

An exploration on customer relationship management and its perspectives: aviation sector**Dr. D.H. Malini, MBA.,Ph.D., FDP(IIMA)***Assistant Professor, Pondicherry University, Karaikal Campus, Karaikal-609605**Email: malini_dh@yahoo.co.in*

ABSTRACT: *The CRM approach has received increased attention as a marketing concept during the last decades (Sin et al. 2005; Osarenkhoe and Bennani 2007; Wilson et al. 2002). By combining the abilities to respond directly to customer requests and to provide the customer with a highly interactive, customized experience. Organizations today have greater scope for establish, cultivate, and maintain long-term customer relationships than ever before. The ultimate goal is to transform these relationships into greater profitability by increasing repeat purchase rates and reducing customer acquisition costs. Indeed, this revolution in customer relationship management or CRM as it is called has been referred to as the new –mantra of marketing (Russell S. Winer 2001). The Indian aviation industry is identified as one of the fastest growing industry in the world with private airlines accounting for more than 75 per cent of the sector. It is noticed that the 9th largest position in the aviation market in the world is India. In the present study the effort has been made to examine and analyze the effects of CRM and its contribution towards airline industry and also to develop and clarify a conceptual framework integrating CRM constructs, and its implications on aviation industry.*

Key Words: *Consumer Behaviour, Customer, Marketing*

1. INTRODUCTION:

In the era of Liberalization, Privatization and Globalisation (LPG) marketing becomes a challenging task. The role of MNC's in Indian (domestic /local) market rise competition for local market. Players in terms of quality of the product and customer care. In this revolutionary age concept CRM becomes a business strategy. CRM is emerging in every field and functional area of management. It provides satisfactory service to the customer. This strategy is hardly a decade ago and it was its deep roots in Indian market. CRM is the extended concept of Relationship Management. Relationship management is basically the process of attracting, maintaining, and building relationships with key parties like customers, suppliers and distributors in order to earn and retain their business and honour their long term preferences. In other way, it is an integrated effort to identify, build and maintain a network with individual customers for mutual benefit. The purpose of relationship marketing is to build a unique process of building –Marketing Network. Over the period when it is practiced with customers it becomes CRM. Berry first coined the term CRM in 1983 Bob Thompson 2005, defined CRM, –Customer Relationship Management as a business strategy to acquire grow and retain profitable customer relationships with the goal of creating a sustainable competitive advantage. Initially it was recognized as database management activity only. Later, it was defined as building, maintaining, and retaining profitable customer by delivering superior customer value and satisfaction. Many organizations find a difficulty in producing loyal customers. Retaining customers, results in building long term mutually satisfying relations to retain the business by providing quality products and services at reasonable prices within a time.

The purpose of Customer Relationship Management (CRM) is to enable various organizations serve customers better through introducing them to a series of processes and procedures that better the buying experience for customers. This is done through implementing a successful CRM strategy through a software package that has been specifically designed to support these business processes and procedures.

Customer Relationship Management is a customer-focused business strategy designed to optimize revenue, profitability, and customer loyalty. By implementing a CRM strategy, an organization can improve the business processes and technology solutions around selling, marketing and servicing functions across all customer touch-points (for example: Web, e-mail, phone, fax, inperson). Customer relationship management (CRM) covers methods and technologies used by companies to manage their relationships with clients. Information stored on existing customers (and potential customers) is analyzed and used to this end. Automated CRM processes are often used to generate automatic personalized marketing based on the customer information stored in the systems. CRM aims at focusing all the organizational activities towards creating and maintaining a customer.

2. SCOPE OF THE STUDY:

The Indian aviation industry is identified as one of the fastest growing industry in the world with private airlines accounting for more than 75 per cent of the sector. It is noticed that the 9th largest position in the aviation market in the world is India. According to the Ministry of Civil Aviation, approximately 29.8 million passengers traveled to/from India in 2008, showing a surge of 30% from 2007. The prediction stated that international passengers will touch 50 million by 2015. More opportunities in the aviation industry in India are likely to make way for about 69 foreign airlines from 49 countries. The civil aviation sector in India is witnessing a boom. Indian skies are more open than ever before.

