

## Determinants of Relationship Marketing and Business Performance in Airline Industry

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### Abstract

This study illustrates determinants of factors that are relevant to Relationship Marketing and Business Performance in the airline industry. According to qualitative research method, the review of textbooks, documents, and research studies was applied. Ten of relevant factors relevant to Relationship Marketing included: bonding, empathy, reciprocity, trust, communication, shared value, employee's commitment, cooperation, customer service and adaptation. In addition, this paper demonstrates the illustrates determinants of indicators of success for business performance that have been derived from literature review and reveals 6 factors which are: Customer retention, Client satisfaction, Interaction, Long-term profitability, Loyalty and Market share. The finding of this paper will be apply for the future research which analyze the factors influencing aviation industry indicators of success concerning business performance in terms of Relationship Marketing.

**Keyword:** Relationship Marketing, Business Performance, Airline Industry

## บทคัดย่อ

การวิจัยนี้มีวัตถุประสงค์สำคัญคือ การพัฒนาตัวแปรการตลาดเชิงสัมพันธ์ภาพและประสิทธิผลทางธุรกิจ ในอุตสาหกรรมการบินด้วยระเบียบวิธีวิจัยเชิงคุณภาพผ่านการศึกษาหนังสือ เอกสาร และงานวิจัยต่าง ๆ ที่เกี่ยวข้อง ผลการศึกษาพบว่า ตัวแปรที่เกี่ยวข้องกับการตลาดเชิงสัมพันธ์ภาพมีสิบตัวแปรประกอบด้วย ความสัมพันธ์ทางธุรกิจ ความเห็นอกเห็นใจ การพึ่งพาอาศัยกัน ความไวเนื้อเชื่อใจ การแลกเปลี่ยนข้อมูล ค่านิยมร่วมกัน ความผูกพันต่อองค์กรของพนักงาน การกระทำที่สอดคล้องกัน การบริการลูกค้า และความสามารถในการปรับตัว และตัวบ่งชี้ประสิทธิผลทางธุรกิจในอุตสาหกรรมการบินประกอบด้วยการรักษา ลูกค้า ความพึงพอใจของลูกค้า ปฏิสัมพันธ์ระหว่างกัน ผลกำไรอย่างยั่งยืน ความจงรักภักดีและส่วนแบ่งทางการตลาด ผลการวิจัยในครั้งนี้จะนำไปประยุกต์ใช้ในการวิจัยเพื่อหาความสัมพันธ์และอิทธิพลของตัวแปรการตลาดเชิงสัมพันธ์ภาพในอุตสาหกรรมการบินต่อไป

**คำสำคัญ :** การตลาดเชิงสัมพันธ์ภาพ ประสิทธิภาพทางธุรกิจ อุตสาหกรรมการบิน

## Background and the importance of the issue

The growth of the aviation industry has developed rapidly in the form of more competition globally. The liberalization of international aviation and the privatization of national airlines has made the pattern of air traffic change on the basis of the traffic markets, i.e., characterized by bilateral (Bilateral market) and single (Single market).

More specifically, the nature of the traffic involves networks, both regional and market-linked networks among the various regions. The flight paths that the International The aviation industry has developed from those originally based on a linear response to those of bilateral traffic routes in the network model. As a result, flight paths through the center comply with the single market.

Meanwhile, the development of telecommunications and information has become an extremely favorable factor for the business aviation network. Passengers have the convenience of traveling within a network of airlines that maintains flights more consistently. In the past, the links among airlines were only established during transport.

Consequently, the rising competition of international aviation, particularly in the aviation industry branded as a 'premium airline' that operates in the context of global aviation, the premium airline offers a more a competitive edge. This type covers all the major regions of the world and is prepared to adapt to globalization trends and increasing competition to itself.

For the aviation industry, the concept of premium airline employs two strategies to adapt to globalization trends and increasing competition. The first strategy is developing or building its own resources to step up to compete with other airlines that are able to fly to destinations around the world offering an extensive scope of services.

