analyse the data was done by forming a structured questionnaire. The author believes that this may work on any large scale business.

Implications of Loyalty Program Membership and Service Experiences for Customer Retention and Value

Ruth N. Bolton, PK. Kannan, Matthew D. Bramlett

Ruth N Bolton, PK Kannan and Matthew D. Bramlett, Implications of loyalty program membership and service experiences for customer retention and value, believe that companies that have effective loyalty reward programs have a long run positive effect on customer evaluations and behaviour. This article via the means of cross sectional, time series data from a world wide financial company, investigates the conditions under which loyalty programs will have a positive effect of customers evaluations, behaviour and repeat purchase. Both, primary and secondary data have been used as their methodology of collecting data. To conclude, the researchers have argued that customers become more demanding with such programs. However, they help in less cancellation of subscriptions from customers in the banking sector.

Building and sustaining profitable customer loyalty for 21st century

V. Kumar, Denish Shah

Building and sustaining profitable customer loyalty for 21st century, V .kumar, Denish Shah, focuses on the link between customer loyalty and profitability at an individual customer level. The researchers state, that a two tiered reward structure is presented for marketer to operationalize the framework. Tier one focuses on rewarding customers for their past purchases irrespective of their attitude or purchase pattern, whereas, tier two, aims at influencing customer behaviour or attitude in the future given the past performance of the customer. Customer loyalty has two types of loyalty. Behavioural loyalty and attitudinal loyalty. For a firm customer loyalty becomes meaningful only when it translates to purchase behaviour. In terms, of strategic implications one must strike a balance between tier one and tier two rewards to derive maximum benefit, CRM must be well integrated as well. This will ensure that customer loyalty is managed well, thus, will not hamper profitability.

Customer Loyalty: Towards an integrated conceptual framework

Alan S. Dick, Kunal Basu

Customer Loyalty: Towards an integrated conceptual framework, Alan S. Dick and Kunal Basu, believe that brand loyalty has shifted, from an overly macro approach to micro understanding of the cognitive mechanism underlying choice behaviour. This article aims at developing a more fully cognitive, affective and conative antecedents of customer loyalty as well as its consequences. The authors have emphasised on relative attitude, which serves as an appraisal function which provides a stronger indication of repeat patronage. Social norms, situational factors, motivation are important aspects, that influence consumer behaviour patterns. The authors suggest that one must broaden their view of loyalty which includes, relative attitude, underlying processes, and various contingencies.

*Factors affecting customer retention in the airline industry**Raghda Climis*

Factors affecting customer retention in the airline industry, Raghda Climis, empirically investigates factors affecting customer retention in North Cyprus According to the author the airline industry depends on customer loyalty, as each seat flying empty is a loss to the airline. The perceptiveness of safety is crucial as buying a plane ticket involves different risks like, psychological, financial and social risk. Service quality attributes are crucial for the success of an organisation as it can build competitive benefit. Methodology used was primary data through questionnaire design. To conclude, reward points had a negative effect on education customers as students did not have must interest in cars or hotels.

*Validity of customer loyalty program**Grahame R .Dowlry, Mark Uncles*

In this Article, The fact how marketing managers consider customer loyalty very integral as it helps customers to build a significant relationship with the brands they purchase.

Various theories like 'The Leaking Bucket ' Theory propounded by Andrew Etrenberg discussed

Furthermore, Customer loyalty program is considered to be a 'boon' to Marketing Managers as it has profuse advantages.

To conclude the author states that, many marketing managers see customer loyalty program primarily as an attitude based phenomenon that can be influenced significantly by customer relationship management initiatives such as the increasingly popular loyalty and affinity programs.

*Importance of customer loyalty programs for the European airline industry**Mark Wever*

Importance of customer loyalty for the European airline industry, Mark Wever. The European airline industry is facing cost reduction programmes, but they have to develop offers for their customers. The airlines can either upgrade their airline in terms of their fleet or enhance soft product (Customer experience). According to Amadeus, there are 6 types of people(Consumer Tribe) that include, Simplicity searcher, Reward hunter, Social capital seeker, cultural purist, ethical traveller and obligation meter. If a frequent flyer programme exists, customer loyalty rises by 80%. Other factors include, price, the professionalism, the flexibility in altering the flight tickets, efficiency of security checks, quality of meals, upgrade flexibility. All these factors, if implemented effectively leads to 25% increased sales. The data analysis was done via secondary data like literature review, online research, planned content. Primary data was analysed by conducting online surveys, through interviews, questionnaires. To sum up, the main drivers of customer loyalty programmes have been examined and future prospects were found.

*Airline customer loyalty through analysis of stated preference**Shanna triches lucchesi, Christine Tessele Nodari; Ana Margarita Larranaga; Luis Alfonso dos Santos Senna*

Airline customer loyalty through analysis of stated preference, Shanna triches lucchesi, Christine Tessele Nodari; Ana Margarita Larranaga; Luis Alfonso dos Santos Senna: Evaluates airline customer loyalty for a domestic airline route in Brazil. Passengers departing from Porto Alegre and arriving at Sao Paulo were collected. This article focuses on switching costs. Switching costs refers to the loss of advantages by a customer while switching brands (Airline). The study also talks about the inclusion of variables which characterize passenger loyalty to the airline and the existence of third party payer. To analyse data, Primary data via the means of a interviews was used, by analysing 258 passengers as sample size. This study has evaluated switching costs for airlines like Gol, Tam, Azul wtc. Tam airlines is the most preferred as their frequent flyer program is different as the economic rewards of earning miles with the same company can be compensated by the fare difference. This shows the importance of customer loyalty programs in the domestic sectors of Brazil.

Understanding the effect of customer relationship management efforts on customer retention and customer share development

Written by Peter C .Verhoef this article focuses on the customer relationship management and its effectiveness studies that report the effect of CRP's on customer behaviour and the variables dependent effect is discussed .Furthermore ,This article is devoted to the marketing literature by studying the effect of CRP's and RMI 's on both customer retention and customer share development explanatory power of both CRP's and RMI 's are explained after the hypothesis testing on customer behaviour .