2.1 TOTAL TRAFFIC HANDLED IN APRIL 2011 VS APRIL 2010

During the month of April 2011, all operational airports (taken together) handled 122.87 thousand aircraft movements (excluding General Aviation Movements), 12.57 million passengers and 192.13 thousand tons of freight. Data in table reveals that the aircraft movements, passengers and freight traffic have increased by 10.2 per cent, 14.1 per cent and 6.7 per cent respectively during April 2011 over traffic handled during April 2010.

Table: 1

Category	April 2011	April 2010	Percentage Change
Aircraft movement (in'000)			
International	26.06	23.17	8.2
Domestic	97.81	88.28	10.8
Total	122.87	111.45	10.2
General Aviation	20.36	24.72	-17.7
Passengers (in millions)			
International	3.22	2.82	14.0
Domestic	9.35	8.20	14.1
Total	12.57	11.02	14.1
Freight (in „000 tonnes)			
International	127.46	115.60	10.3
Domestic	64.67	64.42	0.4
Total	192.13	180.02	6.7

Source: Aviation Outlook report, 2009

2.2 CONTRIBUTION OF AVIATION INDUSTRY IN INDIAN ECONOMY IN TERMS OF GROSS DOMESTIC PRODUCT

In the past few years Role of Aviation Industry in India GDP had shown phenomenal growth in all respects. The Aviation Industry in India is the most rapidly growing aviation sector of the world. With the rise in the economy of the country and followed by the liberalization in the aviation sector, the Aviation Industry in India went through a complete transformation in the recent period.

Table: 2: Trend of Growth Rate of India's GDP

1960-1980	3.5%
1980-1990	5.4%
1990-2000	4.4%
2000-2009	6.4%

Source: Aviation Outlook report, 2009

3. OBJECTIVES OF THE STUDY

The present paper pursues the following objectives:

- To examine and analyze the effects of CRM and its contribution towards airline industry.
- To develop and clarify a conceptual framework integrating CRM constructs, and its implications on airline industry.

The airline industry has reached a turning point. The effects of the worldwide economic slump and the aftermath of September 11th attacks have severely impacted airline economics and viability. While the U.S. and certain European markets were most severely impacted, airlines worldwide are striving to both regain and improve profitability. Many have focused on operational improvements to reduce costs, but the customer cannot be ignored. Customer relationships must be fostered for airlines to maintain competitive advantage and profitability in the long term. Airlines' immediate focus is on cost reductions in driving to more efficient operations. However, many airlines are turning to customer relationship management (CRM) as a tool for managing customer relationships. In order to manage the customer more effectively across all lines of service, airlines must change their approach to CRM in a number of ways:

- By identifying customer success factors
- Create a value based customers.
- Follow the customer need based strategy.
- Develop an end-to-end process to serve customers by CRM initiatives.
- Track all aspects of selling to customers and prospects as well as customer support.

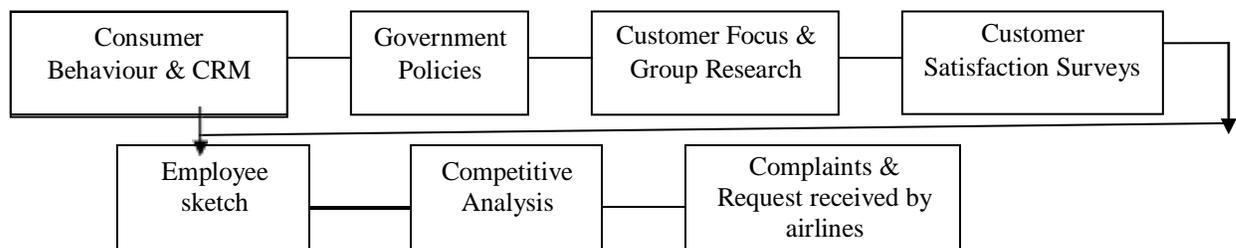
Applying truly consumer-centric approach to relationship management, an airline will be better positioned to acquire, develop and retain high-value customers. Through the development and implementation of customer analytics and decision-support technologies, airlines can begin to use customer information not only to differentiate service levels based on customer value, but also to drive crucial operational decisions. In the end, an airline's CRM program becomes a platform for achieving both near-term operational efficiency and long-term relationship management and growth.

