



Living “up in the air”: Meeting the frequent flyer passenger



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ABSTRACT

This paper uses a large database of approximately 37,000 passengers and three different estimates to analyse the characteristics of the frequent flyer and the differences between frequent flyers and occasional flyers. The results show that frequent flyers are middle-aged men with a high level of education who take domestic flights for business reasons at both hub and regional airports, where they make a purchase and/or consume F&B. Frequent flyers fly on both low-cost and traditional airlines, are more likely to stay overnight at a relative's or friend's home and travel to the airport by private or rented car.

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1. Introduction

Traditionally-speaking, one of the most profitable markets for airlines is the frequent flyer passenger and this is the reason why frequent-flyer programmes (FFPs) have been developed. Basically, by flying on the airline or its affiliates FFP members accumulate mileage credits that can be used for free flights or for upgrading to a higher class. From 1981, the year when American Airlines launched the first FFP in the US, benefiting from deregulation and computerisation, the programmes have grown significantly. The figures show how important they are with at least 130 airline loyalty programmes and more than 150 million members (IATA, 2012) driving increasing competition between rival programmes (Liu and Yang, 2009).

The most obvious advantages of FFPs for airlines that have been highlighted by the literature include their use as an effective marketing technique (de Boer and Gudmundsson, 2012, Yang and Liu, 2003), to increase the loyalty of airline passengers (Chang and Hung, 2013, Klopheus, 2005) and to have an evident influence on airline choice (Deane, 1988, Nako, 1992). They also help improve airlines' revenue streams (de Boer and Gudmundsson, 2012), reduce customer switching tendencies (de Boer and Gudmundsson, 2012, Klopheus, 2005) and increase the level of passenger satisfaction, pricing perception, and airline image formation (Park, 2010).

However FFPs have also been subject to much criticism. By affecting habit formation, they create major barriers to entry (Cairns and Galbraith, 1990, Hu et al., 1988), distorting air transport competition (Deane, 1988) and resulting in welfare losses due to switching costs (Carlsson and Löfgren, 2006). Moreover the FFPs do not only create problems between airlines. There are certain ethical issues involved with companies themselves due to the fact that the flight ticket is usually paid by the company while the points that stack up usually pass directly to the employee (Mason and Barker, 1996), turning FFPs into “bribes” offered to employees to book flights at higher prices (Caminal, 2012, Deane, 1988). Hu et al. (1988) detail a whole list of the most common abuses committed with FFPs by company employees to gain more frequent-flyer points: higher fares, unnecessary travel or wasted time due to unsuitable timetables or indirect flight routes. Finally, FFPs have a negative effect for general passengers as they put up average fares, as has been proven in studies by Lederman (2007, 2008) and Escobari (2011). As is evident from the above discussions, FFPs have generally been studied in depth, but not specifically the passenger profile behind these programmes.

Frequent passengers are an especially important segment for the airlines (Teichert et al., 2008) and the typical frequent flyer passenger has often been identified as the business passenger. The justification for this is that FFPs are primarily devised to target full-fare business travellers (Cairns and Galbraith, 1990, Hu et al., 1988, Mason and Barker, 1996, Toh and Hu, 1990) and contribute positively to their lifestyles by in some way counterbalancing some of the downsides of frequent business travel (Long et al., 2003). However, the perception that the frequent flyer passenger is linked to the FFP business member passenger may be changing due to both changes in the airline market and in customer behaviour.

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To be specific, the low-cost carrier (LCC) phenomenon and growth in disposable income, especially in the developing world, have favoured not only growth in the leisure passenger market (Dresner, 2006) but also an increase in the popularity of “short breaks” in the last few years (Martinez-Garcia and Royo-Vela, 2010, Papatheodorou and Lei, 2006) rather than the traditional two or three week break (Graham, 2008). Lower fares have meant that more frequent shorter holidays are not necessarily a more expensive option (Graham, 2006), with the consequent increase in the travel frequency of current passengers (Mocica Brilha, 2008). The second home phenomenon could also have encouraged more frequent flying (Graham, 2006). In fact, all the above could be generating a new type of frequent passenger, the “city breaker”, in part as a sophisticated urbanite evolution of backpackers, albeit on shorter trips.

Apart from the leisure market, journeys made for the purpose of visiting friends and relatives (VFR) have also increased many times due to factors such as children moving away from their parents for educational or job opportunities in a distant location. VFR travellers are likely to travel more frequently than occasional leisure travellers (Chang and Hung, 2013), although they might come up against the obstacle of the relatively high cost of air services of traditional airlines (Papatheodorou and Lei, 2006). So, once more, the expansion of the LCCs may have increased the frequency of these types of journeys.

