This chapter provides the summary of major findings and discussion on effect of frequent flyer programme and airline service quality on airline brand image and passengers’ trust in the airline, mediation effect of airline service quality satisfaction, indirect effect of airline service quality based on loyalty programme status levels, effect of perceived value and travel frequency as moderator on satisfaction & re-buy intention.

In this chapter 6.1 deals with summary of findings and 6.2 to 6.7 are discussion on the findings.

6.1 Summary of findings

Majority of the frequent passengers travel for either business or official purposes; normally book tickets by self; and comes in the age category of 30 to 50 years. Respondents were mainly employees and majority of them were males with a post graduate education. Majority (55%) of the respondents have more than one FFP in hand. The sample profiles mentioned above are matching with the sample profile of other studies seen in the aviation literature.

Sub dimensions of frequent flyer programme in terms of attribute-level performances perceived by frequent flyers are explored. The service specific dimension is perceived better than structure specific dimension of the loyalty programme. This could be due to the peculiarity of the service specific factors which are directly linked with the travel phase of passengers; on the other hand
the structure specific factors are mostly related to non-travel facet of the programme.

As far as the descriptive statistics of the attribute–level performance of airline service quality (ASQ) is concerned, the employee-service specific dimension fetched maximum importance.

Frequent passengers perceived satisfaction from airline service quality more conspicuously than satisfaction from frequent flyer programme. This finding is in concurrence with the contention of Whyte (2003) which argue that passengers prefer service attributes above FFP miles / rewards.

While comparing the satisfaction levels and re-buy intentions, passengers who travel by foreign carriers were found to be more satisfied than passengers who use national based carriers, consequently they are more inclined to re-use foreign carriers. Moreover, ASQ satisfaction was perceived better when compared with FFP satisfaction for both categories, while the effects are at the higher side for international carriers and the differences in effects were also found to be significant. The proportions of respondents who use Indian carriers and foreign carriers were found to be more or less the same with regard to different FFP status levels of passengers. So the variation that can be found on FFP statuses would not be attributed by the disproportion in number of respondents in each category.

It was found that age of the passengers, level of their education, purposes of travel were not associated with satisfactions level and re – buy intentions, however with regard to occupation, business passengers are significantly prone
towards ASQ satisfaction. The proportion of respondents who held ‘business’ and ‘employed’ occupations were found to be consistent with regard to different FFP status levels of passengers.

There was no distinction in the satisfaction level of passengers as far as income levels are concerned, but slight variation was observed when compared with income and re-buy intention. FFP satisfaction differs in terms of the number of FFPs held by the passengers, whereas no significant difference was seen in ASQ satisfaction and re-buy intention based on number of FFPs held by passengers.

Significant variation was observed among different FFP statuses of passengers with regard to their satisfaction towards frequent flyer programme. Platinum class passengers were more satisfied with FFP when compared with lower status level passengers. This feature is similar with the findings of Nathalie et.al. (2011), that the existence of an FFP leads to higher prices paid by FFP members, and the notable FFP price premium of 5 – 6% on an average airfare that they claimed in their study was based on the intrinsic characteristic of the FFP structure itself, i.e. the variation in FFP status levels. In contrast, as per the results obtained this higher level of FFP satisfaction was not found to be instrumental in making re-buy intention, when analyzed in a combined structural model (see figure 5.1 in chapter V).
Significant differences among passengers possessing ‘Gold’ and ‘Platinum’ FFP statuses were found in terms of their satisfaction with airline service quality. ‘Gold’ status passengers are not very apprehensive with service quality as compared with other status groups, whereas in the case of re-buy intentions, both ‘Gold’ and ‘Platinum’ status groups show significantly higher levels of urge when compared with lower FFP status groups.

The influence of FFP and ASQ on re-buy intentions is better understood when the results generated with all the constructs taken together in a single structural equation model. The structural equation model (SEM) output results produced the combined effect of ASQ, FFP and selected antecedents such as ‘brand image’ and passengers’ ‘trust’ with the airline. Testing the conceptual model without including perceived value resulted in the acceptance of the model. The test output indicates that all the hypothetical relationships were found to be valid and significant except the direct effect of FFP satisfaction on brand image and passenger trust. It was found that there exists a significant effect of mediation due to ASQ satisfaction in the relationship between FFP satisfaction and re-buy intention.
6.2 Effect of frequent flyer programme & airline service quality on brand image and passengers’ trust in the airline

