

# Marketing Strategies & Service Excellence For Low-cost Airline in India

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**Abstract:** *Despite poor financial performance of the airline industry for last many years, a select number of “no-frills” airlines have successfully stood out of the crowd due to their innovative service quality management and unique marketing strategies. These efforts have led to higher customer satisfaction and stronger brand image of the companies. A study was recently conducted to capture the customer expectations from Low Cost Carrier (LCC) companies and identify service excellence parameters as tools for marketing. Based on standard service quality and performance parameters adapted to the low-cost airlines in India, a set of basic as well as desirable parameters were identified that LCC companies should address to be competitive and successful. It was also apparent that the airline should be clear about what it wants to offer to its customers and should communicate and deliver what it has promised. Role of technology in improving customer satisfaction and brand image has been explored. Marketing communication strategies that are practically feasible and work best for such airlines have been identified. Caselet of Indigo Airlines as a successful LCC in India has also been taken up. This paper presents facts mainly based on qualitative analysis and basic statistical computations on the collected primary data.*

**Keywords:** Airline industry; low-cost carrier; service marketing; customer satisfaction; marketing channels.

## 1. INTRODUCTION

The airline industry (Lovelock, 2001; Shaw, 2004) is facing severe financial stress due to fuel, labor and asset cost escalation, tougher competition and declining demand in many business sectors. Corporate belt-tightening measures and use of travel substitution technologies have also reduced the need for air travel. Despite the discounted air-tickets and other cost cutting measures, majority of the airlines are in red.

However, the LCC or the “no-frills” airlines (Gilbert, Child & Marion, 1997) in the last few years have been able to convert a substantial chunk of middle-class rail/road passengers into air travelers. The LCC industry has been able to successfully target a specific section of travelers by discarding unnecessary frills, utilizing employees for multiple services and operating from low-congestion airports. Southwest, Virgin Express, RyanAir, EasyJet, Singapore Airlines and Air Asia are some of these successful low-cost carriers in different parts of the world. In India, Air India Express, Go Air, Indigo, JetLite, Jet Konnect, Kingfisher Red and Spicejet are some of the popular LCC (HT-MaRS, 2009) catering to the needs of thousands of customers each day.

Apart from low fares, LCC customers normally expect basic services including safety, on-time performance, friendly crew and fair onboard and ground services. Customer satisfaction starts with the purchase of a low-

price ticket. Any other innovative service (Liang & James, 2009; Lock, Fattah & Kirby, 2010) introduces an element of surprise or thrill to the customer experience. Since margins are much lower than normal airlines, providing additional or desirable services needs innovative thinking and operations. Communicating to the customers economically and effectively is also a challenging activity for the company. With proper service quality management, innovative marketing communications (IdeaWorks, 2004; Wong & Musa, 2011) and industry friendly government policies it is possible for LCC companies to survive gracefully even in difficult economic times.

## 2. OBJECTIVES OF THE STUDY

1. To understand different aspects related to customer satisfaction in the airline service industry – budget flight services vs. high quality.
2. To capture customer expectations from the low-cost airline and suggest ways of improving customer satisfaction.
3. To design suitable marketing strategies for improving brand image and customer loyalty.

## 4. RESEARCH METHODOLOGY

This study is divided into two parts and the questionnaire has been designed accordingly. The first set of 8 questions aims to capture the service quality expectations of LCC customers based on qualitative responses. It also attempts

to identify the impact of marketing communication efforts by airline companies on customers. In this part of the questionnaire, respondents had the freedom to openly express their views resulting in more authentic responses. One of the queries inquired about the LCC carrier of choice with 3 reasons in support of the answer. Another query was regarding what customers dislike about LCCs in general. The second part contained 16 questions based on 5 point Likert scale responses. It was designed to capture the minimum and desirable service quality expectations of a LCC customer and some aspects of marketing communication by these companies. Part of the questionnaire was designed according to modified SERVQUAL & SERVPERF variables (Parasuraman, Zeithaml & Berry, 1998) and adapted to the Indian LCC service expectations. One of the reasons for this study was to identify and differentiate expectations of customers who would prefer cheapest fares vs. customers who would be happy to pay little extra for better service quality. This study also attempts to segment customers based on different profiles so as to help the airline design specialized services for different categories.

Data collection was carried out face-to-face and by e-mails during the period January – April 2012. Responses were included for customers who had taken one or more flights in the last six months. Demographic profile including age, sex, educational qualification, occupation, location of residence, frequency and purpose of travel was also captured in the study. A total of 240 responses were collected and qualitative analysis was conducted leading to the following observations. Basic statistical analysis was also conducted to find out the properties of the customers of this service.