The second strategy relies on partnering with other airlines. This strategy involves building a network of routes across the globe. Because one single airline's resources are limited, it might not be able to continue its growth strategy alone to progress to the capability of covering the world. Therefore, the second strategy is much more effective and complies with the limited capabilities in the aviation industry to create and maintain the premium airline concept (Bunloet, Wattana, 2008).

Each airline within the partner alliance would endeavor to become a market leader in its respective region and capitalize on the resources of the alliance network by establishing itself as the leading airline on the route or routes among regional airports across the continent.

Relationship Marketing is a concept that focuses on the process to commit of creating value for the customer directly (Grönroos, 2000b). The process of marketing efforts focuses on the relationship between business and customers, both the business markets and the consumer (Grönroos, 2000b).

Moreover, any event that has been used in marketing must be adjusted to suit the management of the business, i.e., marketing efforts must lead to maintaining good customers relations and developing even better connections to increase business profitability. However, if such a relationship cannot result in long-term profits, that business needs to end such relationships immediately (Grönroos, 2000a).

The aviation industry regarding maintaining premium airline flights today faces intense competition, even more so than ever in the past. The premium airline partner competition and business aviation premium airline concept meets with stiff competition from newly emerging low cost airlines.

Therefore, to achieve the goals of the premium airline as it has been defined, new marketing strategies must focus on building lasting relationships with customers. Maintaining good customer relationship is the key. In addition, these relations must be continuously developed and improved. Airlines can create strong networks among themselves to achieve a profitable long term business growth, a business aviation strategy in itself. This can help to

create strong networks among aviation business partners to achieve a profitable business growth long term.

The premium airline industry concept, Relationship Marketing, is a marketing strategy, that produces good results; it will make the relationship between aviation industry and premium airline strong and continue to grow stronger. Relationship Marketing is able to make business be sustainable and able to achieve the goal.

To adapt to globalization and increase business competition, premium airlines should choose the Relationship Marketing strategy to support their business performance because this relationship will create a strong network that can last in the long run.

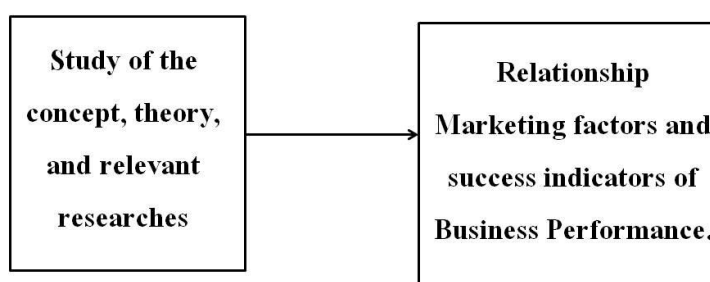
Based on the principles and concepts mentioned above, this study aims to investigate factors of Relationship Marketing strategy and business performance among premium airlines.

### Objectives

1. To develop factors of Relationship Marketing strategy among premium airlines.
2. To develop Indicators of business performance among premium airlines

### Conceptual Framework

The Qualitative research was adopted for this research as presented in the conceptual framework.



### Literature Review

#### Relationship Marketing: Concept and Theory

Relationship marketing theory has existed since the beginning of the 1970s, and it focuses on the development of marketing, especially in sustaining relationships between buyers and sellers.

Relationship Marketing has evolved to become a big part of the beliefs and values between the two sides in a business transaction. Many scholars have witnessed the transformation of marketing since 1970 (Bejou 1997). R.P. Bagozzi (1974) is the scholar that first recognized the

concept and stated ‘the exchange of ideas is fundamental in marketing’. Since then, Bagozzi has developed and emphasized the concept of reciprocity and the importance of quality in the market (R.P. Bagozzi 1978). Furthermore, Arndt (1979) commented on the importance of producers and consumers complimenting and interacting effectively with each other in industries that aim to create beneficial long-standing relationships. Arndt (1979) also commented that each business transaction needs to be planned and based on negotiations within the rules of the agreed terms. Meanwhile, Goodman (1979) agreed with Arndt’s comments on the importance of strong relationships when he included the relationship aspect in his marketing mix, also known as the 4Ps of marketing. Due to a lack of empirical evidence itself, studies on the development of relationships between buyers and sellers are in very high demand (Goodman, 1979).