The two variables, ‘brand image’ and ‘passengers’ trust’ in the airline were discussed in a joint frame work which operates as a consequent of satisfaction from frequent flyer programme and satisfaction from airline service quality. It was found that the two selected variables are no way affected by passengers’ satisfaction in frequent flyer programme (FFP). This indicates that satisfaction from frequent flyer programme in no way induces either brand image or trust in the airline; on the other hand, airline service quality (ASQ) satisfaction causes brand image and trust in the airline. This signify a peculiar effect of frequent flyer programme, as a distinctive entity with its own independent role in making the re-buy intention of passengers though FFP alone did not affect any resounding outcome. This supports the findings of Sahoo and Vyas (2007) “people fly on those airlines where the brand experience is unique and frequent flyer programme system itself is no longer a differentiator to re-buy an airline”. So passengers would really remain loyal to an airline which assures efficient and pleasing service and recognition of their preferences.

Dowling and Uncles (1997) claimed that customers end up associating their loyalty to a particular rewards programme rather than to the actual airline brand. Doganis (2006) argues that frequent flyers often are high yield passengers; they tend to be members of several FFPs. Hence it could be argued based on this research finding and other studies that the relevance of FFPs in terms of securing customer loyalty for a particular airline may diminish over a period of time. Liu and Yang (2009) analyzed the success of competing loyalty programme in the airline
industry and found that loyalty programme did not always lead to beneficial outcomes. So it can be argued that mere performance of ASQ or FFP attributes would not cause repeat buying intentions; the effect of the mediation role of satisfaction has to be discussed further.

6.3 Mediation effect of ASQ satisfaction

ASQ-satisfaction takes a mediation role in the relationship between satisfaction from FFP and re-buy intention. It was also noticed that the presence of ASQ-satisfaction did not curtail the direct relationship between FFP-satisfaction and re-buy intention. Therefore, partial mediation was observed which was statistically valid. It is evident that satisfaction of the passenger in the loyalty programme affects the re-buy intention; nevertheless this relationship was mediated positively and significantly by satisfaction from service quality of airline. It can also be made certain that re-buy intention of passengers are not only influenced by frequent flyer programme satisfaction but also by satisfaction obtained from airline service quality, which was already verified in the structural equation model. The construct ‘FFP- satisfaction’ takes a positive link to ‘ASQ-satisfaction’ (see the model in figure 5.1).

The findings of this study assert that re-buy intention of passengers is predominantly caused by satisfaction from service quality. Since the ‘core product’ element i.e. ‘travel’ is embedded in this construct only, effect of all other antecedent constructs were routed only through the satisfaction of this ‘core service’ constituent, despite the fact that there is a direct relationship of ‘FFP-satisfaction’, ‘trust’ and ‘brand image’ in making re-buy intention. Moreover, it was
also seen that ASQ satisfaction operates as an antecedent to brand image and trust, which in turn cause positive re-buy intention.

Hence it was realized that satisfaction from frequent flyer programme has an effect on re-buy intentions, but this effect was better explicated with the mediation effect of satisfaction from airline service quality.

Following discussion points put forward with respect to the significance of service quality-satisfaction as a mediating variable which elaborates upon the distinctiveness of FFP and its effect on re-buying intentions and also justifying the non-mediation role of FFP satisfaction as a consequent of ASQ satisfaction.

- Theoretical support explains the wider domain of airline service quality (ASQ) under which frequent flyer programme (FFP) can operate as a subset or an antecedent variable, even if FFP discriminates itself as a distinct entity that comes under promotion programme of the airline marketing. Evert & Gudmundsson (2012) referred FFP as a profit centre that has separate distinguishing performance attributes of its own.

- Airline marketing officials when interacted with during the study have pointed out situations where passengers misrepresent facts. One such situation is where passengers express their dissatisfaction about the quality of food supplied though it was reasonably good, for the unsatisfactory performances of other service factors. Here passengers capture food (service quality attribute) as a transitional tool to express their dissatisfaction experienced with other performance attributes. So it can be argued that any change in the
satisfaction level of FFP may possibly have an effect on the satisfaction level of airline core service quality. This facet sounds the interrelationship between FFP and ASQ constructs, whereas the reverse directional relationship is not practically plausible due to the distinctive performance characteristics of FFP which are not direct consequents of ASQ satisfaction. In other words, ASQ-satisfaction cannot cause change in FFP-satisfaction, instead FFP-satisfaction can cause change in ASQ-satisfaction. So the hypothesis postulated in section 5.14 (b) as “the positive direct effect of frequent flyer programme satisfaction on re-buy intention is mediated through satisfaction from service quality” is found statistically valid in this study.

