# A STUDY ON PERCEIVED CUSTOMER LOYALTY AND PRICE   FAIRNESS OF AIR INDIA LIMITED, CHENNAI

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## ABSTRACT

This study focuses on the perceived customer loyalty and price fairness of Air India travelers. The current study also examines the impact of price fairness perceptions on customer satisfaction with traveling and behavioral intentions. This Study covers a sample of 150 respondents and the data is collected by means of structured questionnaire which is distributed to passenger of Air India during March-April 2016. The data collected had been analyzed with SPSS software. Statistical tool such as Mean, Standard Deviation, frequency analysis and ANOVA were used. The finding of this study is that most of the passengers are not loyal to Air India because of service provided by the competitors are much better. When compared to other player customers are not satisfied with price fairness of Air India. They should concentrate on price policies and the services provided by them should meet the expectation of passengers.

**Keywords:**

Customer Loyalty, Satisfaction, Pricing Policies, Perceptions, Competitors, Behavioral Intentions.

## INTRODUCTION:

It's impossible for anyone to neglect the impact of air transport business on the world economy. Without customers it's impossible for the air industry to enhance or grow. According to the Air Transportation Action Group (2013), the industry at the beginning of this decade produces more than 1.5 trillion worth of economic activities and employs directly and indirectly 57 million people. In the formation and perception of price fairness plays an important role in customer's satisfaction and loyalty processes. For this reason, it is important that we take consumer satisfaction and loyalty into account on top of the regular factors that one should consider. Customer loyalty is deemed to be the ultimate goal for airline companies and this only can achieved by providing their key passengers with high quality service before, during and after traveling. Airline companies tend to concentrate on a certain variable in relation to consumer's behavioral

perception towards price and value. More specifically, it will be very valuable for air line companies to know if perceived value and customer loyalty have any effect on Perceived Price Fairness.

## OBJECTIVES

The main objective of this study is to examine the customer loyalty and perception about price fairness of service of Air India.

- To study the different level of expectations for all type of passengers.
- To investigate the effect of perceived value and customer loyalty on customer's perceived price fairness in airline industry.
- To suggest pricing strategies to Air India in order to improve the level of satisfaction and loyalty among the passengers.

## LIMITATIONS

- The research scope was limited to a certain flights within geographical were addressed in the survey.

- Their preferences may change over time and with the development of their careers. Their opinions are mostly based on economy class service as the respondents rarely use business class due to high price sensitivity of this customer segment.

- This survey cannot provide any complete information on behaviour of this particular customer group, but more it provides a direction towards complete information and conclusions that can help a carrier to improve its customer satisfaction.

## RESEARCH METHODOLOGY

This research follows the survey research methodology based on previous research in related area questionnaire was constructed to study the loyalty and price fairness for measuring airline service and customer loyalty. After pilot testing the questionnaire was administered to 150 persons who are passengers of airlines. The data was obtained through the use of structured questionnaire and convenience sampling. The data were analysed with percentage method, frequencies and ANOVA.

**LITERATUREREVIEW**

**Xia et al. (2004), Martin et al. (2009)** He suggest that consumers‟ fairness judgments are influenced, more or less, by the relationship formed through past buying experience; and that consumers may rely on their beliefs regarding the trustworthiness of the seller to develop judgments of price fairness.

**Hannu Seristo-2011** As consumers are quite accustomed to having fairly low fares available, and because the air transport product is rather difficult to differentiate, it is quite unlikely that would be able to gain sufficient improvement on the revenue side only. Therefore, operations cost of airlines have to be reduced

**Thibaut and Walker, 1975** controllability in pricing is a significant factor that affects consumers,, perception of a fair price. Previous studies addressing the relationship between illusion of control and perceived price fairness point out that consumers perceive more fairness when they think they have more chances to affect the pricing decision.

**Mantin & Koo 2010** Internet traffic during weekends is lighter than at weekdays, allowing airlines to adopt a distinctive pricing policy during the weekend‖. They conclude in their research of over 1000 routes that the price dispersion on weekends is driven by greater price differentials, with the Friday–Sunday's price dispersion is approximately 15% higher than during the weekdays.