Key drivers of airline loyalty programs

Sara Dolnicar, Klaus Grabler, Bettina Grun, Anna kulnig

Key drivers of airline loyalty program, Sara dolnicar, Klaus Grabler, Bettina Grun, Anna Kulnig: Express that an airline can retain its competitive position through loyalty. Loyal customers are less price sensitive and require a lower effort of communication. Customer airline identification is done is a multi step process, for which, certain models have bee used. Primary research was conducted via the means of a questionnaire, which was handed out anonymously. The questionnaire was in two languages. Their research was segmented amongst holiday makers, and business travellers. Research concluded that, frequent flyer programs were significant amongst both the types, but business travellers pose a higher preference to loyalty programs.

Airline customer satisfaction and loyalty: Impact of inflight service quality

Myungsook An, Yonghwi Noh

This study evaluated passengers from two distinct classes, the prestige and economy. For the prestige alcoholic and non alcoholic beverages', food quality, reliability, seating preference, were the major influencers. Where as, for the economy it was, responsiveness, food quality, assurance, reliability etc. To conclude, airlines must consider the inflight experience based upon the customer seat class.

The impact of service quality on customer retention in airline industry in Bhutan

Melam Zangmo, Wasin Liampreecha, and Sujinda Chemsripong

The airline industry is small as Bhutan is a landlocked country in the eastern Himalayas. Drukair was the only airline in Bhutan. However, government has engaged other airlines to be set up such as Tashi Air Pvt Ltd. In the Bhutan aviation sector there are certain parameter that an airline must offer, such as, tangibles, reliability, responsiveness, assurance and empathy. Data analysed was by a fully structured questionnaire. The results indicated that service quality has a positive impact on customer retention.

Loyalty Programs in Airlines

Interglobe technologies

Loyalty programs in airlines, interglobe technologies, expresses that, in order stay prominent in todays competitive market airline must make design changes in their loyalty programs. This must be in a direction of Social loyalty. This means the effort towards not just high valid customers based on transactions but towards rewarding brand advocates. In the perspective of customer's loyalty programs are hassle free as oppose to the view of the airless, where loyalty programs are full of hassles. According to Inter Globe technologies social loyalty is a way forward.

Do customer loyalty programs really work in airline business? –A study on Air Berlin

Muhammed Zakir Hossain, Habiba Kibria, Saraj Farhana

Do customer loyalty programs really work in airline business? – A study on Air Berlin, Muhammed Zakir Hossain, Habiba Kibria, Saraj Farhana, Focuses on the “Top bonus frequent flyer loyalty program”, Air Berlin offers and relies on to retain customers and maintain relationship with its customers. Marketers have stated that more than 50% of their loyalty budgets have risen in the past few years. The paper adopts a

single case study design. The paper has successfully aimed at how Air Berlin retains, engages, and makes revenue in order to sustain in the competitive aviation sector. When Air Berlin was functioning, before being bought by Lufthansa, Top bonus loyalty program was successful in retaining its customers.

The effect of frequent flyer programs on customer loyalty

Associate. Prof. Dr. Osman Eralp Çolakoglu , Assist. Prof. Dr. Savaş ARTUGER

The effect of frequent flyer programs on customer loyalty, Associate. Prof. Dr. Osman Eralp Çolakoglu , Assist. Prof. Dr. Savaş Artuger , focus of the effect of frequent flyer programs (FFPs) on building behavioural and attitudinal loyalty. FFPs are crucial in building long lasting relationships. The authors conclude that, the members consider intangible reward over tangible rewards and overall customer loyalty of members in the aviation industry are on a medium level. It was also discovered that after regression analysis, FFPs have impact over customer loyalty and especially on the behavioural loyalty as opposed to attitudinal loyalty.

2.1.1 Summary

The articles that were reviewed spoke about the various methods of adopting a customer loyalty program, the importance of customer loyalty program towards customer retention, the importance of retaining customers which has direct impact of costs of the airline.

Several authors have emphasised on Service attributes, which are crucial while adopting a customer loyalty program. Various theories like 'The Leaking Bucket' Theory propounded by Andrew Etrenberg were discussed. Furthermore, Customer loyalty program is considered to be a 'boon' to Marketing Managers as it has profuse advantages.

To conclude the author states that, many marketing managers see customer loyalty program primarily as an attitude based phenomenon that can be influenced significantly by customer relationship management initiatives such as the increasingly popular loyalty and affinity programs.

Every research focuses on the impact of airline loyalty program or the frequent flyer program. However, the need and importance of a "Social loyalty program" has not been emphasised on at least with reference to the Indian airline industry.

III. TITLE

“The effect of loyalty programs on customer retention, with special reference to Jet airways (Jet Privilege)”

3.1 Problem statement

Due to the rapid increase in competition in the airline industry, airlines are forced to offer several types of loyalty programs, which ensures the long term association with the airline as a brand. Loyalty programs has become more of a commodity in today's era. In order to stay relevant in today's era airlines need to make design changes. Loyalty programs not only ensures relationship making, but involves cumulative purchasing over time which increases sales of the airline. Jet airways has a very structured loyalty program called as “Jet Privilege”. With the Indian aviation market booming, over and above the loyalty aspect, reward and benefits are itself on a competitive place, with a number of loyalty programs. The most aggressive being the “Star alliance network”, which has the largest number of air routes covered. However, Jet privilege is helping Jet airways ensure that the airline is profitable, by ensuring single period purchase customers to shift to multiple period purchase customers. This study is an attempt to investigate the impact of loyalty programs on customer retention. In this study, the need for “Social loyalty” will be given focus to.

3.2 Aim and Objectives

This paper aims to study and analyse the design of a customer loyalty program in real business world based on the theoretical aspects and the chosen program to analyse its “Jet Privilege” program offered by “Jet Airways” and how effective the customer loyalty program is to enhance relationship between customer and service provider. The reason why “Jet Airways”, and its “Jet Privilege” program was chosen for this study is because this airline is dependant on its Jet Privilege loyalty program in order to retain its customer loyalty and hence, they partnered with multiple international airlines to share their Jet Privilege program with airlines like Etihad Airlines.