In other respects, although frequent-flyer members are, as their name implies, frequent flyers (Toh and Hu, 1990), the frequent flyer is not always an FFP member. The existence of this type of programme is not as important for some authors (Hu et al., 1988) as other factors in airline choice. Again this phenomenon may once more have become more pronounced with the arrival of LCCs as passengers of this type of airline focus almost exclusively on fare and do not place strong emphasis on FFPs (O’Connell and Williams, 2005). This is why a large part of the LCCs choose not to run these types of programmes if their customers do not value them and prefer cheaper fares (Kappes and Merkert, 2013). With the arrival of the LCCs the managers of tourist establishments likewise seem to no longer consider FFPs an important factor that defines an airline’s quality (Castillo-Manzano et al., 2011). Differentiating by business travellers and leisure travellers, the former consider an FFP as key, whereas the latter place the biggest role on price (Dolnicar et al., 2011). Therefore considering the reduced importance now given to FFPs by both LCC passengers and leisure travellers, it would be restrictive to limit the research of frequent flyer passengers to FFP members.

To summarise, these changes in passenger behaviour and in the aviation environment clearly mean that frequent flyers no longer fall a well-defined static category. As a consequence, this paper is significant in that it profiles the frequent passenger (and the

occasional passenger) in detail and considers the frequent passenger as a separate and independent category and does not place this type of passenger into the business passenger group or as an FFP member, as has been done in most other studies (Toh and Hu, 1990, Toh et al., 1996). For this we use a sample of over 37,000 passengers, to our knowledge the largest of any similar study.

The research is useful in two ways. On the one hand, following Dresner (2006), the presence of frequent passengers has major implications for the planning of airport infrastructure. On the other hand, the importance of attracting these types of passengers for airlines, knowing their profile and predicting their choice decisions is important for purposes of product differentiation and makes the marketing policies of airline companies more efficient by focusing their efforts towards a clearly defined passenger segment (Teichert et al., 2008, Toh and Hu, 1990).

2. Data and methodology

We used data collected through surveys conducted in summer 2010 by the Spanish Public Airport Authority (AENA). The key characteristics of AENA’s survey activities are listed in Table 1 (see Castillo-Manzano and Lopez-Valpuesta, 2014 for another application for this database). In contrast to the limited sample sizes in similar studies (Nako, 1992; Teichert et al., 2008, Toh et al., 1996, Toh and Hu, 1990), our research uses a database of 37,226 passengers who were interviewed in the departure lounges at eight different Spanish airports. Included among these airports were the two main hubs, Madrid and Barcelona, which would a priori seem to be the natural habitat for the traditional frequent flyer for business reasons, and some of the main regional airports in the country that have seen most growth thanks to the development of the LCCs, including Alicante, Santiago, Seville and Valencia. As with similar databases, each observation was weighted according to the total number of passengers on the flight so that the sample could be expanded to the total population; see Dresner (2006) for an explanation of the weighting methodology.

Given the size of the sample and the wide geographical distribution of the eight airports included in the study, the conclusions can easily be extrapolated not only to the rest of the Spanish airport system, but also, with the logical caution, to other European countries, and especially the Mediterranean countries. This extrapolation is reinforced by the fact that almost 44 percent of the passengers interviewed, namely 16,300, were foreigners, most of them from other European Union countries, mainly France, Germany, Italy and the United Kingdom.

We focused on 39 different variables (one dependent and 38 explanatory) that were all available for 36,259 passengers. The dependent variable has been tabulated in four steps: the first represents the passengers who at the time of the survey had made no

Table 1
Survey of technical data.

Airport	Almeria	Alicante	Barcelona-El Prat	Madrid-Barajas	Santiago	Seville	Tenerife Sur	Valencia
Airport traffic in 2010	786,877	9,382,931	29,209,536	49,866,113	2,172,869	4,224,718	7,358,986	4,934,268
Sampling	Departing passengers >15 years of age							
General Questionnaire	Available in five languages		Available in six languages	Available in five languages	Available in six languages	Available in five languages		
Sample size (before weighting)	1808	3202	6931	9096	3530	6027	3092	3540
Sampling method	Stratified by traffic segments in which flights were selected for each route and a group of passengers was selected by means of systematic sampling.							
Sampling error	±2.1%	±1.7%	±1.2%	±1.0%	±1.6%	±1.2%	±1.8%	±1.7%
Field work	Departure lounges							
Location								
Time period	6–12 May	22–28 July	9–15 June	9–15 June	30 June-6 July	10–16 July	9–16 July	12–18 July
Timetable	Monday-Sunday. Shifts were conducted from 6am to 10pm with times extended during periods of high traffic							
Year	2010							

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