**Vaidyanathan and Aggarwal 2003** Pricing judgments include two basic dimensions: an economic and a psychological. Whereas the economic dimension focuses on costs, target return on investment, and the demand and supply side of the industry, the psychological dimension concentrates on the consumer's perception of a price or price change.

**Krugman, 2000** Airliners were able to charge any fare they wanted and in this paper different pricing strategies from airliners will be investigated to construct a model, linking them to perceived price fairness. One of the most common price practices in the airline industry is price discrimination; pricing discrimination is a pricing strategy providing an individual consumer or some segments of consumer groups with different prices.

**Oh 2003; Thaler 1985** If consumers lack information about the seller's profits or costs, they generally use the product benefits they expect to receive as a comparison standard. If they have

information about the profits of the exchange partner, customers seem to compare their gains against the gains of that partner.

**Oliver and Swan 1989** It show that perceptions of unfair prices lead to dissatisfaction and therefore a lack of positive attitudinal intentions, and other studies note that unfairness judgments lead to negative consumer reactions for the firm, including lower purchase intentions, complaints, and negative word of mouth.

**Aaker, 1991** Perceived quality has direct impact on customer purchase decision and brand loyalty, especially during the time customers have less or no information of the products that they are going to purchase.

**Saunders et al., 2007,** The relational benefit approach assumes that both the customer and the service provider must benefit from the relationship if it is to persist in the long run. From the customer's perspective, the maintenance of this relationship depends primarily on the existence of relational benefits. These refer to benefits that go beyond the basic services offered by the service provider.
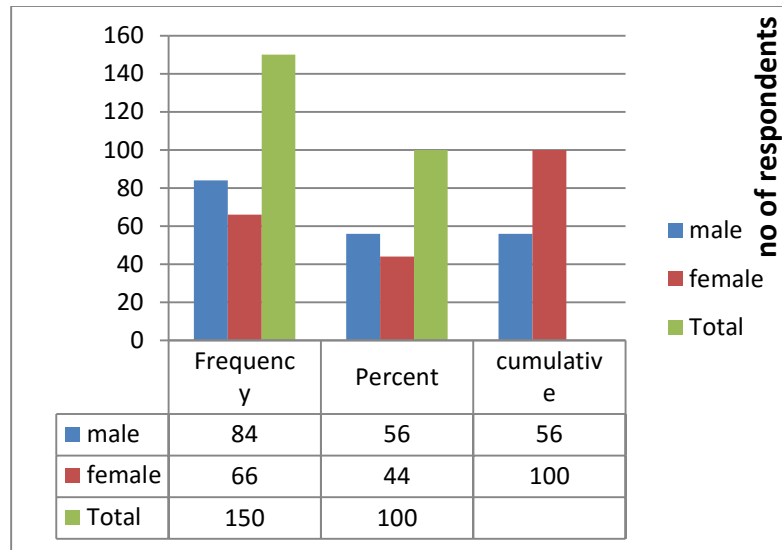
## DATA ANALYSIS& INTERPRETATION

## ANALYSIS – 1

### FREQUENCY ANALYSIS

### Gender of the respondents

|        | Frequency | Percent | Cumulative |
|--------|-----------|---------|------------|
| Male   | 84        | 56      | 56         |
| Female | 66        | 44      | 100        |
| Total  | 150       | 100     |            |

| | Frequency | Percent | cumulative |
|---|---|---|---|
| male | 84 | 56 | 56 |
| female | 66 | 44 | 100 |
| Total | 150 | 100 | |

**Findings:**

From the above table it is observed that majority 56% of the respondents are male and 44% of respondents are female. From this analysis most of the respondents are male.

**Age of the respondents**

| | Frequency | Percent | cumulative |
|---|---|---|---|
| 20 year or less | 4 | 2.67 | 2.7 |
| 21-35 years | 21 | 14 | 16.7 |
| 36-50 years | 49 | 32.67 | 49.3 |
| 50 years more | 76 | 50.67 | 100 |
| Total | 150 | 100 | |