Objectives

To identify the relationship between Referrals/ recommendation and enrolment of a passenger with Jet Privilege

To identify the relationship between loyalty program (Jet Privilege) and customer retention

To emphasize on the need for adopting a social loyalty programs Clarify the impact of the Jet privilege customer loyalty program on customer retention

To make recommendations to improve the Jet privilege loyalty program

3.3 Research gap

Every research focuses on the impact of airline loyalty program or the frequent flyer program.

This research will be majorly emphasising on identifying the relationship between Referrals/ recommendation and enrolment of a passenger with Jet Privilege and identifying the relationship between loyalty program (Jet Privilege) and customer retention. However, the need and importance of a “Social loyalty program” has not been emphasised on at least with reference to the Indian airline industry. This research will also focus on recommending a new method of loyalty programs, that is more interactive and appealing for a customer. This will give an edge to Jet Airways.

3.4 Methodology

In this study primary and secondary data has been considered.

Population:

The research has aimed to collect data from respondents who are frequent air travellers with Jet Airways. A sample from, frequent air travellers were drawn majorly, ranging from various business men/women, University students, retired officers, employed people, and home makers. The responses were

conducted over a period of one week. The questionnaire was filled by respondents from the age of 12 and above.

3.5.1 *Data collection methods and statistical tools used and statistical tools used*

The study undertakes exploratory research design. This design has been used, in order to get more insight into the various loyalty programs, the impact of loyalty programs on customer retention and the future prospects of customer loyalty programs.

This study relies on a structured questionnaire as a measurement instrument. The design of the questionnaire was based on *multiple item measurement scale*.

In the questionnaire all the selected items related to the impact of loyalty programs on customer retention has been presented in the form of statements along with five point Likert scale (From 1=Strongly Disagree to 5 =strongly agree) in agreement of the statement.

3.5.2 *Data collection*

The survey of the respondents will be undertaken and data for the research will be collected by administering the structured questionnaire. The respondents included the population that has travelled by and has experienced the services of Jet Airways at least once in their life time. However, major emphasis was given to Jet privilege members as they have a clearer perspective towards the intricacies of Jet Privilege.

About 145 questionnaires were sent across to travel agents and corporates, via the means of social media, electronic mails, text message vehicles. Out of the 145 questionnaires sent, 110 were received and out of that 100 were used as the sample.

3.5.3 *Structured analysis*

In the first phase, Cronbachs reliability test was conducted to get an insight into analysing as to how the data collection techniques were appropriate with the research topic and methodology .

In the second phase, Correlation analysis was conducted in order to analyse the;

Correlation between Referrals or recommendation and Membership enrollment with Jet Privilege

Correlation between the loyalty program (Jet privilege) and customer retention

3.5.4 *Validity and reliability of the methodology*

The validity of the research is high because the research is based on qualified and approved academic literature. Additionally, the questionnaire has been a pilot test among peers, in order to secure accurate and useful responses.

However, a major constraint could possibly be the mindset of the respondent while filling the questionnaire. Family income and background was not focused upon in the data analysis process. Considering the paper written by a student, the researcher can limit the review of literature audacity and also the worthiness of the review.

IV. DATA ANALYSIS

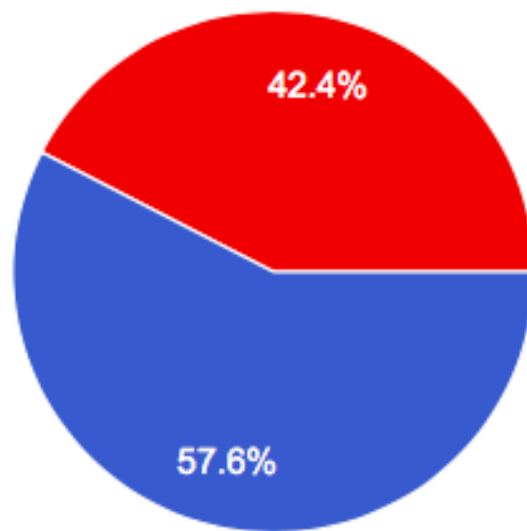
An important tool that was used to complete the research was a structured questionnaire. Other than primary data collection from the latter method, secondary data was also used (Journals and research papers). The secondary data highlights the significance of loyalty programs and how the importance of loyalty programs have changed positively for the better.

Analyses has been conducted to ensure the responses recorded from respondents. (Sample Size = 100)

Since, primary data was used , the responses were selected randomly of which the gender can be analyzed by.

Single= 42.4%

Married= 57.6%



4.1 Reliability Test

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.805	.574	100

Cronbach’s Alpha is a tool used to check the reliability, of internal consistency, of a set of scale or test items.

It can be calculated as follows;

$$\alpha = \left(\frac{k}{k-1} \right) \left(1 - \frac{\sum_{i=1}^k \sigma_{y_i}^2}{\sigma_x^2} \right)$$

...where: k refers to the number of scale items

$\sigma_{y_i}^2$ refers to the variance associated with item i

σ_x^2 refers to the variance associated with the observed total scores

Since the Cronbach’s alpha is .805, it indicates high level of internal consistency for the scale.

4.2 Correlation

Correlation is a statistical measure that indicates the extent to which two or more variables fluctuate together. A positive correlation indicates the extent to which those variables increase or decrease in parallel; a negative correlation indicates the extent to which one variable increases as the other decreases.

The Pearson product-moment correlation coefficient (Pearson’s correlation, for short) is a measure of the strength and direction of association that exists between two variables measured on at least an interval scale. A Pearson’s correlation attempts to draw a line of best fit through the data of two variables, and the Pearson correlation coefficient, r , indicates how far away all these data points are from this line of best fit (i.e., how well the data points fit this model/line of best fit).

The factors are as follows ;

Referrals or recommendation and Membership enrollment with Jet Privilege

The analysis was done, in order to analyze the relationship between recommendation with the enrollment in the Jet privilege program. This is important to know, in order to check if there are positive/ negative referrals amongst the Jet privilege members.

Correlation between the flexibility of the loyalty program and customer retention

This analysis was done, in order to analyze the relationship between flexibility of the loyalty program (Upgrades, ticket redemptions, ticket discount, seat selection) and customer retention. This is an important aspect as, only if the travelers find the loyalty program flexible, they will be willing to become a member. This will, in turn lead to customer retention.

