An Assessment of Air Travellers Loyalty Programs in Kenya

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INTRODUCTION AND BACKGROUND

- In any industry customers are key to success
- Building loyal customers is therefore priority to most organizations
- In the airline industry where margins are low, this is even more critical
INTRODUCTION AND BACKGROUND (cont.)

- One strategy that airlines have used in building loyal customers is the use of Frequent Flyer Programs (FFP).

- The first FFP was created in 1972 for United Airlines.

- In Kenya apart from airline FFPs we have loyal programs such as Safaricom’s Bonga points, Orange Ziada, Nakumatt card, Uchumi’s U Club, Olibiya card and Kenol Kobil’s K-club.
PURPOSE

➢ Statement of the Problem:

✓ Literature has indicated a doubt on airline FFPs.

✓ A study by Deloitte in 2013 found that loyalty program members are far from loyal and that FFPs do not achieve their objectives

➢ Purpose of this Study:

✓ To access effectiveness of air traveller’s loyalty programs in Kenya
OBJECTIVES

Specific Objectives/Research Questions:

✓ How do loyalty programs create loyalty in customers?

✓ What factors make a FFP attractive?

✓ What type of users are air travelers in FFPS?
RESEARCH DESIGN

- Descriptive research design adopted because
  - We know the particular phenomenon we want to describe and verify in a certain population in Kenya.
  - In this study, the researcher intends to access the characteristics of air travelers' loyalty programs in Kenya, hence a descriptive research is suitable.
  - It's for the purpose of extracting information from a sample representing a large population and make inferences to the whole population (MacMillan and Schumacher, 2001).
POPULATION

- This is an entire group of individuals, events or objects having a common observable characteristics (Mugenda and Mugenda, 1999)

- Target population in this study are air travellers in Nairobi, Kenya – over 4M travellers

- Simple Random sampling technique was used to ensure an equal chance of including travellers in various FFPs

- A size of 205 respondents was arrived using Yamane’s formula
DATA COLLECTION/PROCEDURES

- Collection of Primary data
- A survey using a questionnaire
- Multiple choice and Open ended questions
- 60 items in the questionnaire
- Delivered to Travel Agents and individuals
Majority of the respondents; 63% participated in the study.
RESPONDENT DEMOGRAPHICS

Gender
- Female: 70, 54%
- Male: 59, 46%

Level of Education
- Sec: 6, 4%
- Under-grad: 54, 42%
- Post-grad: 46, 36%
- Doctorate: 23, 18%

[Graphs showing gender and level of education distribution]
Questions where results were analyzed from...

- Does loyalty minimise competition for an organisation?
- Do loyalty rewards encourage customers to be loyal?
- Does satisfaction enhance loyalty?
- Air travellers do not like long queues, cramped spaces
- Reliability, problem solving, safety, route network
- Ease of redeeming points and using the FFP
- Compatibility of the rewards with the Brand Image
- Is it the sense of community, the monetary discounts or the rewards?
- Do customers have a real choice in switching?
- Convenience
KEY FINDINGS

- Loyalty programs are just a tip of an iceberg when it comes to building loyalty in customers. There is more needed to build loyalty.

- There are key factors that airlines need to pay attention to if their FFPs are to be successful.

- Finally the study was able to identify different types of users based on what is important to them as customers.
Loyalty Programs and Loyalty in Customers

Loyalty is a broad issue and it is possible that it has very little to do with a loyalty program. To a larger extend loyalty is driven by the core service which is transporting the customer from point a to b and loyalty programs is not one of them.
Factors that make a Frequent Flyer Program Attractive

- If an airline is to run an FFP, then the program must be run efficiently delivering its promises and benefits. If done well, customers are happy and may attract them to stick with the airline therefore indirectly making the customer loyal.
Type of Air Travelers in Frequent Flyer Programs

✓ True loyalty is hardly achievable and attempting to make customers completely loyal is unrealistic. Customers tend to swing between loyalty or unloyalty depending on the service they get.
KEY RECOMMENDATIONS

- Airlines need to focus on satisfaction, relationships and removing inconveniences with or without an FFP. In other words it may be possible to create loyalty without an FFP.

- FFP benefits should not be prioritised at the expense of the core service of an airline which is air transport.

- FFPs should be used as tools to segment customers in a bid to understand their needs so as to serve them better.
RECOMMENDATIONS FOR FURTHER STUDIES

- Cost Benefit Analysis of a specific FFP and compare with best practices in other FFPs in other airlines and other industries.
THANK YOU