Other scholars such as Dwyer, Schurr and Oh (1987) have provided support Bagozzi and Arndt’s ideas, and focus on exchange relationship marketing in the development of a framework based on the concepts and theory of exchanging, negotiating and marriage. Dwyer, Schurr and Oh (1987) emphasized that the working relationship is a process that is continual, and requires intelligent negotiation. The individuals working together must be able to rely on each other, as the relationship between buyers and sellers is comparable to the relationship between a husband and wife (Dwyer, Schurr, and Oh, 1987). If this reliability is not achieved, either party may opt to cancel or terminate the relationship. Therefore, contributing to the relationship between buyers and sellers in the territory of traditional marketing is sensible thinking. The study by Dwyer, Schurr, and Oh (1987) also demonstrated that both concrete and abstract theories of marketing that had never been identified could be used as a key variable in Relationship Marketing.

Gronroos (1994) defined Relationship Marketing as ‘the role to build, sustain and improve various relationships with customers and partners in order to match the needs of both parties’. In short, these roles can be successfully achieved by exchanging and fulfilling the needs of both parties (Gronroos 1994). Furthermore, Gronroos (1994) also emphasized that the traditional marketing mix (4P’s) was too simple a marketing concept to apply to modern marketing strategies. Marketing is a social process that is much more complex than the simple marketing mix (4P’s) that had been widely taught in management or marketing classes (Gronroos, 1994; Lindgreen, Palmer, & Vanhamme, 2004). Therefore, even though the traditional marketing concept could help develop strategies for exchanges between businesses, it is limited by its

exclusion of other aspects, especially the aspects of identifying relationships or forming consensus between buyers and sellers (Day, 2000; Gronroos, 1994). Gronroos (1994) also stated that the previous concept should be replaced by the newer concept of 'Relationship Marketing', which could be the latest marketing method or foundation. Moreover, Relationship Marketing is unlike the widely known Marketing Mix (4Ps) as it is not a specific term, or marketing-exclusive. Both of which make the traditional method difficult to change (Gronroos, 1994).

Later on, marketing academia found three additional steps to explain Relationship Marketing Orientation (Human & Naude, 2010). These were as follows:

1. Giving importance to relationships between customers and manufacturers (Human & Naude, 2010; Sin et al., 2005).

2. At the organizational level, the Relationship Marketing Orientation concept needs to be implanted to become part of organizational culture in order for employees in the organization to create positive relationships among each other. Ultimately those employees can bring/apply the relationships to their customers in the long term, (Human & Naude, 2010; Winklhofer, Pressey, & Tzokas, 2006) and the mentioned relationships can increase the Business Performance of the organization (Winklhofer et al., 2006).

3. The 'Relationship Marketing Orientation' concept leads to Relationship Investment which refers to the employee sacrificing his or her personal time for target customers of the organization (Camarero, 2007). This is good for the business and can even strengthen relationships with customers and ultimately develop them into long-term relationships. Furthermore, Relationship Marketing Orientation is categorized as part of a business structure that includes the four aspects of Relationship Investment—i.e. Personalization, Communication, Personal Relationships, and Customization (Camarero, 2007; Human & Naude, 2010).

Even though much research has been conducted on the topic of Relationship Marketing Orientation in European countries, little has been conducted or applied in Asian countries. Sin et al., (2006) has adapted the concept of 'Relationship Marketing Orientation' put forward by (Callaghan, McPhail, & Yau, 1995) to improve upon the concept of Yau, Sin, Lee, Tse, & Chow (1998) to make it more applicable for Asian countries (Chattananon & Trimetsoontorn, 2009).

### **Concept and theory of Business Performance**

The Business Performance concept has been recognized since the very beginning of the study of Organizational Theory, according to Campbell (1977) in Pichai Rattanadilok Na Phuket

(2009). The concept is the core element that drives the organization in various aspects, for example: organizational strategic planning, organizational structure, leadership, and organizational culture in order to achieve the organizational objectives. The business performance concept is, therefore, the ultimate goal of the management team. The concept refers to the level of which the organization achieves its short-term and long-term objectives, in both outcome and processes that affect the survival of the organization (Robbins, 1990).