Table 4.2.1. Correlation between Referrals or recommendation and Membership enrollment with Jet Privilege

		Referrals	Jet privilege
Referrals	Pearson Correlation	1	-1.46
	Sig. (2 Tailed)		.148
	N	100	100
Jet privilege	Pearson Correlation	-0.46	1
	Sig.(2 Tailed)	.148	
	N	100	100
	Pearson Correlation	-.356	.432**

4.2.2 Correlation between the flexibility of the loyalty program and customer retention

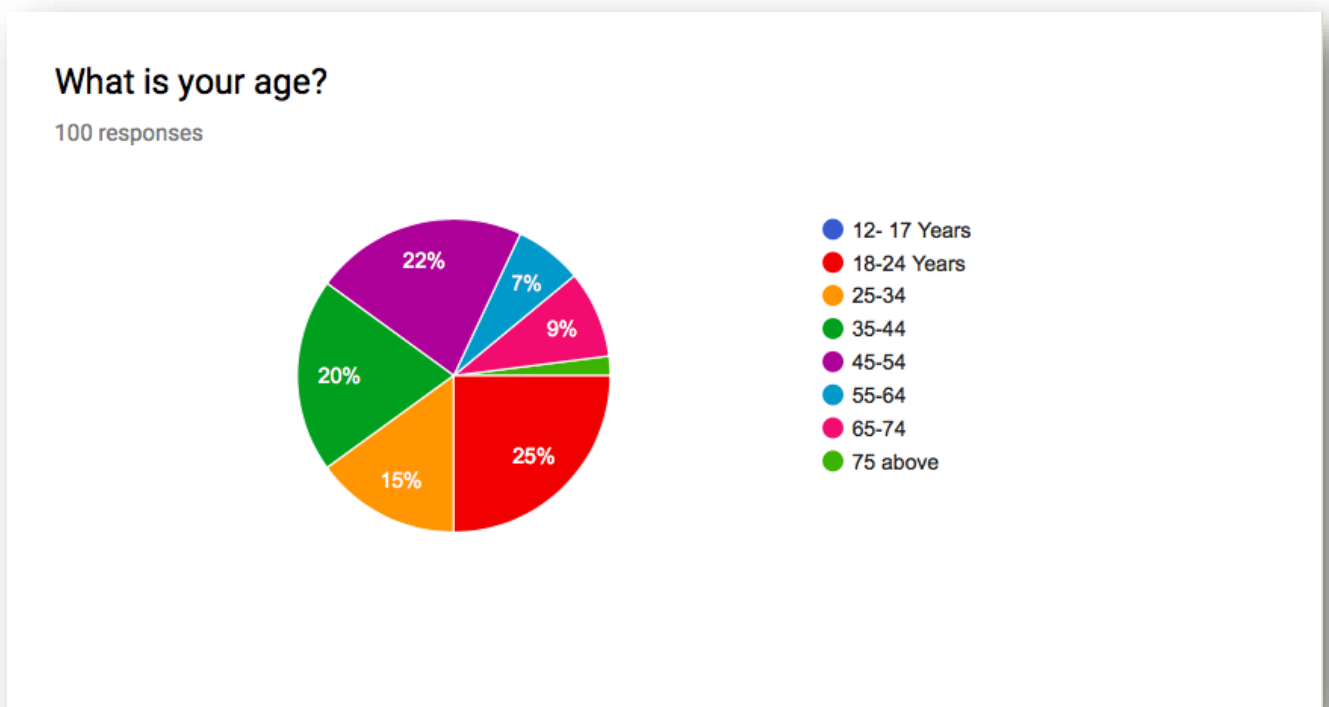
	Referrals	Jet privilege
Pearson Correlation	1	.888**
Loyalty Program Sig. (2 Tailed)		.000
Flexibility N	100	100
Pearson Correlation	.888**	1
Customer Retention Sig.(2 Tailed)	.745	
N	100	100

4.2.3 Statistical inference

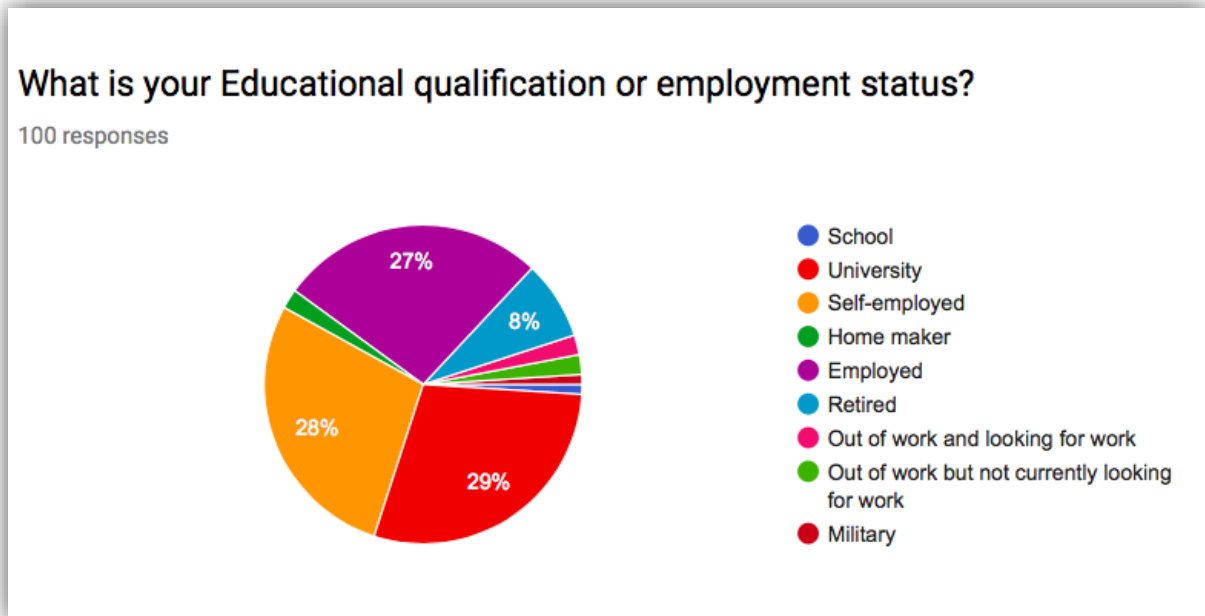
From figure 4.2.1 result that there is a positive relationship between Referrals and Membership enrollment with Jet privilege as the significance value of the above is .148, which is less than .05. Hence, we can say that there exists a significant relationship between Referrals and Membership enrollment with Jet privilege.

