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Customer Orientation in the Airline Industry: A Comparison between Travelers and Airlines

Air transportation is one of the most comprehensive and significant factors in tourism development, thus contributing to tourism's development worldwide. Consequently the industry increasingly depends on it. In recent years, global aviation has effectively responded to demographic, legal-political, socio-economic and technological changes and changed the way they do business. In this turbulent environment, a customer orientation is needed. However, there has been little research undertaken on customer orientation in the airline industry. This study examines if airlines are really aware of customers' needs and what main differences exist between airlines and passengers.

Key words: airlines, travelers, market-driven approach, customer orientation.

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Introduction

Airlines have evolved over the past seventy years from being simple contract mail carriers into sophisticated businesses. The current airline environment is very competitive and dynamic (Smith, Barlow and Vinod, 1998). Considering the high level of interaction between a service provider and its customers, a marketing approach's significance cannot be overstated (Appiah-Adu, Fyall and Singh, 2000).

Over the past few decades, considerable attention has been focused on cultivating a market-driven approach, which fosters the effective implementation of the marketing concept as an important source of competitive advantage in the tourism industry. However, marketing strategies towards service standardization in an attempt to reduce the variability of the final outcome have often produced somewhat bland and predictable standards of service, thus attenuating the means of differentiation between competing organizations (Witt and Clark, 1990). The tourism industry, and especially the airline industry due to regulation, is one of the last industries to experience the adoption of the marketing concept. In reality, despite the widespread acceptance of the marketing concept in principle, the development of management skills required to effect marketing plans still remains a problem area for many airline firms.

Airlines must be able to cope with an incredible pace of change, all the while keeping in mind that the same challenges that are ameliorated through effective managerial skills will very likely change the demands that customers make of them as well. Even in the face of rapidly changing structural and market forces (such as alliances, deregulation, entry of new competitors, ICT, mergers, acquisitions), airline managers must be capable of reacting promptly and formulating strategies that enable them to identify and satisfy their customers' needs. Also, it is critical to note that within the airline industry, it is the customer who truly

defines the level of service that is expected. To that end, it is the responsibility of the airline to listen, comprehend, and implement corporate policies which develop a quality product (Butler and Keller, 1998). To survive in this environment, airlines need to anticipate future market needs and conditions and allocate resources to match supply to demand.

Specifically, for most airlines, two segments of the market make up the core passenger traffic: mix-business and leisure. For both business and leisure reasons, people like to travel, and as a result the airlines' ability to cater to these needs has grown markedly over the last several decades. Still, air travel satisfies a derived demand; after all, no one buys an airline ticket simply because he or she loves traveling on an aircraft. Instead, people buy airline tickets because they need to get from one location to another one in order to fulfill a specific objective such as business, leisure, or both. In order to satisfy both reasons, airlines must be skilled at identifying where, when, and why the demand exists and what the specific needs of customers are (Shearman, 1989). Therefore, the objective of this study is to identify whether there are any gaps between the needs of passengers in utilizing air travel and what airlines anticipate as the needs of potential passengers.

Methodology and findings

Sixty-seven international airline managers and 1,203 international travelers were asked by mail and interviewed face-to-face, in one of the most highly used airports in Europe, respectively. Both airline managers and passengers were asked the same questions about specific strategic actions (e.g. discounts and special offers, quality and price relationship of the service offered, adaptation of service to changes in the market) used by airlines in order to satisfy their customers' needs. They were asked to rate these questions using a 5-point *Likert*-type scale which is anchored by *not needed* and *very important*.

The results of this research are presented in two main sections. The first section presents the socio-demographic profile and travel related behavior. The second section compares airlines' and passengers' opinions. Overall, the sample population of international travelers had a higher representation of male respondents, 62% of the respondents possessed college education, 47% of the respondents were employed either part time or fulltime, and the median age category (25-54 years group) represented 67% of the total sample. Also, and due to the location of the airport selected for carrying out the survey, 70% of the passengers interviewed were European, while 28% were Americans and remaining were from other countries throughout the world.

In relation to the reasons provided for traveling, 73% of the respondents indicated leisure travel as their principal motivation for using an airplane. The remaining passengers surveyed said that they sought the service of an airline for business or other reasons. Thus, in the actual environment in the airline industry, only 3% of the total respondents paid a first class fare. Nowadays, competitive fares are important to most of the passengers. The economy fare was the most preferred scheme, and was used by nearly 89% of the respondents. The remaining passengers paid business fares for their tickets. The most frequently used intermediary to purchase airline tickets was that of the travel agency (74%). The second most widely used way to purchase a ticket was through Internet (18%) and the remaining respondents purchased their tickets directly from airlines by phone or in airline offices. In addition, 67% of the respondents indicated that they travel less than five times per year. Only 14% of the total sample stated that they travel more than ten times every year. Also, and possibly due to this reason, a majority of the respondents were not members of any frequent-flier program (75%).

