

Chapter 10

The Airline Business

Abstract The airline product consists of tangible and intangible elements. It is important to remember that passengers are purchasing more than the airline product; they are also acquiring its benefits, including their customer experience, which they associate with it. Hence, the process of product development and market research should be ongoing, if an airline is to keep itself up-to-date with the latest developments in the market place. The airline marketers should know what constitutes a high standard of customer service, particularly toward high-yield, profitable customers. Nonetheless, there are different kinds of customers, including; short-haul, long-haul, leisure and business passengers, who may hold different expectations from their airline. They may have certain needs and wants which could be higher on their list of priorities. In conclusion, this chapter suggests that customer-centric airlines could follow a total quality mantra, where every process is continuously improved for the benefit of customers. Such a total quality management approach implies that all members of staff are responsible to improve their airlines' service quality.

10.1 Introduction

Today, commercial airlines serve many countries with modern jet equipment, and offer a wide range of services between major cities. Typically, airline products include, full-service carriers offering different classes of service, low-cost carriers (LCCs), inclusive tour packages, connecting services, stopovers, fly/drive, fly/cruise, incentive packages, charters, et cetera. These airline products possess tangible and intangible elements. The tangible part may include; a comfortable boarding lounge; whereas the customer service that is provided by the courteous cabin crew could be considered as the product's intangible aspect. Therefore, this chapter explains many aspects of the airlines' products. For instance, the short-haul, long-haul, leisure and business travellers may have different needs and wants. Therefore, a customer-centric airline is supposed to anticipate these customers'

demands and exceed their expectations. This can possibly be achieved if the airlines adopt a total quality mantra, in order to improve their service quality, for the benefit of customers.

10.2 Aspects of the Airline Product

As mentioned earlier, customer needs and wants are extremely important with regard to the airline product. It is possible to identify needs for different customer segments. For example business passengers may need punctual services (Peterson et al., 2013); whilst the leisure passengers may usually demand low prices (Tribe, 2015). Generally, the price is higher on the list of priorities for the leisure passengers than it is for the business passengers. However, this trend may be changing. In the past, business travellers were relatively inelastic as they were prepared to spend more for their seats (Swarbrooke & Horner, 2001). Moreover, the arrival of increased competition, particularly from low-cost carriers seems to have changed this demand (Porter, 1986).

There are tangible and intangible aspects of the airlines' products. The tangible characteristics of the business class service may include; the provision of separate check-in counters, special lounges, priority boarding, superior inflight meals, inflight entertainment, et cetera. The intangible features of the airlines' products include; friendly check-in employees, courteous cabin crew, et cetera. Yet, it could be difficult to distinguish the consumers' needs from wants. This task is made even more difficult by the competitive environment in which the airlines must operate. Today, customers can choose to travel with a wide selection of airlines that could be operating the same routes.

Essentially, all airlines should be satisfying their customers' transportation needs, and they are expected to be safe and secure. At times, they may even offer similar fares and deliver the same service standards in certain routes. Hence, the airlines that are capable of satisfying their customers' wants could be in a better position to achieve a competitive advantage, relative to their rivals. For instance, today many passengers can check-in their luggage off-airport premises, in many hotel or train stations, around the world: The guests at the Disney Resort can check their bags up to 24 h before their flights. This is of great benefit to passengers who are getting to the airport on public transit, or who may simply do not want to leave their bags around, before they travel. In a similar vein, passengers can check-in in Kuala Lumpur's central station if they are flying on Malaysian or Cathay Pacific. In Hong Kong's airport, passengers can check-in in the same day of their travel at the main stations. Similarly, at Paris-Charles de Gaulle, passengers can also drop off their baggage the day before their departure. This service is available to all passengers who are travelling in all classes of services, to all destinations.

10.2.1 *Short-Haul Passengers*

The short-haul passengers' most basic needs are conveniently timed, high frequency flights. The shortest journey by air is usually a day trip. Very often, day-return itineraries are intended to business passengers who start and finish their business on the same day. However, different markets may have different timing requirements. Generally, early morning, outward journeys and late evening, return journeys are convenient for many passengers, and are often demanded. Most markets have a Monday to Friday requirements for such types of journey. The short-haul passengers may opt for point-to-point journeys (a flight from origin to destination). Alternatively, they may use short-haul routes to connect with long-distance flights. In this case, the timing and frequency of the short-haul flights ought to be feasible for those passengers who may wish to make a connection onto another long-haul flight.