From the figure 4.2.2 we can infer that there is a positive relationship between Flexibility of loyalty program and customer retention as the significance value of the above is .745, which is less than .05. Hence, we can say that there exists a significant relationship between flexibility of the Loyalty program and customer retention .

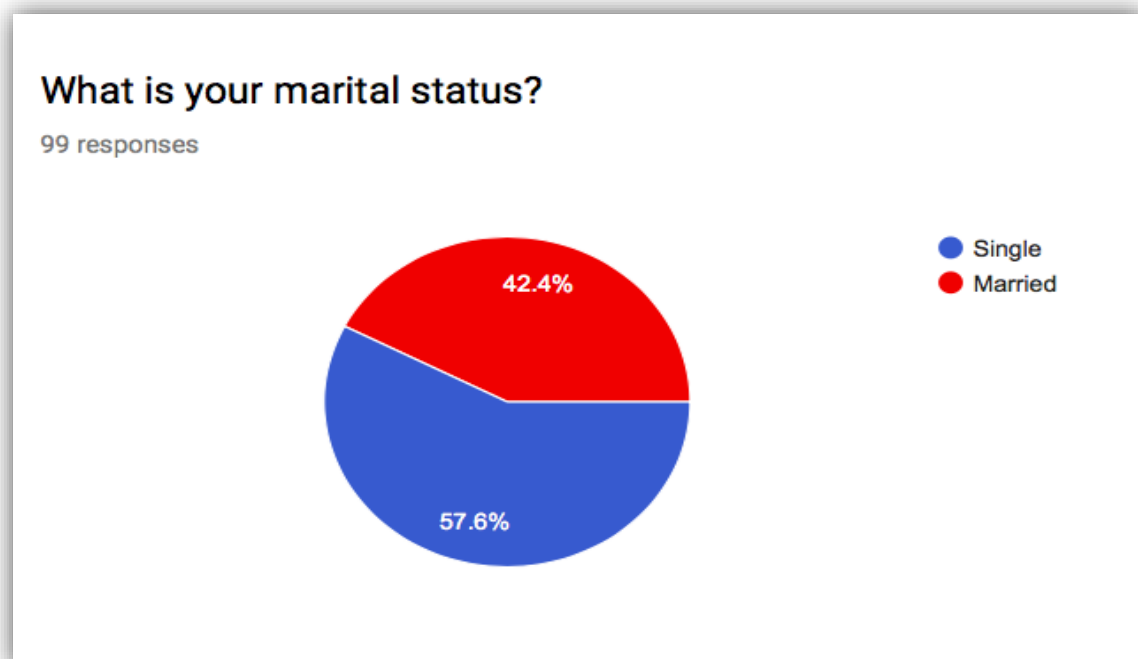
4.3 Graphical Analysis:



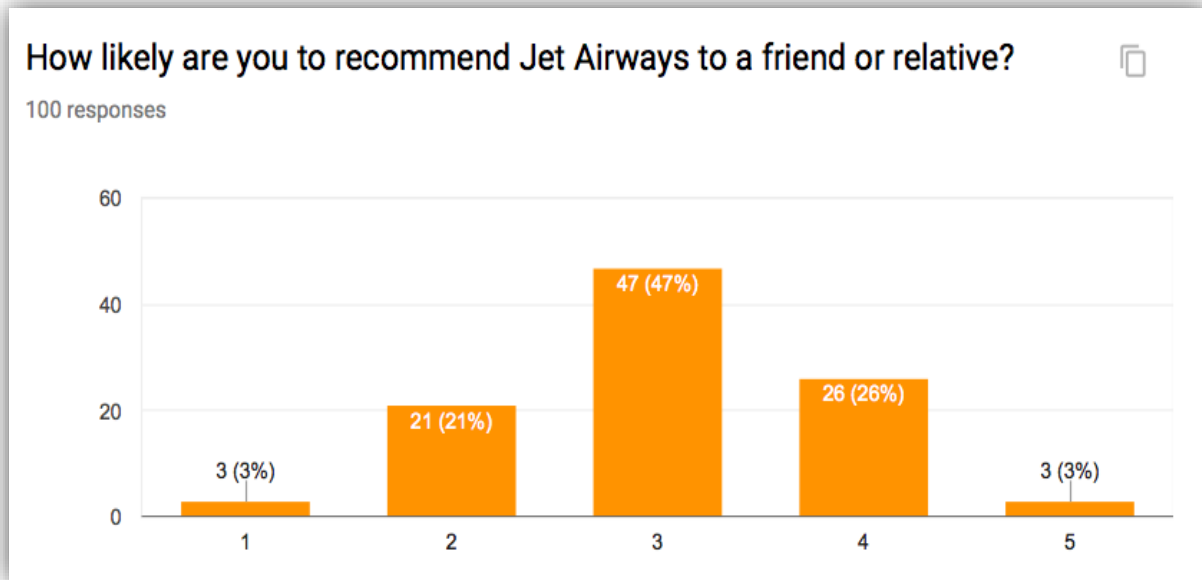
Based on the responses collected, via the means of random questionnaire survey method. The age group varied from 25% being young travelers from the age group, between 18- 24 years of age. This age group is very important as they usually travel on the budget of the company or their business and usually subscribe to the loyalty program of an airline. The second highest was 22% who ranged between 45 years of age to 54 years of age. Such an age group was crucial as they are businessmen/ women or corporate heads who already have existing subscription to loyalty programs. Measuring the following age groups has helped in getting views from both extremes



