

# IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT ON PASSENGERS' SATISFACTION AND LOYALTY IN INDIAN AVIATION INDUSTRY

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**Abstract:** This paper analyzed the impact of customer relationship management (CRM) elements on customer satisfaction and loyalty. CRM is one of the crucial strategies which can be employed by the organizations to improve competitive advantage. Seven CRM factors used in this study are Customer focus, Responsiveness, Staff assistance, convenience, post-flight services, other relationship maintaining practices and customization services. The sample size consisted of 300 passengers from different districts of Punjab and Union Territory Chandigarh. Multiple regression analysis is used to examine the relationship of the CRM factors on satisfaction and loyalty. The finding shows that Customer Focus, Responsiveness and Convenience factor gives significant impact on passenger satisfaction whereas customer focus, responsiveness, staff assistance, other relationship practices, and convenience significantly contribute to passenger loyalty.

**Keywords:** Customer Relationship Management, relationship development, customer loyalty, customer satisfaction.

## I. INTRODUCTION

In the present era of competitiveness, improvement in customer services, retaining current and acquiring new customers has become a most difficult task in the service sector. The ways in which the customers and organization interact has undergone significant changes over the years, the organizations need to respond to the customers' requirements proactively, as they cannot take the risk to wait till the customer complains about the product or services and express their dissatisfaction. A customer is an asset for an organization so to succeed in this highly competitive world it is crucial to fulfill the expectations of customers. Nowadays, companies are increasingly focused on managing customer relationships, customer asset, or customer equity. The long-run value of potential and current customers is expressly acknowledged by Customer relationship management and it seeks to increase shareholder value and profits of every organization through targeted selling activities which are directed toward developing, maintaining, and enhancing company-customer relationships (Naveen and Venkataramana, 2014). Customer relationship management (CRM) is not solely utilized by business organizations to maintain good relationships with their present and old clients and associates; however, the nomenclature is currently being used by almost all type of organization to create a beneficial environment for them and everyone in today's era of competition. Customer Relationship Management is considered as a customer-focused strategy that dynamically integrates sales, marketing, and the customer care service to create, and adds worth to the company and its customers (Chalmeta, 2006). Customer relationship management is a concept which manages a company's interactions with its customers, clients, and sales prospects. Customer Relationship Management is often used to describe technology-based customer solutions and has emerged in the information technology vendor community and practitioner community in the mid- the 1990s. It involves using technology to organize, automate, and synchronize business processes. The objectives of CRM are to enhance profitability of the business by satisfying the customer. Many organizations use a set of tools, technologies, and procedures to support the relationship with the customer thus enhancing sales. Therefore, CRM is a strategic business process rather than a technical one (Dowling, 2002). In today's globalized and liberalized business environment, the itsservice sector is encountering stiff competition to meet the requirements of the profitable ways of business. Customers are becoming more demanding and the organization has no choice but to respond to the customers' need faster or to lose them to the competitor. The aviation industry in India has emerged as one of the fastest growing aviation markets in the world, driven by its sustained economic growth. During the last three years, the civil aviation industry in India has emerged as one of the fastest growing sectors in the country. Presently, India has become the third largest domestic aviation market in the world and is expected to overtake the UK to become the third largest air passenger market by 2025. The market size of the sector has shown a tremendous shift during the last few years. By 2020, passenger traffic at Indian airports is expected to increase to 421 million from 308.75 million in 2017-18 (Source: www.ibef.org).

In this extremely competitive industry, while operational potency helps to reduce costs but customer satisfaction is the key to sustain market leadership and long-run profitability. Airlines have realized the importance of having satisfied customers and are therefore focusing on customer relationship management (CRM) as a strategic tool for managing relationships with the customers. Customer relationship Management in the Airline Industry includes all the touch points in the customer's travel experience. CRM in airlines starts much before a passenger board a flight; it starts as soon as a passenger comes in contact with a particular airline and continued up to post-flight services.