It was found from this research that at the initial phase (during the phase just enrolled in a loyalty programme) the frequent travelers get attracted by the FFPs and satisfaction from FFP influences the intention to re-buy significantly. This supports the postulation of Bagozzi (1992) that emotional reactions will have a close link to intention. Here the ‘desire’ component proposed by Bagozzi in his model is allegorically enacted in this study as the ‘desire’ to get more service benefits through the advancement in FFP statuses. This desire component gets replicated in the form of desire to get satisfied and envisaged as ‘ASQ-satisfaction’ construct in this research. Frequent passengers always expect more quality of services as part of travel which is very much linked by way of a consequent to better status in the loyalty programme. More points/ miles resulted into better FFP status, which would lead to better quality of services (e.g. up gradation, better personal care, free trip etc – see Annexure II for an example). It was also evident
from the results that ASQ-satisfaction influences more than FFP-satisfaction at the later on stages of the loyalty programme, although the overall model explains the significance of both FFP-satisfaction and ASQ-satisfaction in predicting RBI. Moreover this study revealed the role of ‘FFP status’ and ‘perceived value’ in moderating the relationship between FFP-satisfaction and ASQ-satisfaction.

6.4 Indirect effect of airline service quality based on FFP status levels

Significant differences were found in the FFP-satisfaction levels among FFP status groups. The mean values of FFP-satisfaction gradually get increased while the status of FFP increases (when the mean scores were analyzed which were not included in a combined model). Although mean values of ASQ-satisfaction among FFP groups were not found significantly different at 5 % level of significance, post hoc test result shows that significant differences exist among ‘Gold’ and ‘Platinum’ category groups. This could be attributed to the reason that, the anticipation of ‘Gold’ passengers might be at higher levels than ‘Platinum’ status groups because ‘Gold’ passengers are required to redeem miles for extra (special) benefits solely enjoyed by Platinum group. One more FFP level need to be attained by ‘Gold’ category by way of earning and retaining miles, where as ‘Platinum’ passengers are already at the highest level possible, so they can easily avail all benefits envisaged in the programme. The effect of mediation caused by ASQ-satisfaction becomes more significant with the increase in FFP status levels.

Baumeister and Vohs (2007) examined the theory of self regulation (TSR) and indicated the importance of motivation as an additional component to be included in the TSR model. Similarity can be drawn here with effect of ‘ASQ-
satisfaction’ in the present research. In this study ‘ASQ-satisfaction’ construct operate in one way or other as a reflection of motivational component (as referred in section 6.3). Frequent passengers looking for better FFP status levels may possibly be directed by a goal directed behavior i.e. with an aim to acquire more ASQ benefits and comforts in the course of air travel. (Please refer Annexure II for an example of FFP status and corresponding benefits).

6.4.1 Variation in mediation effects of ‘Gold’ vs. ‘Platinum’ category passengers

Among ‘Platinum’ group, it was found that there is full mediation effect by ASQ-satisfaction in the relationship between FFP-satisfaction and re-buy intention since there is no significant direct effect of FFP-satisfaction on re-buy intention. However in the case of ‘Gold’ status group, the direct effect is very much significant. This phenomenon is further explained with the following theoretical underpinnings and discussion points:

❖ Platinum group passengers: Once a passenger reaches the platinum status level (considered as the highest possible level among FFP passengers), there is no further scope for upgrading the FFP status by participating more in the programme and hence no aspiration or motivation (Baumeister et al.; 2007) in making any sort of intention to re-use the airline programme to accrue more FFP miles, however these passengers will be concerned in retaining the same higher status. At this stage the element of motivation that may possibly drive-in is only the expected satisfaction level from the performance of ASQ attributes of the airline.
Moreover, it is obvious from the results obtained by testing the association between no. of FFPs held by the frequent travelers and their respective FFP status levels. The result shows a significant association i.e., more the status level, more likely will be the no. of FFPs held by them (Please see Annexure V). So it can be deduced that ‘platinum’ card holders tempt to have multiple no. of FFPs, which prevent their opportunity cost of forgoing points / miles when they choose another airline with a different FFP status. Hence the predominant role of ‘service quality satisfaction’ that influences intention to re-buy an airline particularly with respect to platinum category is justified.

Furthermore, it was found that “perceived value (PV) moderates the relationship between FFP satisfaction and ASQ satisfaction” was more evident in the case of platinum group. This could be attributed due to the following facts:

(a) Better cost-benefit comparison: Since ‘platinum’ status passengers can avail almost all benefits of the FFP and these benefits are actually consumed all the way through experiencing the core airline services in most situations, justifies the moderation role of PV in enhancing ASQ satisfaction.