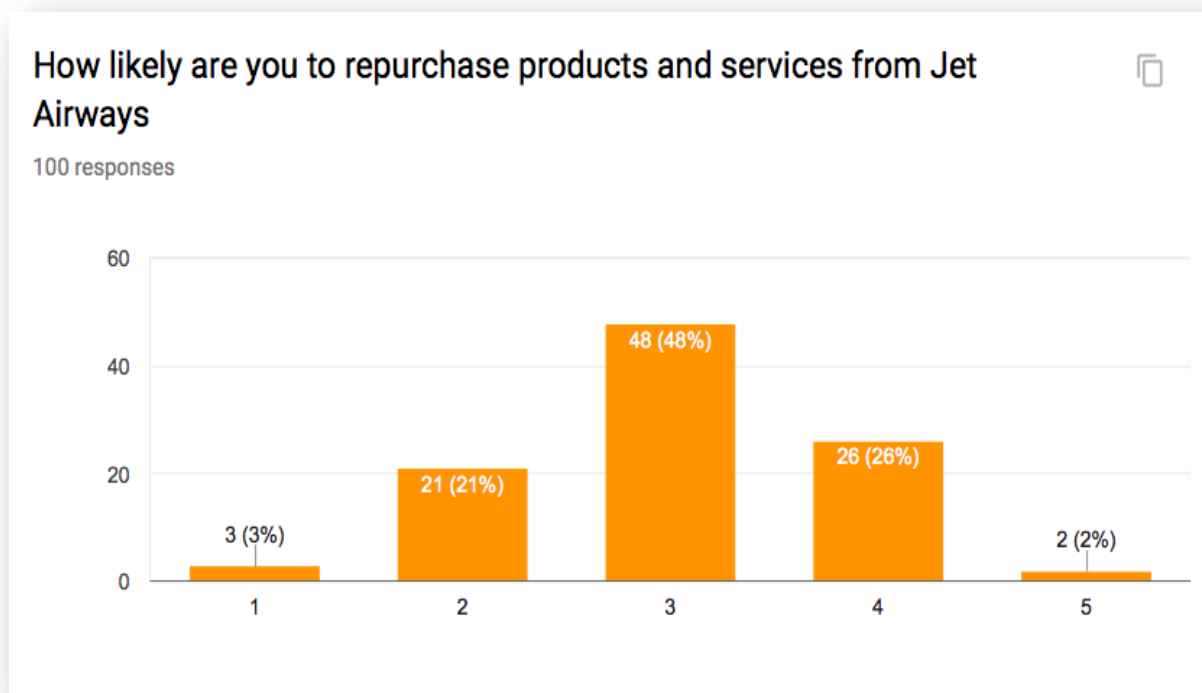
In terms of the type of respondents, data was collected from 29% of university students, 28% from the employed, 27% from the employed segment. For the research the respondents from the three segments was helpful as, the university students have joined or will join a loyalty program, Employed are usually enrolled in a loyalty program and businesses book tickets for their employees or for themselves.



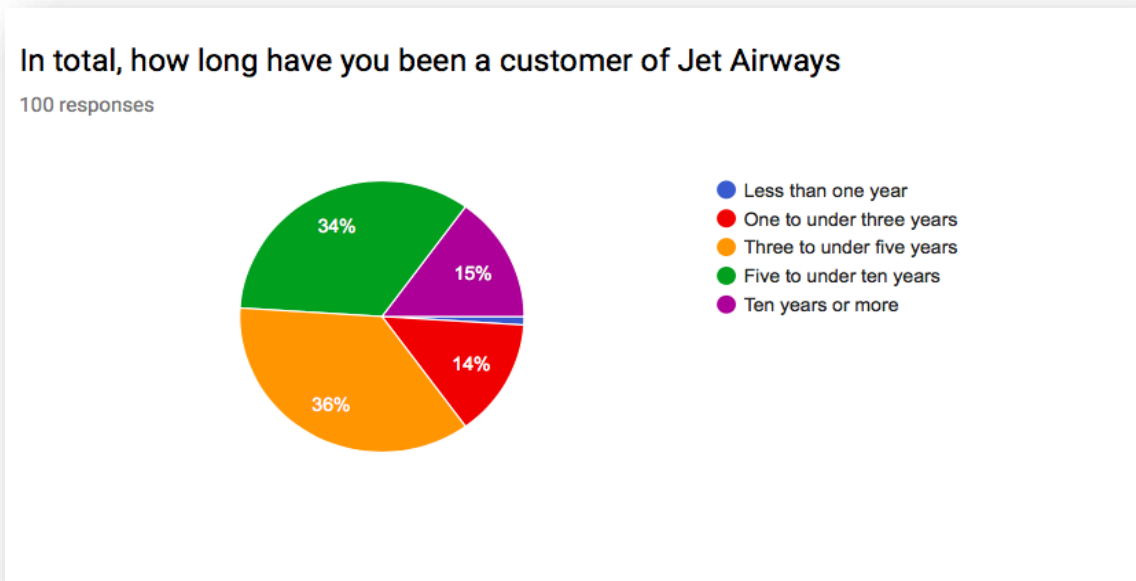
57.6% of the respondents were married and 42%.4 were single. Such a mix in terms of the type of respondents was necessary. This ensured a balance in the accuracy of the responses received.



Out of the data collected from 100 respondents, in a totality 47% of the Responses were in favor of recommending Jet airways to a friend or relative. This means that they are content with the service given by the airline. This implies more positive feedback, which will contribute to the growth of the airline, in this highly competitive industry.

