

# Chapter 25

## Financial Implications of Relationship Marketing in Airline Business

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### ABSTRACT

*Relationship marketing promises a change from vendor, product and price centered marketing concept to a new people, long-term relationships and value centered marketing concept for airline companies in search of a messiah who will rescue them from bleeding to death because of monopolized supply market, duplicated services, financial crises, heavy pressure of competition and low profit margins. In this chapter, definitions and short background of relationship marketing are revised by focusing on components of the concept and relations with customer loyalty, customer value and basic notions. A glance at the airline industry takes place with a focus on relationship marketing and airline business on the basis of implication aspects such as frequent flyer programs, global distribution systems and internet. Specifically, domains of relationship marketing concept on the airline business are analyzed in detail specific to cost and profitability balance.*

### INTRODUCTION

Technological change brought by globalization, the pressure of population growth, inflation, and hard competition have forced companies to stand strong and sustain their activities in the middle

of a high flow rate. In order to stand strong in the middle of this flow rate, companies have to strengthen their roots which are their customers.

While in the beginning of the century production was the center of industrialization in 1900's the center of companies turned into sales. In 1950s

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companies started to diversify their marketing applications and marketing centered companies started to appear. 1990s was the beginning of new experience in other words the beginning of customer era. (Palmatier, 2008, p.12). Nevertheless, increase in diversity of service and goods, distribution, dazzling increase in price and communication opportunities and hard competition conditions increased the amount of accessibility for service and goods for all income levels. Competition caused by goods and service inflation has increased the quality of goods and service relation in this area. It is very common to reach and experience desired goods easily both by virtual or real communication channels. In this marketing atmosphere formed by conditions that we stated above customers desire to buy the feeling of “satisfaction”. Customers replaced the meaning of goods and service. Therefore marketing has to take customer relations into consideration instead of goods and service (Kotler & Keller, 2009, p.14).

It is very difficult for companies to find new customers in global arena, besides losing their customers is a matter of life and death for them. Looking from another aspect, it means that if companies want to have more advantages than the others it depends on their long life relationship with their customers. Today's business world is based on relationship with customers not the operations. All these marketing conditions have changed and evolved marketing literature, so relationship marketing has taken over. (Payne, Christopher, Clark, & Peck, 1999)

Marketing success of companies is related to their customer relations and their ability to be different from their competitors. Considered from this aspect the strategy of having long life relationship with customers and relationship marketing has become the center of marketing strategies. Relationship marketing which puts customers in the center of marketing takes customer loyalty as the most important factor for profitability. It is accepted that value given to customers and their loyalty will give competitive priority to compa-

nies in long term period. Gummesson describes this new process as “interaction and joint value creation” (Gummesson, 2002).

Relationship marketing is not a program to be implied in current marketing programs; on the other hand it means change in whole business strategies. Basically, trust and relations web which have been main principles of trade in eastern societies are applied to western trade principals which are based on distrust and solid engagement. (Gummesson, 2002) Product and seller based trade and marketing have lost power in nowadays world. Companies started to explore and institutionalize customer centered marketing which was taken from eastern societies.

The purpose of this article is to put the clock back the formula which has a potential of creating customer retention, customer loyalty and customer value and as result of this chain is to create profitability for airlines. As a result, according to Berry's expression “the spirit and heart of relations marketing is based on customers when they become customers” (Gruen, 1995, p.449).

## **1. BASIC PRINCIPALS OF RELATIONS MARKETING**

### **1.1 Definitions of Relations Marketing**

Relations marketing showed up in 1980s and still it doesn't have a generally accepted definition. There are several reasons of not having a proper definition of relations marketing. The reasons are not theoretical or practical inadequate but it is because of diversity and multifunctional structure of relations based marketing (Grönroos, 1994).

Direct marketing which was applied for centuries was replaced after industrial revolution with such a solid and mechanical marketing perception. After this change, human factor was redefined and imprisoned in specific roles. After industrial revolution, technology, individualization and internet

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