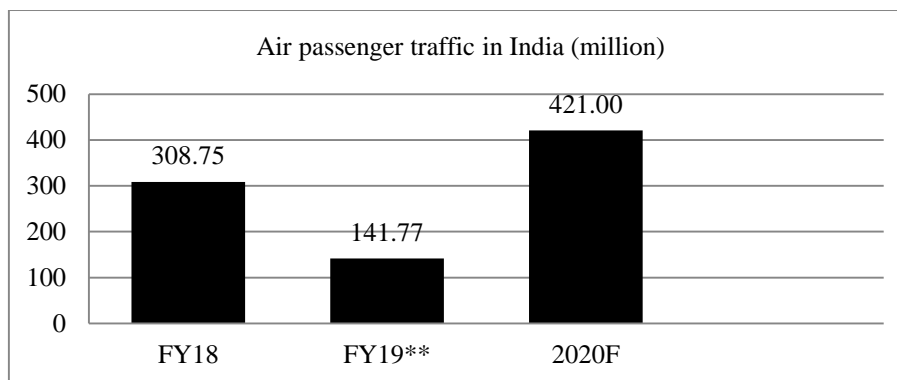


Figure: 1 Air passenger traffic in India (million)

Note: \*At real prices, E – Estimated, F – Forecasted, \*\* - Upto August 2018  
(Source: World Travel and Tourism Council, Airport Authority of India)

## II. LITERATURE REVIEW

Chitnis (2006) in his thesis studied the customer satisfaction formation process in Iran's airline industry. To conduct the study nine major Iranian airlines were selected (airlines operating both domestic and international routes). Simple random sampling was used to collect data from the respondents. The total number of passengers surveyed in nine flights were 1206 out of 424 usable questionnaires were extracted. Data analysis was done through PLS graph software. Both theoretical and managerial implications obtained from the study. The research mainly focused on CRM, Customer satisfaction, expectation disconfirmation theory, and SERVQUAL instrument. The implications of the study showed that there was a strong relationship between expectation confirmation and perceived performance which formed satisfaction.

Dhman, Z.A. (2011) investigated the effect of customer relationship management (CRM) on customer's acquisition, satisfaction, retention and decreasing customer's loss in the coastal municipalities water utility from customer's perspectives in the city of Rafah. A descriptive analytical methodology was followed in leading the exploratory research. A well-structured questionnaire was used to collect data and responses from 393 customers in the city of Rafah using stratified sampling. The customers were categorized into 3 groups, the committed customers, the partially committed customers, and the uncommitted customers. The study suggested that the CMWU ought to concentrate more on developing the provided services, managing customers' complaints, and taking customer feedback and involving the customers' responses for developing future strategies, and establish continues communication with the customers using different communication channels, so as to achieve the ultimate goal of CRM adoption.

Munusamy et al. (2011) investigated the level of customer satisfaction among the customers of Air Asia, a budget or low-cost carrier in Malaysia. A sample of 300 questionnaires was distributed in the Klang Valley and it was distributed to those passengers who have taken Air Asia flight at least once in the last 12 months. The variables which examined were- the cost offered, pre-flight administrations, client relationship administration, cabin environment, and in-flight services. A quantitative approach with Pearson Correlation and Multiple Regression Analysis were deployed to study the relationship between the independent and dependent variable. The findings revealed that the price offered by Air- Asia and the satisfaction level has no relationship between them whereas the factors (pre-flight services, customer relationship management, cabin environment, and in-flight services have shown a positive significant relationship with customer satisfaction.

Ahadmotlaghi and Pawar (2012) analyzed the customer relationship programs practiced by the airline industry and its impact on satisfaction and loyalty of passengers in India. The main objective of the study was to identify CRM factors that influence customer satisfaction and loyalty and to analyze the relationship between these factors and two parameters – satisfaction and loyalty. Data was collected from 840 passengers using national airlines of India. Factor analysis was applied to classify statements under main factors and multiple regression analysis was used to determine the relationship between factors and satisfaction, loyalty. Seven factors were identified- trust, communication, customization, commitment, flight patterns, service quality, and involvement. The result of the study indicated that changes in satisfaction level occurred as a result of effect from these factors under CRM. It was concluded that CRM affects passengers' loyalty directly. It was also suggested that airlines should struggle to gain more knowledge to understand the real needs of customers and fulfill them by creating long-term relationships and making customers satisfied and loyal.

