



Passengers Perception of Retention Strategies Adopted by Domestic Airlines in Coimbatore District

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ABSTRACT

Customer retention is defined as the marketing goal of preventing customers from going to the competitor. Customer retention is the way in which organizations focus their efforts on existing customers in an effort to continue doing business with them. Airlines are realizing that retention strategies are the magic bullet that helps them to build stronger and more profitable relationships with the passengers. The study is carried out to find out the effect of retention strategies adopted by domestic airlines in Coimbatore district. A total of 500 respondents have been taken by applying non-probable convenience sampling method and Multiple Regression is used to test the hypotheses. Findings of the study reveal that the passengers perceived that the retention strategies adopted by the domestic airlines are effective.

Keywords : Retention Strategies, Domestic Airlines and Passenger Perception

1. INTRODUCTION

Today's competitive environment maximizes customer retention probability so as to sustain the airlines protection against inroads competition. Customer retention is needed to achieve this goal. Customer retention is defined as the marketing goal of preventing customers from going to the competitor. Customer retention is the way in which organizations focus their efforts on existing customers in an effort to continue doing business with them. Customer retention is a key factor in determining the success of business today. It is noted that competitors are always on the lookout to steal customers through better deals. It is found that customers in the airline industry keep on switching airlines for better deals.¹

Airlines are realizing that retention strategies are the magic bullet that helps them to build stronger and more profitable relationships with the passengers. Hence, airlines should focus on delivering to passengers by having a concise and precise ways of doing things through effective retention strategies rather than developing marketing strategies.²

2. AIRLINE INDUSTRY

Indian Aviation Industry is one of the fastest growing airline industries in the world. India is currently the ninth largest aviation market in the world. India's Open Sky Policy of 1990 and the Air Corporations (Transfer of Undertakings and Repeal) Act of 1994 further freed up India's civil aviation industry and eradicated the government carrier monopoly.³ In India it is estimated that Foreign exchange transactions worth \$22.5 billion are directly facilitated by the civil aviation sector, and another \$96 billion indirectly through civil aviation services. Indeed, 95% tourist arrivals into the country are by air, and 40% country's exports/imports by value take the aerial route.⁴ The Coimbatore Airport is located at a distance of 21 kilometers from the city centre. It was formerly known by the name of Peelamedu or Coimbatore Civil Aerodrome. It is the eleventh largest airport in India in terms of total passenger movement and the second largest in Tamil Nadu, after Chennai International Airport.⁵

3. REVIEW OF LITERATURE

Palto Ranjan Datta, Hong Thien Nguyen and Ha Nguyen made an attempt to explain the importance of Customer Retention and the factors by which this may be achieved. The study also suggested eleven links for strengthening the CRM. The link indicates that there is direct relationship between customer valuate and trust, customers satisfaction and commitment. These are the preconditions to create positive relationship between buyers and sellers. Without the long term buyer-seller relationship it is difficult to create customer retention. The fundamental point is that a retained customer will, inevitably (and free of charge), generate additional customers.⁴

Anders Gustafsson, Michael D. Johnson and Inger Roos in their study of telecommunication services, examined the effects of customer satisfaction, affective commitment and examine the potential for situational and reactional trigger relationship. The result support consistent effects of customer satisfaction, calculative commitment and prior churn on retention. Prior churn also moderates the satisfaction, retention relationships. The results have implications for both customer relationship managers and researchers who use satisfaction surveys to predict behavior.⁵

4. STATEMENT OF THE PROBLEM

The customer has been the prime concern for companies since the time of industrial revolution. Service sector like civil aviation has been no exception. The advent of many new players has increased the choice for the customers. Customers now have varied choices, and are more knowledgeable and demanding too. So these new generation customers need to be handled with utmost care by the airline companies because the questions is not only to acquire the customers but also to satisfy and retain them for long as loyal customers. It is essential that the management of better relationship must be measured from the customers' perspective, not from what managers within the airlines think customers view are.

Based on the above stated issues, it has been considered pertinent to focus the study on customer retention strategies in domestic airlines with the following query:

- a) What is the Satisfaction level of the passengers on retention strategies adopted by Domestic Airlines in Coimbatore District and the factors that influence their perception?

5. OBJECTIVES

The purpose of the study is to investigate the customer retention strategies and evaluate the effectiveness of these strategies. The objectives of the study are:

- a. To identify the customer retention strategies adopted by domestic airlines as perceived by passengers.
- b. To evaluate the effectiveness of the strategies.
- c. To recommend the best strategies that work for the domestic airlines.

6. HYPOTHESES

H₀ : There is no significant relationship between retention strategies adopted by airlines and various independent variables

H_a : There is significant relationship between retention strategies adopted by airlines and various independent variables

7. METHODOLOGY AND TOOLS USED

The study is based on primary data and the required data for the study were collected through structured questionnaire from five hundred airline passengers in Coimbatore city. The respondents for the study were drawn by means of convenient sampling method. SPSS package were used for analysis. In order to assess the relative importance of retention strategies in domestic airlines Multiple Regression (1% level of significance) has been used to discover any variation between retention strategies and independent variables.