4. CONTRIBUTIONS OF CRM IN AVIATION INDUSTRY:

4.1 Service Differentiation based on customer and business value

Gaining a deeper understanding of the profitability and the key satisfaction drivers of each segment will help airlines better assess the business value of potential customer-facing programs. Using a wide variety of direct and indirect customer input airlines can map feedback they receive against individual customer segments. Then, in combination with advanced customer analytics, they can develop unique insights into the habits and needs of each customer segment. Thus, customer value segmentation becomes a valuable tool in serving and satisfying the customer.

CRM program execution in Airline industry:



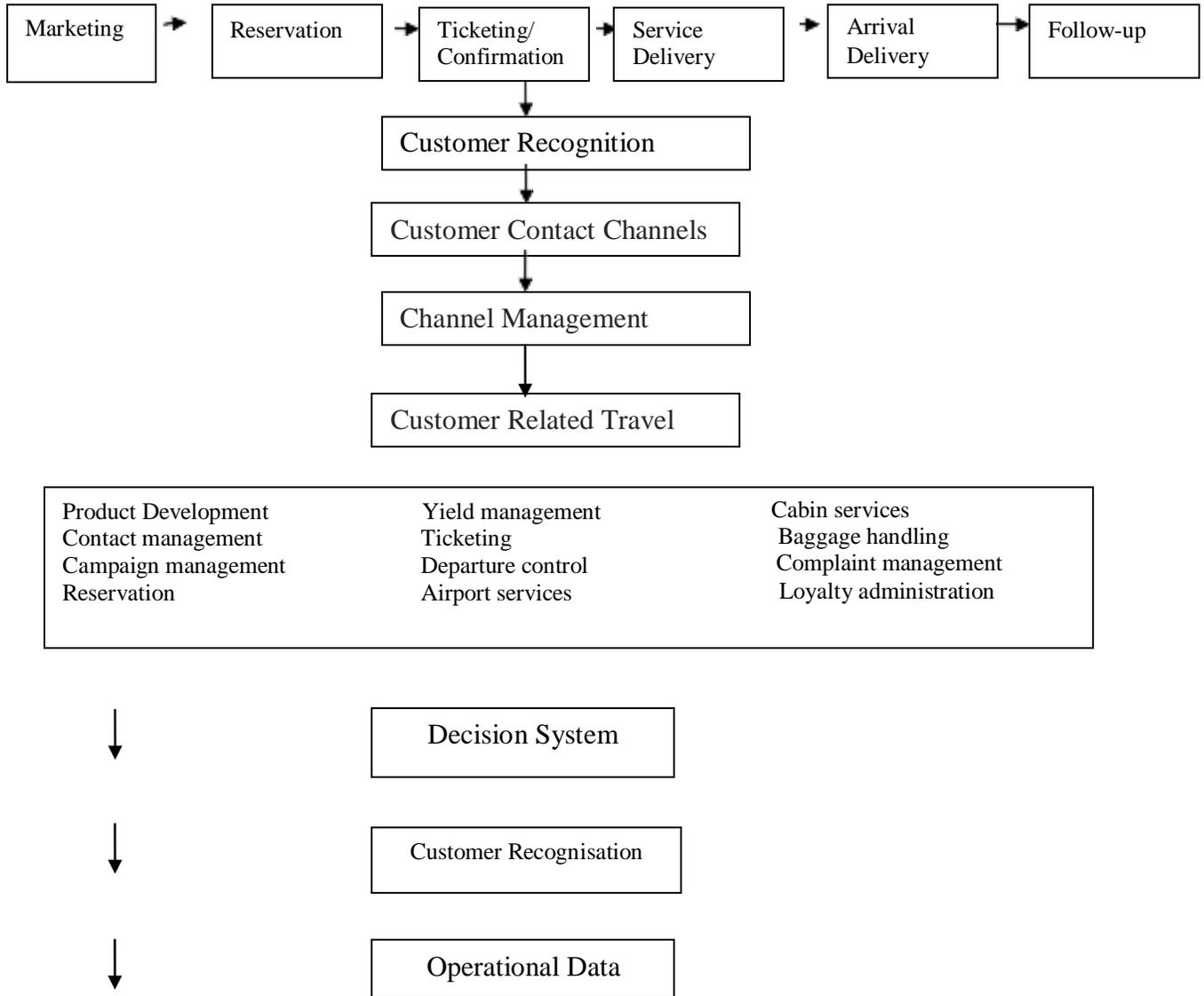
Further understanding what its customers want and need, an airline must determine what initiatives best drive shareholder value. Executives must prioritize or reject potential investments based on the expected return to the company and the degree of implementation cost and risk. Some initiatives, such as frequent flyer programs, offer high return to the airline, not only in terms of increased customer loyalty, but also in the ability to sell miles or points to third parties, which extends the loyalty program and creates a new revenue stream. Other initiatives, such as online baggage tracing, may offer minimal benefit to the airline, only improving customer satisfaction slightly.