During the early era of the study of the Business Performance concept, there were two key different concepts. The first concept uses only one approach to measure the organization's Business Performance: to measure from manufacturing performance etc. The concept is called the Ultimate Effectiveness Measures Concept (Steers, 1977). Another concept is the opposite; it uses many approaches to measure the organization's Business Performance, and it is called the Multivariate Effectiveness Measures, according to Thorndike (1949) in Pongtep Jantasuwana (2010).

Industrial psychologists and sociologists try to evaluate Business Performance by finding only the most appropriate approach (i.e. Ultimate Criterion). Therefore, there are many Business Performance measuring criteria. In 1973, Campbell examined an Ultimate Criterion to measure Business Performance and found that there were more than 19 criteria. Each criterion aims to evaluate Business Performance and each criterion is considered as a dependent variable in order to study its relationships with identified independent variables. Later in 1977, Campbell combined the Business Performance measuring criteria that had been used and found that they could be classified into 30 criteria (Campbell, 1977).

However, academia found that there are many supporting reasons for the Ultimate Effectiveness Measures to Evaluate Business Performance. These were: 1) it is difficult to admit that these variables have big enough scope to measure Business Performance 2) many variables for measuring Business Performance, e.g. satisfaction, tend to place importance on the personal values and judgment of researcher instead of using generic (non-biased) variables 3) it is difficult to mix these independent variables together in order to create understanding about "Business Performance" (Paranee Mahanon, 2559)

It is evident that the approaches to measure Business Performance vary depending on the perceptions of each academic. This also includes varieties of definitions and meanings of Business Performance concept as well. Pongtep (2010) also stated that Business Performance concept still has not reached 'Generalization Stage'. Therefore, it is difficult to evaluate

Business Performance at empirical level largely because there is no perfect and absolute definition or meaning of Business Performance concept.

## Methodology

This study employed qualitative research methods to determine the relevant factors of Relationship Marketing and indicators of success for the business performance. All determinants were developed by reviewing existing relevant text books, documents, and research studies. The Content analysis, "a wide and heterogeneous set of manual or computer-assisted techniques for contextualized interpretations of documents produced by communication processes in the strict sense of that phrase (any kind of text, written, iconic, multimedia, etc.) or signification processes (traces and artifacts), having as ultimate goal the production of valid and trustworthy inferences.", were applied for conclusion the results of this research.

## Results

### Determinants of Relationship Marketing

From studying and reviewing existing relevant text books, documents, and research studies about "Relationship Marketing", there are 10 relevant factors that include:

1. Bonding means a business relationship that gradually builds up slowly between two partners, step by step. The partners spent sufficient time together, so that the desired objective is achieved. (Brodie, Coviello, Brookes, & Little, 1997; Bussell & Forbes, 2006; Cobos, Wang, & Okumus, 2009; Dywer, Schurr, & Oh, 1987; Fernando, Ho, Algunaid, & Zailani, 2013; Gilbert & Powell-Perry, 2003; Harrison-Walker, 1995; Hunt, Arnett, & Madhavaram, 2006; McNally & Griffin, 2005; Moller & Halinen, 2000; Oakley & Bush, 2012; Trimetsoontorn, 2003; Zhuang & Zhang, 2011)
2. Empathy is defined as any behavior in which buyers and sellers endeavor to understand the situation and conditions they face, their shared purposes and their stated intentions toward one another.(Fernando et al., 2013; Hunt et al., 2006; Trimetsoontorn, 2003; Zhuang & Zhang, 2011)
3. Reciprocity refers to any business relationship in which one party provides assistance to the other party or treats one partner differently from others. These practices enable the partners to identify best practices or guidelines to be established in the future. (Brodie, 2002; Chaston & Baker, 1998; Davis, 2005; Egan, 2003; Fernando et al., 2013; Hunt et al., 2006; Morgan & Hunt, 1994; Trimetsoontorn, 2003; Zhuang & Zhang, 2011)