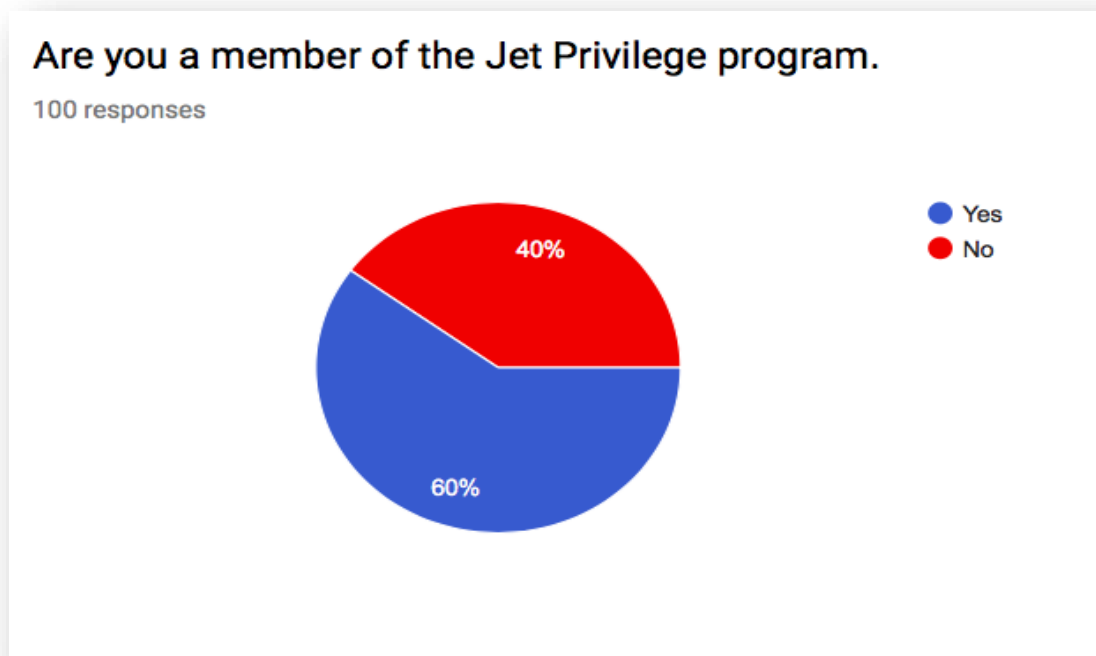


48% of the respondents would like to purchase the service once again. This implies a positive growth in the airline.

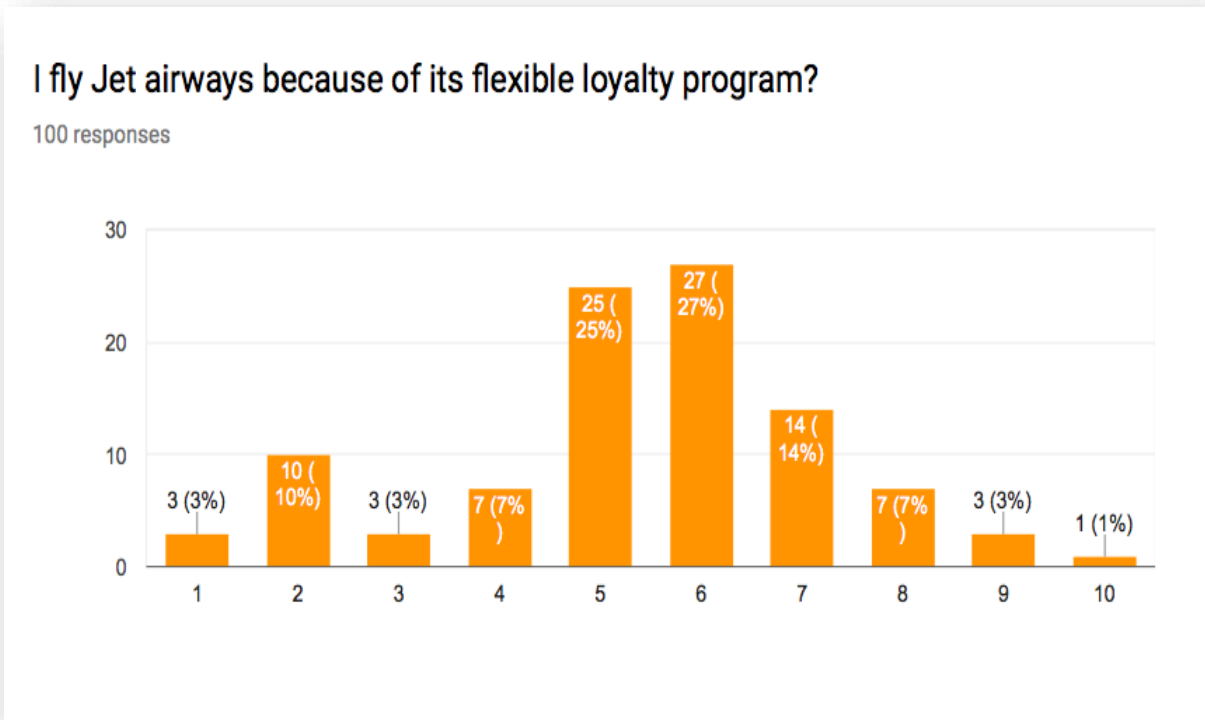


According to the data present above 36% of the respondents who have been customers of the airline, are from the category of three to five years. 34% have been customers for, five to ten years who are part of Jet privilege and are considered loyal. Such customers would choose Jet airways over any other airline. The rest maybe travelling, due to factors like;