Amoako et al. (2012) analyzed the impact of Customer Relationship Management on customer loyalty in the hotel industry at the Golden Tulip Hotel, Accra. The study emphasized to find out the extent to which effective Customer Relationship Management leads to customer satisfaction and assessed that the services provided by the hotel meets the needs and wants of the customers. A descriptive survey design methodology was adopted. The sample size of 45 respondents including both individual and corporate clients was selected. A questionnaire was administered to guests of the hotel using the Critical incident approach that focuses on obtaining information from customers about the services and goods they encountered in the past. From the statistics of the response, it was found that effective Customer Relationship Management had a positive impact on customer loyalty. Customers often patronize the services and also willing to refer the services to others. It was concluded that managing Customer Relationship effectively built customer trust in the organization thus leading to repurchase behavior.

### III. RESEARCH METHODOLOGY

The purpose of this study is to examine the relationship of customer relationship management with customer satisfaction and customer loyalty. Base on the above literature review on various previous studies, several critical elements identified that link closely with customer satisfaction and loyalty are Customer focus, Responsiveness, Staff assistance, convenience, post-flight services, other relationship maintaining practices and customization services.

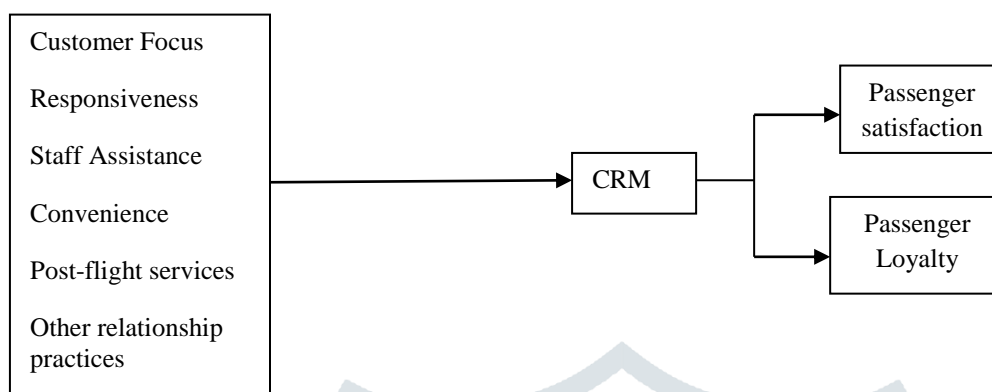


Figure 2. Conceptual framework

A structured questionnaire is prepared to collect data from the respondents. The data is collected and analyzed by using the SPSS software package. The Likert scale rating was used for data collection. The Likert scale is a rating system in which the respondents indicate how strongly they agree or disagree with the questions asked to them (Saunders *et al.*, 2009). The sample size consists of 450 respondents from different districts of Punjab and Union Territory Chandigarh, Out of which 150 respondents are employees working in different airline companies operating in airports of Punjab and Chandigarh and 300 respondents are passengers of different gender, age, income categories and professions. Non-probability sampling was used especially to select the passengers and employees in the aviation sector. Pilot study was conducted and reliability of scale is checked by using Cronbach's alpha. The values of Cronbach's  $\alpha$  of factor-1 to factor-7 ranges from 0.82 to 0.94, which suggests a good internal consistency.

### IV. FINDINGS OF THE STUDY

#### 4.1 Effect of CRM practices on passengers' satisfaction

Nowadays, for sustaining a competitive advantage for business success and survival, Customer satisfaction has emerged as one of the most powerful tool. Providing excellent service is a profit strategy because it results in acquiring more new customers, more business with the existing customers, fewer lost customers, more insulation from price competition, and fewer mistakes requiring the re-performance of services, Parasuraman *et al.*, (1987). However, maximizing customer satisfaction will maximize profitability and market share (Mentzer *et al.*, 1995). Verhoef (2003) conducted study to demonstrate the impact of CRM on retaining of Customer. The results show that, CRM positively affect the customer retention. Verhoef & Donkers (2001) confirm that CRM permits companies to employ strategies with the help of customer databases in administrating personal relationships with the customers effectively that directed towards retention. Sheth & Sisodia, (1999), when customers are satisfied the likelihood of maintaining the customer is enhanced. Theoretically, higher satisfaction should diminish the perceived benefits of switching service providers, thus produce higher customer retention (Anderson & Sullivan, 1993). So, it is essential to understand the effect of CRM practices on passengers' satisfaction. In this section, the relationship of customer relationship management with passenger satisfaction is analyzed. Research objectives are tested by using multiple regression analysis as shown in Table 1 & 2.