**SOURCE:** Primary Data collected using SPSS 16.0

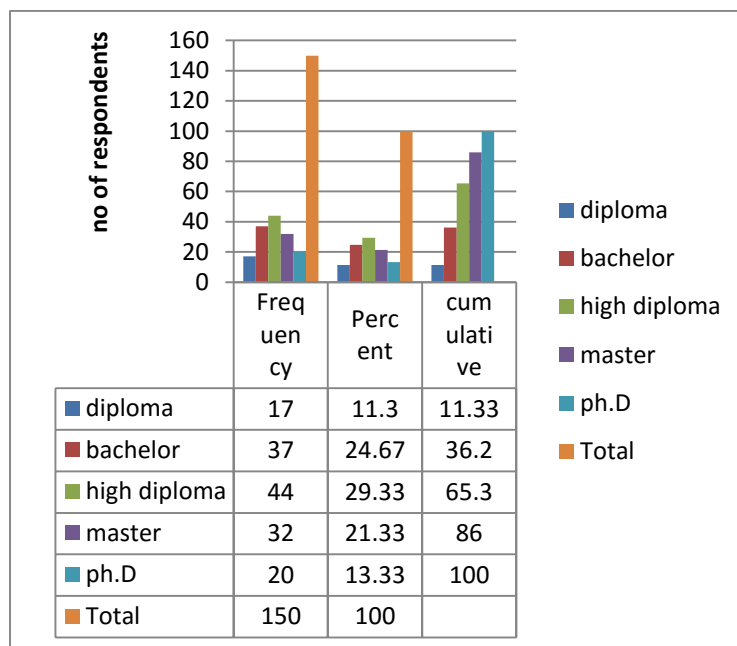| | Frequency | Percent | cumulative |
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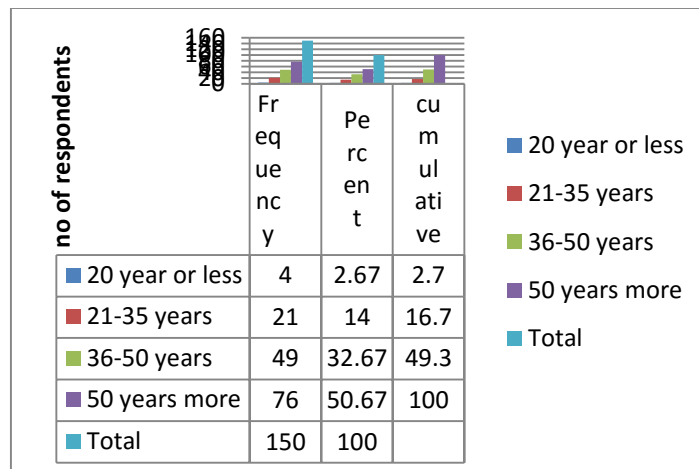
**Findings:**

As per the table 4.2 it can be inferred that 50.67% of the passengers are more than 50 years of old, 32.67% of passengers are 36-50 years of age and 14% of respondents are 21-35 years of age, with regard to age of the respondents.

**Educational Qualification**

| | Frequency | Percent | cumulative |
|---|---|---|---|
| Diploma | 17 | 11.3 | 11.33 |
| Bachelor | 37 | 24.67 | 36.2 |
| high diploma | 44 | 29.33 | 65.3 |
| Master | 32 | 21.33 | 86 |
| ph.D | 20 | 13.33 | 100 |
| Total | 150 | 100 | |

**SOURCE:** Primary Data collected using SPSS 16.0

## Educational Qualification:



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|---|---|---|---|
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| ■ bachelor | 37 | 24.67 | 36.2 |
| ■ high diploma | 44 | 29.33 | 65.3 |
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| ■ ph.D | 20 | 13.33 | 100 |
| ■ Total | 150 | 100 | |

**Findings:**

It is referred that 29.33% of respondents are high diploma, 24.67% of respondents are bachelor and 21.33% of respondents are masters, with regards to educational qualification.

### Income of the respondents

| | Frequency | Percent | cumulative |
|---|---|---|---|
| Below 15000 | 3 | 2 | 2 |
| 15000-30000 | 27 | 18 | 20 |
| 30000-45000 | 58 | 38.67 | 58.00 |
| 45000 | 62 | 41.33 | 100.00 |
| Total | 150 | 100 | |