4. Trust refers to any business relationship which compels the partners to commit to agreements stated by both parties with integrity. That means that each party believes that the partners will follow through the stated commitments given to the other party. (Alvarez, Casielles, & Martin, 2011; Ballantyne, Christopher, & Payne, 2003; Bowden, 2011; Brodie, 2002; Bush, Underwood, & Sherrell, 2007; Bussell & Forbes, 2006; Cobos et al., 2009; Davis, 2005; Doyle, 2010; Egan, 2003; Fernando et al., 2013; Ford et al., 1998; Ford & Hakansson, 2005, 2006; Gilbert & Powell-Perry, 2003; Harrison-Walker, 1995; Hunt et al., 2006; Moeller, Fassnacht, & Klose, 2008; Morgan & Hunt, 1994; Oakley & Bush, 2012; Payne & Holt, 2001; Sin, Tse, Chan, Heung, & Yim, 2006; Trimetsoontorn, 2003; Turnbull, Ford, & Cunningham, 1996; Yau, Sin, Lee, Tse, & Chow, 1998; Zhuang & Zhang, 2011)

5. Communication means exchanging information at the right moment between buyers and sellers, both official and unofficial. (Cobos et al., 2009; Egan, 2003; Fernando et al., 2013; Ford & Hakansson, 2005; Harrison-Walker, 1995; Wulf & Odekerken-Schröder, 2001; Yau et al., 1998; Zhuang & Zhang, 2011)

6. Shared value refers to the belief that similar values exist between the partners. Partners agree on the issue of values, objectives or policies that are necessary or appropriate to the successful achievement of mutual goals. (Bussell & Forbes, 2006; Egan, 2003; Harrison-Walker, 1995; Hunt et al., 2006; Husted & Whitehouse Jr, 2002; Sin et al., 2006; Zhuang & Zhang, 2011)

7. Employee commitment represents the sense of commitment to the organization positively indicated by the results achieved. Employee job satisfaction involves dedicating body and soul to the work and performing in full cooperation to assist both organizations. The organizations have the potential to compete while remaining loyal to the organization believed to ensure long term survival. (Bowden, 2011; Brodie, 2002; Bussell & Forbes, 2006; Davis, 2005; Doyle, 2010; Egan, 2003; Ford et al., 1998; Ford & Hakansson, 2005, 2006; Harrison-Walker, 1995; McNally & Griffin, 2005; Moller & Halinen, 2000; Morgan & Hunt, 1994; Payne & Holt, 2001; Thai Smile Airways Co.Ltd, 2014; Turnbull et al., 1996)

8. Cooperation represents a corresponding action and collaboration in working together between partners to meet the stated and shared objectives of both parties. (Davis, 2005; Doyle, 2010; Egan, 2003; Ford et al., 1998; McNally & Griffin, 2005; Payne & Holt, 2001; Wulf & Odekerken-Schröder, 2001; Yau et al., 1998; Zhuang & Zhang, 2011)

9. Customer service refers to the process of managing and delivering quality customer care with professionalism. Customer service provides assistance to clients before, during and after interacting to meet the expressed desires and wishes of the customers. (Bussell & Forbes, 2006; Thai Smile Airways Co.Ltd, 2014)

10. Adaptation refers to the ability of the organization to adapt to changing environments both inside and outside of the organizations to manage the changes to strengthen the competitiveness of the organizations involved. (Ballantyne et al., 2003; Davis, 2005; Hunt et al., 2006)

### **Determinants of Business Performance**

Studies show that there are many textbooks and research papers related to business performance has found six indicators of success for the business performance as follows:

1. Customer retention is defined as business processes conducted to make customers feel that they are important and feel comfortable with products and services of the business. In addition it involves the long term re-use of goods and services to other businesses. (Arslan, 2008; Bowden, 2011; Brodie et al., 1997; Bussell & Forbes, 2006; Cameron, 1986; Doyle, 2010; Dywer et al., 1987; Ford & Hakansson, 2006; Harrison-Walker, 1995; Hunt et al., 2006; Husted & Whitehouse Jr, 2002; Oakley & Bush, 2012; Robbins, 1990; Siam Booking Center Co., 2015; Thai Smile Airways Co.Ltd, 2014; Walker, 1995; Yuchtman & Seashore, 1967; Zhuang & Zhang, 2011)