8. EXTENT OF VARIATION ON RETENTION STRATEGIES ADOPTED BY DOMESTIC AIRLINES

It is clear from the table 1, that out of five hundred respondents, ninety respondents perceived that the retention strategies adopted by airlines are very effective; three hundred and thirty five respondents perceived that the retention strategies adopted by airline are effective and remaining seventy five respondents perceived that the retention strategies adopted by domestic airlines are less effective.

It also inferred that the mean perception score of the respondents who perceived that the retention strategies adopted by airlines are very effective are: 1. the female respondents, 2. the young age respondents, 3. the under Graduate respondents, 4. the self-employed respondents,

5. the respondents whose frequency of visit is high.

Table 1: Perception on retention strategies adopted by domestic airlines

S. No	Category		Effect on Retention Strategies			
			Total	Very Effective	Effective	Less Effective
1	Gender	Male	340	61	238	41
		Female	160	29	97	34
		Total	500	90	335	75
2	Age	Young	94	22	34	38
		Middle	320	53	240	27
		Old	86	15	61	10
		Total	500	90	335	75
3	Educational qualification	School Level	24	11	13	0
		Under Graduates	222	40	134	48
		Post Graduates	148	16	113	19
		Professional	65	17	42	6
		Others	41	6	33	2
		Total	500	90	335	75

4	Occupational status	Employed	220	37	170	13
		Self – employed	31	3	19	9
		Professional	65	17	40	8
		Others	184	33	106	45
		Total	500	90	335	75
5	Frequency of visit	Less	376	72	244	60
		Moderate	93	18	68	7
		High	31	0	23	8
		Total	500	90	335	75

9. Multiple Regression of the variables with the perception of the Passengers on retention strategies by Domestic Airlines

The researcher has made an attempt to find out the simultaneous effect of various independent variables on the dependent variable i.e., the perception of the respondents on retention strategies adopted by airlines, a Multiple Regression Equation was constructed by using the following independent variables such as Overall (X₁), Discomfort (X₂), Relationship (X₃), Expectation (X₄), Airline Services (X₅), Ticket Reservation (X₆) Awareness(X₇).The co-efficient of multiple determination (R²) shows the amount of variation explained by all these independent variables to the dependent variable. In this analysis R² value was 95.1%. When this R² value is tested for its significance by using ANOVA, F Value was found to be significant.

The multiple regression equation for the perception of the passengers on retention strategies offered by domestic airlines is given below:

$$Y = -3.377 + 24.661X_1 - 8.164X_2 - 6.577X_3 - 11.451X_4 - 48.478X_5 - 2.787X_6 - 2.476X_7.$$

Table - 2: Multiple Regression of the variables with the perception of the Passengers on retention strategies by Domestic Airlines

Sl. No	Variable code	Variable Name	Regression Co-efficient	't' value	Significance
1	X ₁	Overall	-11.456	24.661	.000
2	X ₂	Discomfort	-0.160	-8.164	.000
3	X ₃	Relationship	-0.294	-6.577	.000
4	X ₄	Expectation	-0.453	-11.451	.000
5	X ₅	Airline Services	-1.203	-48.478	.000
6	X ₆	Ticket Reservation	-0.011	-2.787	.006
7	X ₇	Awareness	-0.097	-2.476	.014

From the results of Table 2, it is clear that the variables 'Overall', 'Discomfort', 'Relationship', 'Expectation' and 'Airline services' have strong effect on retention strategies adopted by domestic airlines and the variables 'Ticket reservation' and 'Awareness' do not have any effect on retention strategies adopted by domestic airlines.

10. SUGGESTIONS

1. It is suggested that the airlines can retain customers by being responsive and sensitive to their needs, views and feelings.
2. In most cases, the customers form an opinion on the airlines based on their experience with the employees. Hence it is very important to realize the loyal employees to create loyal customers.
3. It is suggested that more offers for frequent flyers should be given at reduced fares.
4. It is recommended that airlines should maintain a standard fare throughout the year like railways this would reduce churn.

11. CONCLUSION

The aviation industry in India is in the halcyon days of boom. The entry of low cost carriers totally changed the face of this sector by attracting higher end railway passengers to fly. Still, the fact that only over 1 % of the total Indian population of around 100 crores uses aircraft as a mode of transport which indicates that there is enormous potential for untapped

market. As a holistic concept, retention strategies envisage a long-term relationship with a specific group of customers whose importance is highly formidable. Effective retention

strategies are considered as a key to the sustainability of the airlines and the passengers are the key factors to airlines success, innovation and profitability.

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