4.2 IMPLICATIONS

5. OPERATING MECHANISM IN AVIATION SECTOR THROUGH CRM:

Customer value analysis is also central to improved operating efficiency—a key goal in the current economic climate. By using CRM understand the habits of different customer groups, to improve the customer service and the airlines started to make

operating decisions that help increase the profitability of specific routes. The following diagram depicts the CRM and its mechanism in aviation sector.



Source: Mohammad. J. Tarokh & Mahmoud Majidi, 2011

In spite of having the diverse advantages of CRM to influence and provide well-organized service in its operations in the aviation sector there are two primary areas where this approach should influence airline operations (Declan Boland, Doug Morrison and Sean O'Neill, IBM Institute for Business Value). They are:

5.1 Route and schedule planning—Airlines need to implement customer analytics to help make more informed and effective decisions on route and schedule planning. There are four key opportunities in this area:

- Loss making routes can also be planned for acquiring high value customers by providing extended services.
- Capturing customers from the competition and driving incremental profitability through CRM on routes served by multiple airlines with similar schedules, customer service and relationship building
- To retain high-value passengers, an airline must be able to consistently provide customers with a seat in their desired fare class on each route they fly.
- Airlines must use customer analytics and predictive modeling to help evaluate route and schedule profitability for potential expansions.

5.2 Yield management and pricing—Airlines can also use customer analytics to improve yield management and pricing; determine which customer segments view price as a low priority when choosing an airline; and calculate the highest price that each individual customer segment is willing to pay for a given route. Advanced analytics can help drive pricing strategies, simplifying fare classes and improving yields. By using value-based customer segmentation to help make decisions regarding these basic operational issues, airlines can find opportunities to reduce costs associated with specific routes, while increasing customer revenues.

6. CONCLUSION

Airlines must adopt an integrated CRM strategy to practice competitive differentiation and profitability effectively in the future. There is a need to invest in developing fundamental CRM capabilities to optimize the efficiency of customer-facing operations. By creating a truly customer-centric organization, value based services based on a firm understanding of customer value and needs, and empowering employees with the tools and knowledge to respond to the customer, airlines need to develop and establish a mechanism to meet the customer demand by providing quick and unique services to meet the demand and attain economic success.

REFERENCES:

- [1]. Anderson, Kristin, and Carol Kerr (2002), *Customer Relationship Management* New York: McGraw-Hill.
- [2]. Babu G.R. (2005), *Financial Services in India*, Concept publishing house, New Delhi.
- [3]. Beena P.L., (2004), *Towards understanding the merger wave in the Indian corporate sector-a comparative perspective*, Working paper 355, February CDS, Trivandrum.
- [4]. IATA World Air Transport statistics, 2002.
- [5]. IBM Institute for Business Value analysis, 2011.
- [6]. Peel, Jeffrey (2002). *CRM: Redefining Customer Relationship Management*, Woburn, MA: Digital Press,
- [7]. Rigby, Darrell K., and Dianne Ledingham (2004), *CRM Done Right*, Harvard Business Review November.
- [8]. Rigby, Darrell K., Frederick F. Reichheld, and Phil Scheffer (2002), *Avoid the Four Perils of CRM*, Harvard Business Review February 2002.
- [9]. Bain & Company, Inc, *Management Tools and Trends 2005*.
- [10]. *Delta to Install New Kiosks in 50 U.S. Airports*, *Aviation Daily*, April 2, 2002.
- [11]. <https://www.iataonline.com/Store/default.htm?cookie%5Ftest=1>
- [12]. *Airlines Balance of Power Shifts*, *USA Today*, July 30, 2002