Therefore, it is necessary to differentiate between those passengers who travel point-to-point journeys, from those who use short-haul routes to connect with long distance flights. For point-to point business passengers, larger seats are probably less important that they are for other connecting passengers. This is mostly because the connecting passenger is likely to compare the seats on short-haul aircraft with the seats on long-haul aircraft, which are usually larger.

10.2.2 *Long-Haul Passengers*

Long-haul passengers may have certain wants which may be higher on their list of priorities, than they are for the short-haul passengers (some aspects of these needs and wants have been previously discussed in Chap. 3: The Marketing Environment). Specifically, the airline product comprises the following elements (Table 10.1):

The airlines' schedule and route network are extremely important in relation to departure and arrival slot times; particularly for those carriers operating long-haul routes (Wu, 2005). For instance, a flight may depart at an ideal time in its country of

Table 10.1 Components of an Airline Product

<ul style="list-style-type: none"> • Aircraft type, including the cabin's layout (galleys, lavatories, aisle spaces, seating, entertainment, and other features) and the cabin's noise levels;
<ul style="list-style-type: none"> • Punctuality and on-time performance, in terms of arrival and departure times;
<ul style="list-style-type: none"> • Price influences the level of demand. Moreover, the characteristics of the aircraft affect the overall costs, and the air fares that are charged to passengers;
<ul style="list-style-type: none"> • Schedule points to be served; direct or intermediate stops, timings and frequencies.

destination, and vice versa. This may happen for two reasons; the elapsed time of the flight, and/or time zone differences and changes en-route. Another difficulty is to establish what customers consider as an attractive departure and arrival schedule. Customers may prefer non-stop flights. They may also want to arrive as quickly as possible to their destination. Many airlines now have the opportunity to improve their scheduling in this respect. They can do this because of new technology aircraft such as Boeing 777-200; 787-200; Airbus 350/900, et cetera. Another schedule feature which can be deemed important is the choice of gateway airport. However, today, there are many international airports offering a high standard, in many regions of the world.

The airlines' operating long-haul routes experience severe constraints in relation to departure and arrival slot times. Since long-haul passengers spend a relatively long time on the aircraft, another extremely important want for them is an adequate on-board service. Recently, many airlines also started offering high-speed inflight wi-fi on-board their aircraft. Passengers can use this service to surf the web, send and receive emails, stream video content and music, et cetera. For the time being, passengers have to pay for a fast streaming service. Elements which come under on board service, include; seating, catering, inflight entertainment, and more importantly, the cabin crew's standards of customer service, which will ultimately affect the customer experience of the airline product. Together with schedule convenience, frequency of service and the high levels of seat access will be closely related to the cost of providing these features. Several long-haul airlines are increasingly offering similar products. This is especially true with regard to how they serve their corporate business passengers.

10.2.3 The Business Travel Market

Most of the products' features that were mentioned above satisfy the passenger wants rather than their needs. They are not absolutely necessary but are desirable attributes of the airline product. For instance, a separate check-in desk differentiates the airline product in terms of speed and status. Special baggage facilities for business passengers include; priority baggage handling, larger baggage allowances, generous carry-on luggage allowance, special luggage tags, priority delivery at the destination baggage hall, et cetera. In addition, many airlines offer separate lounges that include business facilities for their corporate travellers. Moreover, it is usual for legacy airlines to offer a seating area that is dedicated to business passengers on board their aircraft. The separate cabin area would offer enhanced features, including; comfortable seating with more legroom, better inflight meals and entertainment.

Business passengers may demand last-minute seat access, flexible and frequent air services. Seat access is the ability of business passengers to obtain a booking when they need it. The level of seat access is measured in terms of percentage probability—for example, there may be a 90% probability that a particular business traveller will be able to get the booking s/he needs at the time required. Flexible

arrangements offer the possibility to change flight arrangements, if necessary. Therefore, airlines must ensure the provision of frequent flights with sufficient capacity on each and every flight.