## 4. OBSERVATIONS & MANAGERIAL IMPLICATIONS

### 4.1 LCC Service Quality Expectation

LCC customers expect low-priced tickets (not necessarily the lowest ones) and basic service quality. This includes simple ticket booking procedure, on-time departures & arrivals (slight delays are tolerable except for business travelers), trouble-free check-in, boarding & baggage delivery (moderate length of queues and delays are acceptable), free drinking water, fairly comfortable seating and normal promptness of service personnel and responsiveness of air hostesses, acceptable cleanliness of cabin and washrooms. These basic services should be catered to without fail as a rule of thumb.

Updated flight schedule, ticket prices, offers/promotions and other relevant information regarding the airlines should be available on the website or from call centre. The call centre staff should be properly trained to attend the customer patiently and provide necessary information to their satisfaction. Direct selling booths should be available at the airport and in the main city markets. Ticketing at the

agent's end should be hassle-free. It should be ensured that booking by phone is not cumbersome or unpleasant.

Promptness and generosity of service personnel or airlines staff in case of delays or crisis is remembered by customers for a substantial duration of time (few months). Few words of assurance in a friendly tone or additional efforts undertaken by the airline to resolve the crisis give a soothing effect to the customer.

### 4.2 Things LCC customers won't tolerate

There are certain negative experiences that are hard to tolerate and difficult to forget by the LCC customer for quite a long time. Rude behavior of air hostess / cabin crew / ground personnel tops the list. Frequent delays (of more than an hour) or misleading information to travelers by the airline are other factors that create negative impression regarding the airline. Poor air-conditioning/temperature control in the aircraft especially during summer and humid weather are experiences that the customer remembers for long. Poor response of staff in case of delay / rescheduling / cancellation of flight and unprofessional service during check-in, boarding & baggage delivery are other deterrent factors that airline companies should avoid and try to address seriously.

### 4.3 LCC Desirable Service Quality Expectation

Upgraded & new fleet, improved seating, smart airhostesses, courteous cabin crew with good interpersonal skills, in-flight entertainment, choice of good quality food & beverages (even on payment) are some of the services that a customer expects when he pays slightly more than the minimum fares. If the airline is not following a flat fare, business travelers, regular passengers and leisure travelers should be differentiated in terms of the services offered.

Loyalty / frequent-flier schemes bind a good percentage of travelers to the specific airlines. However, these schemes should be attractive and have real value for customers. The redemption process should also be simple. A well designed loyalty scheme is one of the best ways of improving customer loyalty.

Providing individual attention & making the customer feel valued is an excellent way to ensure customer loyalty. Providing child, elderly and disability friendly services helps to improve the brand value of the LCC Company. Similarly, providing discounted hotel options and taxi services against the booking is a service expected mainly for business class travelers.

Customizing services according to the flight route is an inviting idea; customization may be carried out to reflect local culture on greeting messages, cabin ambience, music & entertainment programs, snacks etc. However, 40% customers prefer professional attire of staff and standard cabin ambience on all routes.

### 4.4 Role of Technology in the LCC Industry

Information, broadband, mobile and multimedia technologies may be used by these airlines to improve their operations, provide better customer services and optimize their marketing communication returns. Services based on online & mobile broadband technologies should be offered by the company to the customer so that she may shop for best-value flights, upgrade seats (if permitted), track baggage, book hotels and taxis and gain from the combi-offers. New mobile technologies like Near Field Communication (NFC) should be adopted (nearly 80% of the top 50 airlines are planning to adopt NFC by 2014) and business process redesigned to improve customer travel experience. By using NFC readers in the airport, customers would be able to do self & baggage check-in, perform security check & boarding, receive shopping offers, pay, interact and exchange information with others in a more comfortable way. These technologies should also help to improve operational efficiency of the airlines and real-time collaboration of employees leading to enhanced performance and better services. Voice-enabled mobile check-in or bar-coded scanning of boarding passes may be used for faster operations.

Rich, interactive multimedia applications may be used for providing information to the customer on the website and at the airport more effectively and also for offering personalized customer experience. Context-aware applications may be deployed for enabling customers to take precise and better decisions regarding different aspects of her journey. Online & social media should be proactively used to conduct periodic surveys and take customer feedback regarding their expectations and desired services. Use of these media channels enable positive word of mouth (electronic) and improve brand image of the company.

#### 4.5 LCC Marketing Communication

Apart from the basic services specified above, airlines should find alternate ways to differentiate themselves from their competitors. Brand differentiation may be carried out by providing new & specialized services periodically and communicating those to existing and potential customers effectively. An integrated marketing communication approach should be adopted by the company for improving customer awareness and brand loyalty (at a lower cost).

Customized website & services should be made available to users of mobile/smart phones & handheld tablets. The LCC Company should ensure presence in social websites as they are one of the hottest channels for improving customer awareness and building brand image.