(b) The effect of reasonability of price and other value added special in-flight services/ benefits can also enhance the satisfaction levels.

Gold group passengers: As far as ‘Gold’ passengers are concerned, the influence of both FFP and ASQ attribute-level performance satisfaction on re-buy intention was observed. Although this type of passengers are in a position to avail FFP privileges’ offered, (e.g. priority for check-in at the airport,
confirmed seat before 48 hours of boarding etc.) will be tempted to earn more miles by retaining with the programme (Dolnicar et al., 2011). So there is significant direct effect of FFP on re-buy intention in ‘Gold’ category at the same time, maintaining significant indirect effect through ASQ satisfaction.

In case of ‘Gold’ passengers perceived value did not moderate significantly the effect of FFP satisfaction on ASQ satisfaction. This could be due to the fact that ‘Gold’ passengers are not eligible to avail all special extra benefits which are readily offered for ‘Platinum’ passengers as per the nature of the programme. If desired for such extra benefits ‘Gold’ passengers are required to either redeem miles earned or pay extra for availing such special services and privileges. So the miles foregone would create a damping effect on PV for ‘Gold’ category passengers. For example, full waiver on cancellation charges is applicable only to ‘platinum’ category. This type of situations pulls down the effect of moderation due to perceived value, though the effect was not found to be negative. In fact, today some airlines offer elite-member-level perks even to programme non-members on an à la carte basis, selling a “perk package” for, say, $100 that provides expedited boarding and a lounge pass (family/ spouse) for just one flight.

The effect of FFP-satisfaction on re-buy intention mediated through ASQ-satisfaction was found in the case of ‘Blue’ and ‘Silver’ category passengers even though these passengers are not eligible to avail many facilities which are offered to other higher status groups in the programme. Re-buy intentions rooted through FFP satisfaction for ‘Blue’ and ‘Silver’ status groups could be attributed to their higher levels of perceptions (desire) about the service benefits and privileges that can be availed once they attain higher status levels. This is
supported by a strong evidence pointed out in the literature (Osselaer, Alba & Manchanda, 2004), that passengers who are at the initial phases of the promotional programme were influenced by the programme points even when they are aware of truly discriminating information (e.g. variations in FFP privileges) though their study did not consider the effect of antecedent variable such as service quality. These lower status groups of passengers could feel themselves ‘different’ while compared with non FFP passengers by a syndrome referred as “Idiosyncratic fit heuristic” (Kivetz & Simonson, 2003).

Further, the chi-square test results (referred in section 5.17) revealed that there is a significant association between number of FFPs held by passengers and their respective FFP status level (see table 5.52). The lower level FFP status groups (Blue and Silver) generally do not carry more number of FFPs as compared to higher status levels, as a result these passengers will have no choice other than to focus on their limited number of FFPs to earn miles and points, which in turn affect direct relationship between FFP and re-buy intention.

6.5 Effect of perceived value as moderator

It was found that perceived value positively moderates the effect of FFP satisfaction on ASQ satisfaction. The moderation effect of perceived value (PV) on the path that links FFP satisfaction and ASQ satisfaction with respect to different FFP status groups was analyzed. It was found that the moderation effect of PV on the direct link between FFP-satisfaction and ASQ-satisfaction gradually gets decreased when moved from ‘Blue’ to ‘Gold’ status level. On the other hand the mediation effect of ASQ-satisfaction gets improved from ‘Blue’ to ‘Gold’ level.
In the case of ‘Platinum’ group, the significance of both FFP and ASQ weakened, while other factors like ‘passengers’ trust’ and ‘brand image’ get dominancy. These results call for attention towards the diminishing effect of moderation due to perceived value once the status level goes up. In other words, the importance of perceived value gets diminished in tune with upgradation in FFP status levels while the role of ASQ-satisfaction takes dominance or is consistent in predicting re-buy intention.

### 6.6 Role of travel frequency as moderator on satisfaction & Re-buy intentions

The moderation effect of travel frequency (no. of air trips per annum) on the relationship between FFP-satisfaction and re-buy intention was hypothesized in this study taking into consideration the rational argument that travel frequency and FFP status are interlinked. This logical elucidation was found to be valid in this study. It was found that the level of satisfaction and thereby re-buy intentions increases in accordance with the increase in travel frequency. In other words more the travel frequency of passengers more will be their re-buy intention for a specific airline. This could be affected more through satisfaction from loyalty programme since the direct effect of FFP-satisfaction was found to be significant and dominant as per the results obtained (see figure 5.8).
6.7 Chapter summary

This chapter presented the discussion on the research findings of the study. Findings were discussed in the light of previous studies in the literature and the research objectives. To sum up the discussion on the findings of the study and conceptual model analysis, satisfaction from frequent flyer programme has an effect on re-buy intentions, however this effect was better explicated with the mediation effect of satisfaction from airline service quality. Variation in mediation effects of upper FFP statuses were discussed and explained which justifies the predominant role of service quality satisfaction that influences frequent passengers’ intention to re-buy an airline.