The pricing of air fares is a relatively important issue for all travellers, although a few years ago, the business segment used to be relatively inelastic (i.e. insensitive to changes in price). In recent years, a number of changes may have altered the face of this high-yield market. The rise of low-cost airlines and their frequent schedules to many destinations, may have changed this situation.

The business market has been characterised by a significant increase in the number of independent travellers which were either self-employed or small business owners. Unlike corporate travellers, whose fare is usually paid for by their employer, these independent business passengers will pay their own fare. This means that the air fare is a more important consideration for them than it is for other passengers in the business segment. Moreover, the corporate market is characterised by centralised purchasing. This meant that some big businesses were negotiating with airlines for discounts and price concessions, as they would with any other supplier of goods or services. This is particularly true for the frequent travellers. The number of companies who seek fare discounts has increased competition among airlines (Porter, 1986). In the past, when airlines offered identical prices, the companies could not negotiate to obtain fare discounts for their business travellers. Generally, the airlines will only offer discounts to specific companies who spend a certain level of expenditures.

10.2.4 Frequent Flyer Programmes

Frequent flyer programmes, can be considered as loyalty schemes that reward, and therefore encourage, frequent buying behaviours. At times, the development of frequent flyer programmes has proved to be extremely influential in terms of the passengers' choice of full-service airlines. Air passengers are usually rewarded for the air miles they have travelled, through points and/or fringe benefits. Once they accumulate enough points, they can redeem free flights or upgrades. In other words, the frequent flyer programmes are an incentive scheme that link the needs and wants of passengers. More importantly, these loyalty programmes are a sophisticated way of retaining customer information within customer relationship management systems (CRM). CRM systems allow airlines to access valuable data about the customers' travel patterns and behaviours. Hence, they support airlines in their provision of personalised customer service. They are intended to improve the consumers' retention and loyalty. The earlier frequent flyer programmes used to offer reward miles on air travel alone. However, contemporary loyalty programmes are also being used in conjunction with other firms, including retail, financial and hospitality businesses (for example, the use of a particular credit card could increase air miles). Many of these businesses are collaborating with airlines at a certain price, of course. At the same time, frequent buyers (rather than frequent flyers)

accumulate miles (and points) outside the airline, as they are offered attractive incentives from different businesses to accumulate their rewards.

Yet, these developments may have led to a shift in focus from “customer satisfaction” to “revenue optimisation”, as frequent flyer programmes are turning into profit centres. The existence of a frequent flyer programme does not always guarantee sufficient motivation to use the airlines’ services. Moreover, in some cases the customer data is also spread across many external partners, and thus cannot be used in data mining or business intelligence activity. While it is essential to invest and sustain a good frequent flier programme, it is also necessary to come up with viable improvements or alternative ways to handle customer relationships, more effectively.

10.2.5 The Leisure Travel Market

Unlike the business market, which may still seem relatively inelastic, in many markets; the leisure travel market is extremely elastic, as demand is heavily influenced by price. For the leisure traveller, price is an extremely important factor when choosing an airline. The leisure passengers pay for their fares (they are not sponsored). They may often travel in groups, in which case the individual air fare may have to be multiplied by three or four. Their air fare is just one part of the total cost of the holiday (or vacation). Hence, from the leisure passengers’ point of view, the less expensive the fare is, the more they can spend on other travel products. Leisure travel is highly discretionary. Very often, the holiday expenses may not be considered as priorities for some individuals.

Leisure travel is seasonal. Generally, certain destinations may experience a surge in demand in certain months of the year, as opposed to business travel. Therefore, schedule considerations may be less significant to leisure passengers than they are to business passengers. On the other hand, safety and security considerations are still very important aspects of the leisure market. Leisure passengers may be infrequent flyers. Moreover, this segment is price-sensitive, as leisure customers would travel more if the prices are affordable to them. Nevertheless, the leisure passenger may still expect a certain level of good service and courtesy from the cabin crew. In fact, an increasing numbers of leisure passengers are opting to pay extra in order to travel in business class. Other discerned customers may be intrigued to travel with those airlines which, in their opinion, may offer them a higher level of differentiated service on-board.