Table no. 1- Regression Analysis of CRM practices on Passengers Satisfaction

| R                 | R Square | Adjusted Square | R | Std. Error of the Estimate | Sum of Squares | of | df | F      | Sig. |
|-------------------|----------|-----------------|---|----------------------------|----------------|----|----|--------|------|
| .650 <sup>a</sup> | .422     | .409            |   | .44666                     | 42.606         |    | 7  | 30.508 | .000 |

\*Dependent Variable: Customer Satisfaction

Based on the Table no. 1, it is found from the information given above that CRM factors overall has a positive relationship with customer satisfaction. The correlation coefficient of CRM factors and customers' satisfaction is 0.650 which indicates significant positive correlation. As depicted in table no.1, the value of adjusted R square value is 0.409 which exhibits that CRM element contributes 40.9% to dependent variables. The results indicated that the regression model explained 40.9 per cent variation in the customer satisfaction due to CRM factors. The analysis provides that CRM factors have an average effect on customer satisfaction.

Table no. 2- Factor analysis between CRM factors and Passenger Satisfaction

| Factors                                  | Standardized Coefficient $\beta$ | t-value | Sig. |
|--|----------------------------------|---------|------|
| Customer Focus                           | .289                             | 4.184   | .000 |
| Responsiveness                           | .230                             | 3.685   | .000 |
| Staff Assistance                         | .100                             | 1.432   | .153 |
| Convenience                              | .131                             | 2.030   | .043 |
| Post-flight Services                     | -.005                            | -.083   | .934 |
| Other relationship maintaining practices | -.060                            | -1.160  | .247 |
| Customization services                   | .065                             | 1.073   | .284 |

The information is given in the table no. 2 exhibits that Customer Focus, Responsiveness and Convenience factor give significant impact to customer satisfaction. It is clear that the dependent variable with higher level of  $\beta$  has a higher impact on the dependent variable. In this study, result reveal that the Customer Focus factor ( $\beta=.289$ , sig<.000) is the most influential factor and responsiveness factor ( $\beta=.230$ , sig<.00) is ranked second. The convenience factor has a standardized coefficient of 0.131 and sig. value is 0.043 which represents the significant effect on customer satisfaction. The rest of the elements did not show any significant contribution. As observed from Table 2 Customer satisfaction is negatively affected by post-flight services and Other relationship maintaining practices in the airline sector. This suggests that lack of post-flight services and Other relationship maintaining practices in the airline sector will negatively affect the passengers' satisfaction.

#### 4.2 Effect of CRM practices on Passenger's Loyalty

Companies need to build customer loyalty aiming at increasing their revenue. Loyal customers have a direct impact on the company's profitability. When a company consistently delivers superior value and wins customer loyalty, market share and revenues go up, and the cost of acquiring and serving customers goes down (Reichheld 1993, p. 64). As a result of loyal customers who make repeat purchases and make referrals the market share and revenues of the business increases. Zeithaml et al. (1996) have suggested that customer loyalty is a manifestation of three facts; expressing a preference for a company over others, continuing to purchase from it and increasing business with it in the future. To put in a nutshell, the definition of customer loyalty presented three points as:

1. Customer's willingness to continue patronizing a firm over a long period time
2. Recommending the firm's products and services to friends and close ones
3. Customer exhibits repeat purchasing behavior from a service provider