**SOURCE:** Primary Data collected using SPSS 16.0

### Income of the respondents



| | Frequency | Percent | cumulative |
|---|---|---|---|
| ■ below 15000 | 3 | 2 | 2 |
| ■ 15000-30000 | 27 | 18 | 20 |
| ■ 30000-45000 | 58 | 38.67 | 58.00 |
| ■ 45000 | 62 | 41.33 | 100.00 |
| ■ Total | 150 | 100 | |
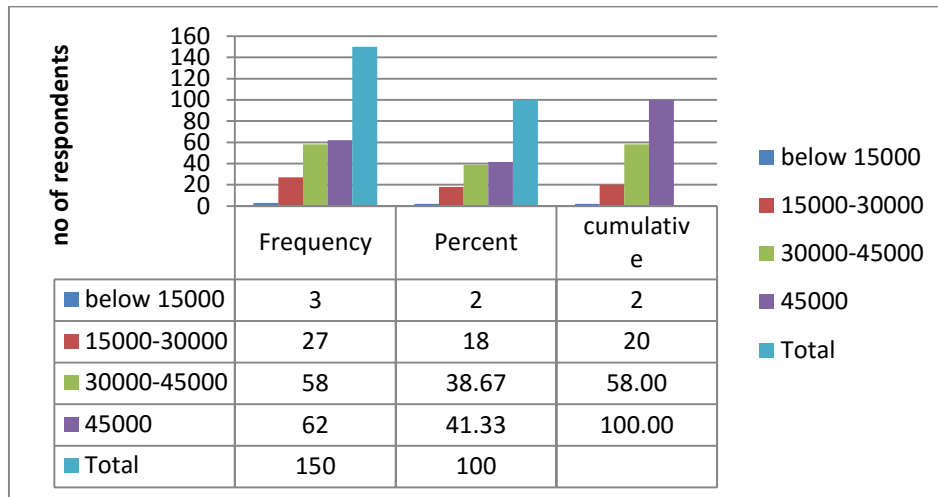
**Findings:**

As per the table 4.4, it is clearly show that the 41.33% of respondent's incomes are 45000, 38.67% of respondent's incomes are 30000-45000 and 18% of respondent's incomes are 15000-30000,with regard to income of the respondents.

### Purpose of trip

| | Frequency | Percent | Cumulative |
|---|---|---|---|
| Business | 57 | 38 | 38 |
| Holiday | 54 | 36 | 74 |
| Education | 22 | 14.67 | 88.00 |
| Others | 17 | 11.33 | 100.00 |
| Total | 150 | 100 | |

**SOURCE:** Primary Data collected using SPSS 16.0

**Purpose of trip**



| | Frequency | Percent | cumulative |
|---|---|---|---|
| ■ business | 57 | 38 | 38 |
| ■ holiday | 54 | 36 | 74 |
| ■ education | 22 | 14.67 | 88.00 |
| ■ others | 17 | 11.33 | 100.00 |
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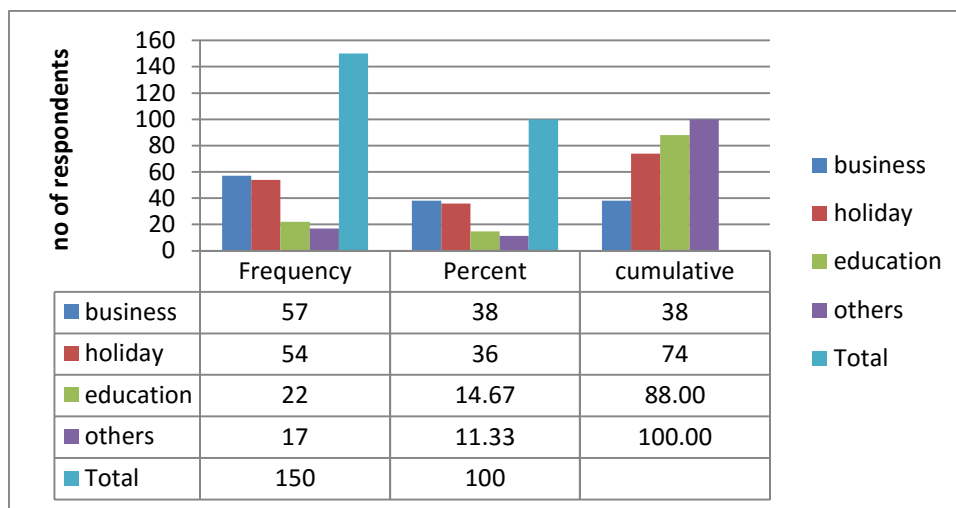
**Findings:**

As per the table 4.5, it can be inferred that 38% of the passengers are travelled for business purpose, 36% for holiday and 14.67% for education purpose, with regard to opinion for the purpose of trip.

