



## Customer Retention in Singapore Airlines with the Application of Kris-Flyer Loyalty Program

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### Abstract

This research investigates the Kris-flyer loyalty program's impact on retention and expansion of customers patronising Singapore airlines. To analyse the relationship an explanatory approach was embraced. A convenience sampling methodology was adopted, in which more than sixty members of Kris-flyer were canvassed. The consequences indicate that consumer bond is strongly linked to consumer satisfaction and overall customer loyalty. There is also a significant difference in perception of the mileage accrual between consumer travels with different priorities. However, customized service is a must for all segments; it also discovered that safety assurance was highly correlated to customer loyalty. In line with the observations above, the study concludes that measures for strengthening airline social bonds will start with the identification of customer needs. Singapore airlines should therefore develop strategies to fulfil their service commitment in terms of better mileage accrual, customised services, social bond, maintain service quality and lastly safety aspects which was deemed most important to air travellers to enhance customer loyalty.

**Keywords:** Mileage Accrual, Customer Loyalty, Service Quality, Customized Service

### Introduction

The liberalization of the airline industry has brought about fierce competition within the aviation sector which has forced professionals in the field to devise effective strategies to remain competitive in industry. This research paper aims to gain valuable insights on the airline rewards program impact on customer retention in specific the Kris-flyer miles loyalty program, valued offerings are crucial to any service provider to satisfy customer expectations (Saxon & Spickenreuther, 2018; Dah, Chen & Prempreh, 2015) <sup>[19, 6]</sup>.

The national carrier Singapore Airlines effectively positions itself among the main five carriers globally (Matousek & Logan, 2019; Heracleous & Wirtz, 2014) <sup>[14, 10]</sup>. Additionally, it has one of the broadest coverages of international flight networks. However, the carrier is operating under an ultra-competitive environment where other top quality airline carriers are available as near alternatives; airlines such as Emirates, Qatar Cathay Pacific and Qantas are a few to draw comparison. In addition, the establishments of far cheaper budget carriers namely Jet star, AirAsia and Lion Air in recent years has transformed the operating framework of airline commerce in the Asia-Pacific region (Atkinson & Palumbo, 2018) <sup>[2]</sup>.

The Kris flyer miles loyalty program offered by Singapore airlines is such a loyalty program that groups participants on different membership scales (E.g., Member, Elite Silver/Gold). Consumer membership is differentiated depending on either the amassed mileage from travelled frequency or purchasing activities with airline. However, implementing a loyalty program without constant review of results and effectiveness does not guarantee the retention of customers (Zeithaml, Bitner & Gremler, 2018; Nandal, Nandal & Malik, 2020; Ghosal *et al.*, 2021) <sup>[22, 15, 9]</sup>. Hence, the business needs to realize their customers' needs and behaviour

through constantly attaining related feedback from customer interactions to have an in-depth understanding of customer preference (Shaw, 2015; Hoyer, Macinnis & Pieters, 2018) [21, 11].

## Research Methodology

### Research Methodology Selected

Primarily quantitative methodology and secondary data analysis was selected by the author since both need to be used to adequately address the problems (Kotler, 2016) [12]. The core research is conducted via disseminating the survey online to gather the respondents' opinions. The questions structured are blocked-ended; this is done to eliminate the likelihood of inaccurate answers. There is also a secondary data research to further support research; this research source comes from journals, publications etc. (Saunders, Lewis & Thornhill, 2016) [20].

### Sampling Approach

To determine the correct sampling approach for the research, the author streamlined sampling methods both for probability and non-probability. In probability sampling approach each population element has a fixed oddity to be picked for sampling (Malhotra & Birks, 2007) [13].

### Target Population

The target populations of the study were customers of Singapore airlines and members of the Kris-flyer loyalty program. The membership ranges from tier to tier the select population of customers could be basic members or hold elite silver or gold tier membership. By not discriminating between the carrier's user membership level, the survey poll would carry a more accurate information yield by depicting the loyalty programs blind spots. Members would be chosen from different backgrounds at random and are mandated to be aged above eighteen to evaluate their choice drivers (Dolnicar *et al.*, 2011) [11].

### Sample Size

For the compilation of quantitative data and establishing a detailed analysis, it remains important to obtain responses from a broad number of survey participants. Therefore, the concept incorporated was to engage as many Singapore Airlines customers as possible /members within the given timeframe.

### Hypothesis of Research

The hypotheses considered for the research is presented below:

- **H1:** Different travel intentions lead to different wants and needs. A member who frequently travels could perceive mileage accrual to be a valuable factor while members who are holiday makers and travel less might not perceive mileage accrual to be that important when travelling for vacation purposes. Therefore, the relationship between frequent travellers and less frequent travellers and their value for mileage accrual is considered.
- **H2:** Demographic variables between the younger and older age members in terms of customised service is considered another important factor because as a leading carrier which specialises in customised services, Singapore airlines would need to differentiate the expectations between age groups which appreciate

customised services to structure its loyalty program incentives accordingly.