Table no. 3- Regression Analysis of CRM practices on Customer Loyalty

| R                 | R Square | Adjusted Square | R | Std. Error of the Estimate | Sum of Squares | of | Df | F      | Sig. |
|-------------------|----------|-----------------|---|----------------------------|----------------|----|----|--------|------|
| .645 <sup>a</sup> | .416     | .402            |   | .45271                     | 42.623         |    | 7  | 29.709 | .000 |

\*Dependent Variable: Customer Loyalty

Table no. 3 shows that there is a strong relationship between customer relationship management and passengers' loyalty. The correlation coefficient between customer relationship measure and the loyalty of passengers' is 0.645 which indicates significant positive correlation. As depicted in Table 3, the value of Adjusted R-Square in the case of the aviation sector is 0.402 respectively which show a strong relationship between the two constructs. The results indicate that the regression model explained 40.2 percent variation in customer loyalty due to CRM factors. The analysis provides that relationship measure has an average effect on customer loyalty.

The study analyzes the effect of different CRM factors of passengers' loyalty. There were seven CRM factors considered in the present study – Customer focus, Responsiveness, Staff Assistance, Convenience, Post- flight services, Other relationship maintaining practices and customization services. The individual impact of these factors is represented in the table given below.

Table no. 4- Factor analysis between CRM factors and Customer Loyalty

| Factors                                  | Standardized Coefficient $\beta$ | t-value | Sig. |
|--|----------------------------------|---------|------|
| Customer Focus                           | .054                             | .778    | .437 |
| Responsiveness                           | .241                             | 3.831   | .000 |
| Staff Assistance                         | .248                             | 3.542   | .000 |
| Convenience                              | .248                             | 3.815   | .000 |
| Post-flight Services                     | -.017                            | -.275   | .783 |
| Other relationship maintaining practices | .117                             | 2.225   | .027 |
| Customization services                   | -.100                            | -1.650  | .100 |

The information is given in table no. 4 exhibits the factor analysis of different factors of customer relationship management. As can be observed from the Table 4 customer loyalty is positively affected by customer focus, responsiveness, staff assistance, other relationship practices, and convenience, whereas post-flight services and customization services have negatively affected overall customer loyalty for airlines. This means that if the customers of airline companies are satisfied by the overall CRM practices offered by their company, they will continue to do business with the company and prefer to travel with the same airlines. This also suggests that when airlines lack in providing post-flight services and will not take steps to keep in touch with the customers then this will lead to dissatisfaction thus have a negative impact on customer retention. The significance value of responsiveness, staff assistance, convenience, and other relationship practices is  $0.00(<0.005)$  which represents that these factors have a significant effect on customer loyalty in the airline industry.

## V. DISCUSSION AND CONCLUSION

The results of the study clearly represent that CRM has a positive relationship with the dependent variables (passenger satisfaction and loyalty). However, it is seen that all elements do not have a significant impact on the dependent variables. The regression tables show that all the Customer Focus, Responsiveness and Convenience factor give significant impact on customer satisfaction had a significant effect on the overall passenger satisfaction for airlines. The relationship development found to contribute most to customer satisfaction and this result confirms the findings of previous studies (Coulter, 2002; Brown & Gulycz, 2002; Hanley, 2008). The significance value of responsiveness, staff assistance, convenience, and other relationship practices is  $0.00(<0.005)$  represents that these factors have a significant effect on passengers' loyalty in the airline industry. Hanley (2008) and Coulter (2002) also emphasized that positive employees' behavior is vital in sustaining customers' loyalty. Employees must be trained to respond to the customers' needs at an appropriate speed.

## VI. IMPLICATIONS AND DIRECTIONS FOR FUTURE RESEARCH

This study focuses on the Indian aviation sector and the scope of the study was concentrated to Punjab and Chandigarh. Therefore the result of the study cannot be generalized to the whole part of the country. However, a comparative study can be done in the future to look in the differences between two different regions or countries on the CRM practices that affect customer satisfaction and loyalty. CRM is the most efficient approach which is beneficial in maintaining and creating relationships with customers. CRM is not all about earning profits in business but also ideate strong personal bonding within people and the development of this type of bonding drives helps the business to achieve new levels of success. So it is imperative that Organizations must consider seriously in investing in tools for implementing CRM systems in their workplace.

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