On the other hand, the airline managers which agreed to answer the questionnaire they received by mail represent 50% of the total annual sales of the industry and 60% of the total

number of passengers transported by air in the world annually. The second section displays the results of the comparative analysis of the importance given to different needs respectively by travelers and airline executives. The measurement of these differences will point out which are the key variables companies should consider if they are to influence customer satisfaction. In order to estimate differences at a more comprehensive level, the mean value of each variable has been calculated for both cases and compared using *T-test* (see Table 1). The majority of the means are not statistically different from each other. The *t* test probability is higher than the significant level of .05, which proves that airlines' and travelers' opinions are close to each other. Nevertheless, differences may be established in the following groups.

The most significant and remarkable differences can be observed in actions displaying a high degree of subjectivity: prestige and image of the company, provide regular information on the range of services, adaptation of service to changes in the market, and discounts and special offers. However, there are other subjective actions, such as incorporate added travel benefits, or quality and price relationship of the service offered which are not significant and reach low *gaps*; the last one is even closer to zero.

More objective actions display lower differences, which indicates that airlines' and travelers' evaluations are even closer to each other. The most significant of these actions include efficient management of claims or complaints, good department of personnel in contact with clients, rapid response to claims or suggestions, and offer clear information about the conditions of service or completion of conditions of service.

Variables related to price, discounts and special offers, and the quality-price relationship display positive differences. Other positive differences are the adaptation of service to changes in the market, efficient management of claims or complaints and incorporate added travel benefits. Thus, airline managers valued these actions as considerably less important.

Consequently, price is a selection criterion with little relevance, while the analysis provides evidence that price is one of the variables that customers use most consistently to discriminate among the different airlines.

TABLE 1
COMPARISON BETWEEN AIRLINES' AND TRAVELERS' OPINIONS

Ordered by <i>gap</i>	Means		<i>G</i> <i>a</i> <i>p</i>	<i>T-TEST</i>	
	Travelers	Airlines		Value	Si g.
Prestige and image of the company	3.36	4.33	-0.97	- 11. 390	0. 0 0 *
Provide regular information on the range of services	3.47	4.27	-0.80	- 7.4 55	0. 0 0 *
Discounts and special offers	4.23	3.44	0.79	6.1 35	0. 0 0 *
Adaptation of service to changes in the market	3.60	4.36	-0.76	- 5.9 30	0. 0 0 *
Good management and transparency of service	4.15	4.52	-0.37	- 4.2 14	0. 0 0 *
Offer advantages through loyalty programmes	3.51	3.79	-0.28	- 1.7 57	0. 0 7 9
Interest of the company in knowing the value	4.10	4.35	-0.25	- 2.0 49	0. 0 4 1 *
Attractive and comfortable facilities	4.23	4.44	-0.21	- 1.8 15	0. 0 7 0
Easy access to information about the company	3.92	4.11	-0.19	- 1.5 10	0. 1 3 1
Offer clear information about the conditions of service	4.17	4.35	-0.18	- 1.5	0. 1

				88	1 3
Solutions to involuntary faults/problems	4.15	4.29	-0.14	- 1.1 06	0. 2 6 9
Adaptation of service to the specific needs of each customer	3.85	3.71	0.14	1.1 82	0. 2 3 8
Efficient management of claims or complaints	4.55	4.42	0.13	1.2 74	0. 2 0 3
Alliances with other airline companies	3.78	3.91	-0.13	- 0.7 40	0. 4 6 2
Training and qualifications of personnel	4.39	4.27	0.12	1.1 19	0. 2 6 3
Good department of personnel in contact with clients	4.41	4.48	-0.07	- 0.8 23	0. 4 1 1
Incorporate added travel benefits	3.86	3.79	0.07	0.5 40	0. 5 9 0
Completion of conditions of service	4.53	4.58	-0.05	- 0.4 37	0. 6 6 2
Rapid response to claims or suggestions	4.38	4.42	-0.04	0.3 75	0. 7 0 8
Quality and price relationship of the service offered	4.43	4.39	0.04	- 0.5 13	0. 6 1 0

Conclusions

The results offered by the comparison between travelers' and airline managers' evaluations may thus lead to the two following conclusions. On one hand, airline travelers know to a great extent the activities of these companies in the different markets they provide service in.

On the other hand, the most tangible actions of the air transport service display the highest degree of coincidence between both sides.

In general, there are no important differences between the characteristics expected by the demand and the actions carried out by airlines in order to satisfy their customers' needs. While airlines are focused on actions aimed at the differentiation of their product from their competitors', travelers tend to center their attention on economic benefits, such as lower prices, in the service they are consuming. This suggests that airlines are often trying to drive markets, but consumers have not yet perceived the resultant changes.

In this context, this study highlights the need to maintain and enhance customer orientation within the airline sector. Managers should be constantly aware of what customers really need. In this sense, airlines should continue with the implementation of market orientation that increases the knowledge of customers' needs. In any event, market orientation shouldn't be considered as a marketing function alone. There are numerous opportunities for people from IT, production and administration to learn what customers need and share this new knowledge widely (Slater, 2001). For this reason, and according to Slater and Narver (2000), airlines should develop a thorough understanding of their own business system.

Since this paper is a preliminary study of customer orientation within the airline sector, more research is clearly needed to further explore the market orientation concept in this sector.

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