- **H3:** Singapore Airline operates in an environment where there many substitutes, therefore, price sensitivity would directly affect the choice of the consumers. Cost-offsetting benefits is often a main element in the design of the loyalty program which impacts the customers purchasing behaviour. Hence, the relationship between frequent travellers and less frequent traveller on whether their cost of travel is reduced through the current loyalty program structure is considered.
- **H4:** Customer loyalty adds sustainability to a company; a loyalty program must co-aid this requirement. To test if the Kris-flyer loyalty program is successful in creating a social bond where mileage accumulation would directly impact the loyalty of the consumers, the social bond between frequent flyers and less frequent flyer to the brand is considered (Bijmolt & van de Velden, 2012) [3].

## Reliability and Validity

### Reliability

According to Polit and Hungler, reliability is the degree of precision that the device tests to determine the value that it should. The questionnaires provided by airline loyalty program members and the data analysis are continuous (Polit & Hungler, 1995) [16]. Reliability was therefore maintained by reducing the sources of measurement errors such as partiality in data collection as the questionnaires was administered and streamlined by the author solely (Bonett & Wright, 2014) [4].

### Validity

The content's validity applies to the extent to which the variables under research depict an instrument. To establish validity of content, the questionnaire will include a variety of questions about the factors from loyalty programs that influence customer retention (Polit & Hungler, 1995; Carmines & Zeller, 1979) [16, 5].

## Discussion

It was learned that different customers have different expectations from the incentive scheme. Nonetheless, if a customer considers the advantages of participating in the frequent flyer program to outweigh the downsides, the opportunities for organisations to grow customer loyalty through a rewards program are large (An & Noh, 2009; Sana, Poddar & Paul, 2020) [1, 18]. Kris-flyer loyalty programme's members give weight to factors including mileage accrual, credit-card partnership, discounted air fare, last minute booking and service quality (Dick & Basu, 1994) [7]. Additionally, a significant finding found from this study points out that safety assurance is also of paramount importance to customers. The highlighted factors influence consumer satisfaction formation and customer loyalty assurance in the long term, using the multiple regression statistical tools the hypothesis testing proved out the following main conclusions:

- Perceived value of mileage currency has a positive impact on customer choice in travel frequency
- Customized service from the loyalty program has a positive impact on customers of all demographics
- Mileage redemption aids cost reduction and has a

positive impact on mainly holiday makers

- Mileage accumulation grows loyalty and has a positive impact on customer retention however, its more evident in holiday makers then frequent flyers.

Lastly, the primary objective of this study sought to explore if loyalty program significantly impacts customer retention and that has been proved that loyalty program significantly correlates with customer retention. A well-structured service can create satisfaction, repurchase intentions which leads to customer retention (Prasad & Yadav, 2020) <sup>[17]</sup>.

## Conclusion

There are abundant literatures emphasizing with formidable research, customer retention's importance in an organization. This thesis however focuses solely on research pertaining to a comprehensive and integrative framework that has been developed to retain customers in the airline industry independently or collectively with the emphasis on Kris-flyer loyalty program. The research established four variables (Perceived Value, Customer Expectations, Customer Purchasing Behavior and Social Bond) with significant statistical impact to the retention of customers. The research found that these four constructs are underpinnings or are fundamental requirements which are positively associated with customer retention in the airline industry, with Perceived Value and Social Bond the two most statistically significant contributors which impacts the customer retention in association with the loyalty program design.

The sampled Kris-flyer members in Singapore agree that accumulating mileage rewards is a key influence to participate in the rewards program of the carrier. Most of the members who are holiday-goers give importance to reward tickets. In general, the members trend towards a preference to remain loyal to Singapore airlines attracted by the quality customer service provided by the airline and use of the Kris-flyer program to accrue more mile's currency. However, they also indicated that if ticket costs are substantially higher than rival airline offerings, then switching to substitute airline service provider becomes a possibility. Singapore airlines must therefore focus more attention and investments on fare cost structure issues as well as safety of the passengers to prevent customers from switching to their competitors. Lastly, the dialogue and analysis thus far contribute to the reasonable conclusion that to ensure retention of customers and overall profitability of airlines, it is required for them to focus on the effective implementation and monitoring of the four strategies to ensure continued use and application.

## Recommendations

This study would act as a guide and a check on the reliability and generalizability of present findings. It is to be taken into consideration that the sample size surveyed was small but representative enough to explore the research focus that was to examine the Loyalty program of the Singapore airlines. The methodology used in this thesis can be applied to examine customer retention in a broader perspective to include the airline industry rather than compared to a single airline. Airline companies should formulate plans focusing on their weak areas upon gaining knowledge of traveller's attitudes. Marketing specialist should periodically utilize methods such as interviews and questionnaires and constantly interact with customers to gauge their expectations and satisfaction. A target market study to recognize the demands

and attributes of their demands should be performed by managers to identify customers' wants and needs to be satisfied. These results will enhance knowledge of important and unimportant factors that contribute to passengers' buying behavior that would aid in developing more efficient marketing strategies. A further study, on the effect of safety assurance on retaining customers will be a worthy research to analyse.

## Conflict of Interests

The authors declare that they have no conflict of interest.

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