10.3 Customer Service

The customer service is especially important in securing the repeat business of regular travellers. In a highly competitive market, understanding what constitutes customer service can help airlines gain a competitive edge over their rivals.

10.3.1 Customer Service at the Point of Sale

Customers may contact the airlines directly through their sales offices (if any), via their telephone reservations (or call centres), or by simply purchasing their air tickets from their corporate web site. This first stage of the customers' contact with the airline is extremely important, as it is their 'moment of truth'. It is crucial that the airlines will satisfy and exceed their customers' expectations. Otherwise, they may decide to switch to other competitors. The aspects of customer service that are required by the airlines' front line, members of staff include:

10.3.1.1 Prompt Attention

The customers must be attended to as quickly as possible. An effort must be made to measure the customers' idea of promptness in terms of minutes/seconds. That is, the airline should have a standard for such things, such as maximum queuing times in the sales office or telephone waiting times.

10.3.1.2 Courtesy

The definition of customer service is something which is very difficult to define as it is a subjective issue. Courtesy means different things to many people. It differs cross-culturally. However, it is still necessary for an airline to have certain minimum standards and procedures, in this area. Many airlines lay down specifications to their staff, outlining the verbal communications and non-verbal cues that are required during customer service. It is crucial for airlines to deliver high standards of customer service when engaging with customers. However, many airlines may be using intermediaries, including calls centres that may not necessarily provide the same levels of service.

10.3.2 Online Engagement with Customers

The web has become a hub for content, conversations, communities and connections. It has become very common for customers to search for online reviews and ratings of travel and tourism businesses. Therefore, the airlines should present great online content through their corporate web site, and wherever they are engaging with interactive users. The airlines could use social media networks to share relevant content that is of value to prospective customers.

Social media outlets are becoming more relevant to connect with online users. The airlines should always respond as quickly as possible on social media as online users demand instant feedback and fast responses. The airlines' engagement will show that they care for their prospective passengers.

10.3.2.1 Attention to Special Requirements

The customers who may have special requirements ought to be served with the highest standards of customer service; for example, passenger requirements may include; special assistance to disabled passengers, special on-board meals, particular seating arrangements, et cetera.

10.3.2.2 Provision of Additional Information

The customers may request any additional information on hotels, weather, travel formalities, currency, and so on. Such information may be catered for and provided through the businesses' corporate web site.

10.3.3 Customer Service at the Airport (Home and Destination)

The basic components of the passenger services at the airport are not always delivered by the airlines. The airports' services may include: access to the airport and parking; check-in; baggage handling; passenger boarding (however, the airline should be helpful and efficient where there is the movement of children, disabled persons, et cetera); lounge facilities; airport wifi facilities; customs, immigration and security services; passenger information, direction and embarkation facilities, among others (De Neufville, 2016). Many of these are under the direct responsibility of airport authorities or government agencies. However, the customers may not be aware of this. Very often, they may consider the above elements as part of their overall airline package. Thus their customer experience may be directly affected by each of these aspects.

As was seen earlier, the airlines can directly control their own staff's standards of customer service. However, they can only exert an influence, over their intermediaries' staff. Similarly, the airports' authorities are outside of the airlines' direct control. They can put pressure on them (to a certain extent) to improve their facilities, if they are not satisfactory. To this end, most airport authorities regularly meet with their airport users, including airlines, and ground/passenger handling service providers, among others.

Nevertheless, it should be noted that it is extremely valuable to the airline to have members of staff who are dedicated to help passengers at key points, including baggage retrieval. Passengers will surely appreciate the airlines' presence in these areas. This engagement will also provide a good source of consumer feedback to the airline.

10.3.4 Inflight Services

The inflight service is heavily emphasised in airline advertising and during marketing campaigns. It is the feature of the overall airline product, which customers associate with the airline. Therefore, it is of the utmost importance that the airlines' service is as efficient as possible. Unlike other areas of customer service, this area is the sole responsibility of airlines. Once the aircraft has taken off, the customer service is under the airlines' direct control. Important areas under this heading are: seating, lavatories, catering, entertainment, the cabin crew's customer-centric ethos, the provision of entertainment packs for children, public address system, clear information on onward flights, wifi facilities, and the like. As was seen previously, inflight service is particularly important to the corporate business passenger, especially when travelling on long-haul flights.