Perceived value has a direct positive moderation effect on the important performance parameters of loyalty programme satisfaction and airline service quality satisfaction, though the moderation effect of perceived value diminishes once the status level goes up. The study also reveals the moderation effect of travel frequency and number of FFPs possessed by frequent passengers on re-buy intentions.

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This chapter deals with practical implications for the airlines based on the findings evolved from the study. The limitations of the present research are provided which will help the future researchers to design and structure their research work and aid better understanding about the effect of the dependent variable from a different perspective. The scope for future research also provided in this chapter as a guideline for the future researchers aiming the same field of study.

The outcome of this research make certain that loyalty programme (FFP) leads to re-buy intentions but not leading to loyalty arousing antecedents such as ‘trust’ and ‘brand image’, however, service quality attributes leads to trust and brand image. It was found that FFP influences re-buy intentions till the passenger reaches the highest status level of the programme whereas re-buy intentions are more affected through ASQ driven satisfactions.

7.1 Implications from the study and suggestions for the airlines

7.1.1 Internal marketing for enhancing employee service quality

It is imperative for the airlines to look into the joint relationship of loyalty programme and service quality from its application perspective. Among the various attributes perceived by the frequent travelers, employee specific service dimensions fetch more importance. Therefore, airlines’ marketing efforts should be focused more on the employee facet through internal marketing which makes the employees enthusiastic missionaries of the respective airlines. Loyalty
programme had some effect on the re-buy intentions, but that alone was not a differentiator, albeit the effect of FFP is vital for the beginners of the programme, airline service quality too play a vital role in strengthening the intentions to re-use the airline especially for passengers holding higher status of frequent flyer programme.

7.1.2 Perceived value as a moderator

Perceived value operates as a moderating variable which augmented the satisfaction levels of passengers and ultimately cause repeat buying intentions. The notable implication for the airlines was that ‘perceived value’ in its essence is not to be viewed as a reflection of cost incurred and benefit received for the passengers. It is to be viewed from the value proposition perspective as perceived by passengers in tune with their increase in status level and travel experience. As per the airline officials’ view point and also based on the review of FFP related websites, a significantly huge portion of the FFP benefits are not redeemed by the passengers due to its validity limitation and other reasons. It should be noted that if airlines fail to provide services by recognizing the travel frequency and experience of passengers (no. of trips per annum), the passengers’ perceived level of satisfaction on service quality will not be turned into favorable buying intentions. The perceptible value in terms of reasonable price or superior benefits anchored in the FFP statuses may possibly go in vain, if frequent passengers are not satisfied well with the service quality facets. This supports the contention of Dowling & Uncles (1997) referred to as the success of loyalty program under tough market conditions is based on a loyalty program’s performance to enhance the overall value-proposition of the product or service. This in turn will help to
motivate buyers to make the next purchase of the product. So airline managers should be wise enough to assess the cost of the loyalty program before introducing it and compare these costs with a realistic assessment of the benefits of the program which goes beyond the rhetoric of relationship marketing.

7.1.3 Enhanced benefits for lower level FFP

Frequent flyer programme by itself would not influence any significant effect on trust or brand image; airlines should focus on providing more special services at par with the travel experience of passengers which can intensify the re-buy intentions. This can be made possible for airlines by using appropriate market information system to identify the total number of trips made by each status class of passengers irrespective of the airline brand.

There are apparent and true needs for the frequent flyers especially for the business passengers as indicated by Shaw (1950). Thus it is significant to deliver frequent flyer’s specific needs in terms of underlying dimensions explored. It is important to segregate the attributes that have meaningless influence which give positive values when it is frequently paired with a positive outcome (Osselaer et al., 2004). Therefore airlines should differentiate the relevant attributes that really influence frequent travelers.

According to this study, frequent flyer programme largely influences beginners than high status groups. So the airlines can be little more lenient and flexible in the execution of frequent flyer programme in favor of low end passengers which could yield a long term customer relationship. This is in consonance with contention of Proussaloglou and Koppelman (1995) that any