An integrated multichannel marketing strategy should be employed with periodic exposure of the brand message on television and more frequently in print, outdoor banners, tradeshow and online. Promotional activities regarding discounted fares and special services should also be carried out using traditional broadcast media, online, social and mobile media. Low promotional fares should be used as a

mode to stimulate purchase and delight the customer. Direct promotion to target audience using postal mail, electronic mail and SMS is beneficial for this sector. Potential customers may be targeted using broadcast media.

The marketing style should clearly reflect the core values of the company and what is being offered to its customer. This message should differentiate the company from its competitors in a unique way.

### 5. DIFFERENCE OF SERVICE QUALITY EXPECTATION FOR A REGULAR CARRIER (VS A LCC CARRIER)

Following are some of the expectations of customers using regular services (for which they pay more than for LCC) – (a) Wide network, minimum delays, customer friendly schedule & availability of privilege services for premium customers (e.g. lounge, club, limousine services etc.) (b) Pleasant personality of the ground personnel and on-board staff (c) Comfortable seats with sufficient leg space, well maintained aircraft (preferably upgraded/new fleet but not necessary) (d) Good food services with a few standard & regional choices (e) scope for quality audio/video entertainment particularly for long-distances.

#### 5.1 Brand Differentiation

One of the best Indian carriers that has managed to create a good brand image is Kingfisher. Though Kingfisher airline is presently not operational and under severe financial pressure, its brand differentiation strategy is worth exploring. Its strong lifestyle brand image was responsible for its largest market share of 23% in March 2010. The airline promises a 'five-star' flying experience and has focused on target audience of high socio-economic background and younger age group. Moreover, the company made regular efforts in building its brand image. In addition to good connectivity, wide coverage and exceptional on-board services the company also addressed specific issues pertaining to pre-boarding & post-flight services. Specially trained staff, glamorous airhostesses, select food and beverages and attention on other minute details to keep the customer satisfied formed the part of the Kingfisher experience.

#### 5.2 Indigo Airlines Caselet

Indigo (Indigo Airlines), having the largest market share among LCC in India, provides on time performance and value for money services to its customers. It offers low-cost tickets and makes travel simple, convenient and hassle-free. The company adheres to a strict business plan and has an aggressive fleet and service expansion plan for the next few years. It provides all the basic services identified above and also some additional services, keeping the fares comparable with the lowest in the sector. It provides free drinking water and a good food menu that can be purchased onboard.

The company uses multiple channels including the Internet and social media to project its brand image. It also sends customized messages to existing customers using e-mails and mobile SMS. One can also see hoardings on the way to/from airport regarding new flights. Keeping up with the requirements of customers, it has introduced a new mobile application with many useful features. Customers can book tickets, check flight status and schedule, check-in and scan through the food and beverage menu.



**Figure 1. IndiGo Airline portraying its unique aspects on its 5<sup>th</sup> birthday**

Customers agree that the company has earned the distinction of on-time performance and consistent basic and desirable services. Focused vision & holistic planning, inviting flight schedule and travel friendly routes, new and upgraded fleet, special efforts of the staff to address minute details and keep the customer satisfied, innovative modes of communication with the customers and attractive fares – all have made IndiGo a LCC of choice for thousands of travelers each day.

In July 2012, IndiGo became the market leader of domestic skies in India. This is the first time a low cost carrier has managed to become the market leader. One of the reasons is that the company is constantly increasing its fleet size and flights on domestic and international routes. The company wishes to remain profitable even in a cost-hostile environment. Its success lies in its “on-time hassle-free” service motto together with its clear business strategy.

## 6. CONCLUSIONS & FUTURE DIRECTIONS

This study indicates that using innovative management principles, it's possible for companies to stand out of the crowd and create a respectable brand even when the economic conditions are unfavorable and the entire sector is in red. A low-cost airline company should have focused vision, chase its goals aggressively, differentiate itself uniquely from its competitors and treat its employees the way it expects them to treat their customers. A set of basic

services should be identified & provided to the customer consistently and in the best possible manner. The company should then decide about the frills that it can offer without burning the pocket of the customer. LCC may also specialize in specific sectors and customize services according to the diversity of travelers on that sector.

Employees and air hostesses should be selected carefully, trained properly to provide the desired services, treated as assets and rewarded appropriately for their passion and dedication towards their work. Technology should be used for cost cutting and improving the operations. Periodic information collection from customers should be carried out for improvement of services. Customers respond positively to market-first services, it is important for the company to launch innovative and new services from time to time. Apart from using broadcast media for marketing communications, the company should devise strategies for message personalization and two-way interaction with the customer. An integrated marketing strategy helps to deliver the message effectively and economically which is critically required by this industry.

Qualitative analysis has helped us to identify customer expectations and desirable services for this sector in our country. By conducting quantitative analysis in the future, we would try to identify the best possible service themes and media channels for marketing and establish whether demographic segmentation helps to improve customer satisfaction and brand image of the company.

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