**Findings & recommendations:**

The customer loyalty of Air India given in 12 items of the questionnaire was tested for their relationship influence with usage of Airlines. The descriptive statistics of mean, standard deviation have been described in the table 4.4.1. The mean score for all the items of customer loyalty towards Air India are all well above the midpoint of 2.5 in a five point Likert scale and this conforming satisfactory responses from respondents. The price fairness of Air India enclosed in 10 items of the questionnaire was tested for their relationship influence with usage of Airlines. The descriptive statistics of mean, standard deviation has been described in the table 4.4.2. The mean score for all the items of price fairness towards Air India were all well above the midpoint of 2.5 in a five point Likert scale and this conforming satisfactory responses from respondents. It shows that the relationship between the annual income and frequency flyer program. In this analysis the p value shows that greater than 0.05. It is observed that majority 56% of the respondents are male and 44% of respondents are female. From this analysis most of the respondents are male. It can be inferred that 50.67% of the passengers are more than 50 years of passengers are 36-50 years of age and 14% of respondents are 21-35 years of age, with regard to age of the respondents.It is

referred that 29.33% of respondents are high diploma, 24.67% of respondents are bachelor and 21.33% of respondents are masters, with regards to educational qualification.It is clear that the 41.33% of respondent's incomes are 45000, 38.67% of respondent's incomes are 30000-45000 and 18% of respondent's incomes are 15000-30000, with regard to income of the respondents.It can be inferred that 38% of the passengers are travelled for business purpose, 36% for holiday and 14.67% for education purpose, with regard to opinion for the purpose of trip.It is inferred that 58.67% of respondents opined that 'airline office' and 41.33% opined that 'tour agency', with regard to location of ticket purchase.It is clear that 29.33% of respondents opined that they travel once in a quarter, 22.675 of respondents opined that they travel less than once a year and 22% of respondents are travel atleast once a month, with regard to 'frequency of flying'.It is inferred that 31.33$ of respondents were disagreeing, 26.67% of respondents were neutral and 19.33% of respondents were agreeing, with regard of social benefits.

**RECOMMENDATION**

- From the analysis, female passengers are relatively lesser than the male passengers. It is suggested to create a safe and secure environment and provide exclusive offers for female.

- The Air India passengers are mostly in the age group between 40 to 55 years. It is suggested to enhance the customer segment by means of covering other age group travellers.

- It is suggested to Air India to concentrate on other segment of passengers along with business class.

- It is suggested to give price offer during vocation.

- The income levels of the frequent flyers are high and the low income level passengers are unable to pay for their ticket price. It is suggested to provide affordable price for middle income passengers.

- The location of ticket purchase was mostly by passengers through tour agency, hence it is suggested to encourage the tour agents. It is suggested to improve the service level of employees of Air India at all contact points.

- To create many frequent flyer program for passenger to facilitate them to redeem their benefits from Air India.

- It is suggested to provide more offers to loyal customers more than the normal.

## CONCLUSION

Based on the review of relevant literature in the fields of customer loyalty and price fairness, relationship benefits were identified as important antecedents to customer loyalty in the airline industry. These relational benefits were defined as benefits that result for customers from relationships with the airline brand, thereby moving beyond the actual benefit of the service being offered. Three types of relational benefits were derived as being relevant in the airline business: social, psychological, and functional benefits. Based on these three types of relational benefits, the airline customer loyalty (ACL) model was developed, depicting cause effect relationships that lead to airline customer loyalty.

The study also shows that price transparency and reliability may be particularly relevant when prices are increased or when the pricing structure is relatively complex, such as in the airline industry. When a service provider explains how a price is derived and shows that price increases are due to uncontrollable external factors, such as an increase in fuel costs, the consumer is more likely to accept the price increase and perceive it as being fair, or at least less unfair. This means that a firm should focus more on delivering the right quality at the right price and on treating the customers fairly rather than focusing on competitors' prices. Air India has to offer various flights for various destinations and also to offer appropriate service at the given price.

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