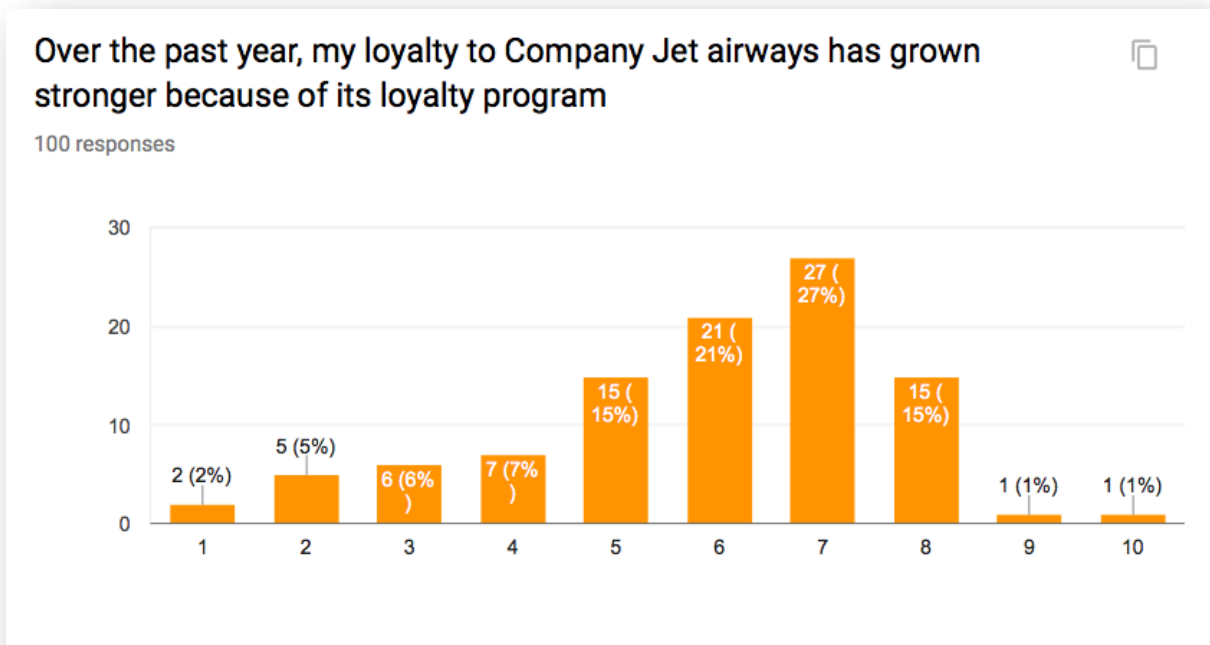
- Price
- Tickets being booked for by someone else
- Availability
- Connectivity



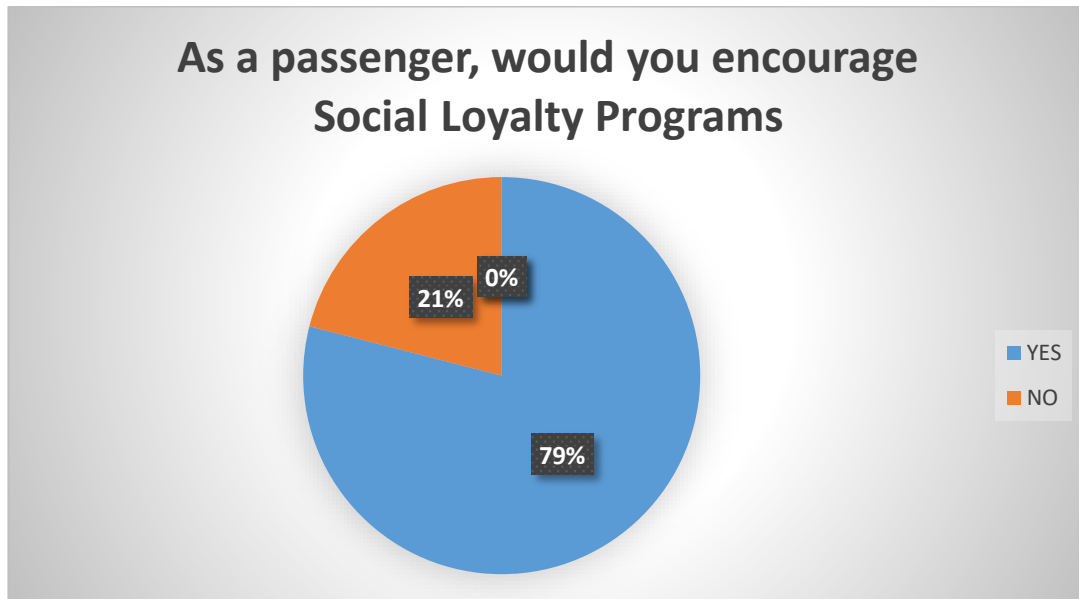
There is a 60:40 ratio in the membership enrollment. 60% of the respondents are part f Jet privilege. Whereas, 40% are not. This implies that the airline must target their potential customers by satisfying them.



About 27% fly jet airways because of their Jet privilege program. This must increase as, luring customers to enroll with ensure that the airline gets loyal customers. This will ensure the airline spending less on acquiring new customers.



There has been a significant increase in the loyalty of passengers towards the airline. However, the growth has been gradual. Such a trend must not be followed at such a gradual pace. This implies that Jet airways need to make certain changes in their loyalty program. Which targets majority of domestic as well as international customers.



From the chart above we can infer that, 79% out of 100 respondent's are in favour of a social loyalty program. Where as, 21% of the respondent's out of 100 are not in favour. There is clearly an 11:3 ratio between having a social loyalty program and not having one.

V. CONCLUSION

According to the results of the research loyalty programs are crucial in maintaining and construction of customer loyalty. Jet airways must work towards building a flexible loyalty program. Two extremes, in terms of age groups were taken. It was found that, there is a positive relation between longevity of the customers and repeat sales. This means that maintaining loyalty amongst customers is a crucial aspect. This will ensure the airline spends less, as acquiring new customers is more expensive than maintain existing ones. It was also seen that more the positive feedback and referrals leads to more subscription of customers in the loyalty program (Jet Privilege).

5.1. Recommendations

Loyalty programs must be make in an innovative and creative manner. All the aspects like age, longevity, subscription policies, shopping attitudes must be considered.

The following must be taken into consideration;

Marketers must use all types of customer loyalty programs, since there is a clear impact on customer retention.

There must be clear differentiation in the loyalty programs. This will ensure that the program stands out and purchase increases.

The cost and revenue must have be well balanced, being economical in todays day and age is crucial.

The loyalty programs, while being made must take in to consideration the various characteristics and preferences of customers while targeting and segmenting

Social loyalty programs have become prevalent, where airlines give points to customers according to their activity, with regards to the airline on social media. For instance, if a customer checks into Mumbai airport tagging Jet airways, He/she gets points for it. This is the new trend which involves customers and saves marketing costs.

In terms of redeeming points and benefits, (upgrades, free tickets, lounge access Etc.) must be flexible.

Targeting the youth is essential in ensuring Jet privilege is successful.

Construction of an effective and transparent feedback system. Considering the views and suggestions of the customers.

Keeping the customers aware about new up gradations and developments, with respect to Jet privilege.

Retaining customers is necessary as it leads to positive feedback and recommendation. Word of mouth is the ideal way to build and grow a loyalty program. Further, causing the airline to perform better.

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