10.3.5 Post-Flight Services

Post-flight services include many of the features that were listed under the heading 'Customer Service at the Airport', as it comprises; baggage handling, passenger movement and so on. Yet, there are also some additions. Some airlines offer transportation to their passengers by special coach or limousine from the airport to their hotel, or to other terminals.

Another component of post-flight services is the operation of an effective system that is capable of dealing quickly and competently with lost or mishandled baggage. Many legacy airlines may even offer prompt refunds to passengers holding unused tickets, when these are requested. Moreover, the handling of complaints and compliments are usually regarded by many airlines as an extremely important part of their service. Many of these issues may demand that airline employees observe strict standards of customer service procedures.

10.4 The Total Quality Concept

Many airlines are now moving away from the practices of treating the elements of their product separately. Instead, they are trying to achieve a higher quality of service by instilling more awareness of the 'total quality concept' amongst their members of staff. In the past, the customer service training was usually directed to front-line employees. However, the total quality policy is aimed at every employee. The theory behind this concept suggests that the customer services rely on each employee and on every operational process. The back-office operations will ultimately affect customers and the airline product. Therefore, the customers' satisfaction is everyone's responsibility.

Where there is a total quality concept the members of staff, from top to bottom are usually involved in decisions concerning their airline product. The employees are expected to participate in every aspect of the airline, to improve the product and service quality, for the benefit of customers. A participative leadership may be required as airline staff could be in a position to ameliorate the provision of their customer services. For instance, if a flight is overbooked, an arrangement could be made with other airlines to cater for denied boardings. The total quality concept may also involve that all employees are aware of contingent procedures. For example, the passenger handling employees could be proactive in their customer services by providing lunch vouchers if a flight is delayed. The passengers will be satisfied if ground staff can handle such situations with confidence, rather than having to consult management. An efficient customer service would anticipate the customers' needs and wants without causing further delay and inconvenience.

Those airlines who are not putting the total quality concept into practice are in danger of falling behind their competitors, particularly those differentiated, full-service carriers. As the market become ever more competitive, the service aspect of the airline product becomes more important. The most successful airlines of the future will be those who offer a total quality, customer-centric product.

10.5 Questions

- *Examine the customer service element of the airline product of your national carrier. How can it improve its service? Discuss?*
- *Explain why price is a very important factor when choosing an airline?*
- *Describe two factors which must be taken into account when designing the customer service features of the airline product?*
- *Do you think the airline's market share would improve if an airline practices the Total Quality Concept?*

10.6 Summary

The customers' needs and wants are extremely important with regards to the airline product. However, as a rule, wants are more important than needs in a highly competitive environment, where many airlines offer similar fares and the same levels of service quality, in certain routes.

The short-haul passengers may expect conveniently-timed, high-frequency flights. When discussing short-haul passengers, it is important to differentiate between those passengers making point-to-point journeys and those who are using a

short-haul route to connect with a long-distance flight. There are certain needs and wants which are higher on the long-haul passengers' list of priorities than they are on the short-haul flights.

The business passengers' most important needs are frequency, convenient timing, punctuality, flexibility and safety. The wants of the business travellers' may include; a separate check-in facility, special baggage facilities, separate seating compartment on board and other features. Although price is a relatively important factor for all travel segments, it is usually less important to the business passengers than to leisure passengers. For the leisure travellers, price remains an extremely important factor when choosing an airline.

Frequent flyer programmes incentivise loyal passengers. They may be extremely influential in terms of the passengers' choice of airline.

Customer service covers all of the product features, encompassing; customer service at the point of sale; engagement with customers through digital media; customer service at the airport (home and destination); in-flight service and post-flight service. Many airlines are becoming customer-centric as they follow a total quality concept. This mantra holds that every employee and every process within the airline could ultimately affect customers and the product. Therefore, the total quality concept suggests that the customers' satisfaction is everyone's responsibility.