2. Client satisfaction means making contact with customers when goods or services from the business have created a favorable impression. The perceived satisfaction is compared with the initial expectations of the customers towards the goods or services received. (Alvarez et al., 2011; Bowden, 2011; Brodie et al., 1997; Bush et al., 2007; Cameron, 1981; Dywer et al., 1987; Eizioni, 1964; Fernando et al., 2013; Ford et al., 1998; Ford & Hakansson, 2005; Harrison-Walker, 1995; Moeller et al., 2008; Moller & Halinen, 2000; Robbins, 1990; Sin et al., 2006; Yau et al., 1998)

3. Interaction refers to the relationship between buyers and sellers in communication with each other. This relationship represents more than a commitment to trading. Further, it is characterized in the form of trust and mutual dependence. (Alvarez et al., 2011; Cobos et al., 2009; Ford & Hakansson, 2005; Harrison-Walker, 1995; Morgan & Hunt, 1994; Price, 1997; Steers, 1977; Thai Smile Airways Co.Ltd, 2014)

4. Long-term profitability means that customers remain clients of the company for a long time. Moreover, the purchase of goods is very high and sustained over a long period. The company can make profit continuously. (Bush et al., 2007; Cameron, 1981; Campbell, 1977; Hunt et al., 2006; Oakley & Bush, 2012; Robbins, 1990; Steers, 1977; Weick, 1979; Yau et al., 1998)

5. Loyalty represents the attitude of customers towards the company and makes customers want to return to the company over time. (Bowden, 2011; Bush et al., 2007; Bussell & Forbes, 2006; Cameron, 1986; Doyle, 2010; Ford & Hakansson, 2005; Husted & Whitehouse Jr, 2002; Moller & Halinen, 2000; Oakley & Bush, 2012; Price, 1997; Sin et al., 2006; Turnbull et al., 1996; Yau et al., 1998; Yuchtman & Seashore, 1967)

6. Market share refers to the percentage of the company's total sales compared with sales of 100% of the market over a period of time. It involves a comparison of the size of the market compared with the size of other companies in the same market. (Arslan, 2008; Bowden, 2011; Brodie et al., 1997; Bussell & Forbes, 2006; Cameron, 1986; Doyle, 2010; Dywer et al., 1987; Ford & Hakansson, 2006; Hunt et al., 2006; Husted & Whitehouse Jr, 2002; Oakley & Bush, 2012; Robbins, 1990; Steers, 1977; Stroube, 2003; Thai Smile Airways Co.Ltd, 2014; Yuchtman & Seashore, 1967; Zhuang & Zhang, 2011)

## Discussion

According to the finding of this study the discussion is present as follow;

1. The factors which relevant to Relationship Marketing are bonding, empathy, reciprocity, trust, communication, shared value, employee's commitment, cooperation, customer service, and adaptation. The finding factors more complex than the simple marketing mix (4Ps) that had been widely taught in management or marketing classes as mentioned in the study "From marketing mix to relationship marketing: towards a paradigm shift in marketing" of Gronroos (Gronroos, 1994) and the study of Contemporary marketing practice: theoretical propositions and practical implications by Lindgreen, Palmer, & Vanhamme (Lindgreen, Palmer, & Vanhamme, 2004).

2. This research present six indicators of success for business performance which are Customer retention, Client satisfaction, Interaction, Long-term profitability, Loyalty, and Market share. According to the study of Cameron, even though business performance has been widely used, there are no clear or concrete definitions nor success indicators because there is no

perfect condition of the definition of Business Performance so the suitable business performance indicators for relationship Marketing should be investigated.

## Conclusion

There has been continual research into the field of Relationship Marketing, but much of what has been conducted has been inconsistent (Ivens, 2006). This is largely due to Relationship Marketing lacking a key basic theory with too many variations of its definition (Tong, Johnson, Umesh, & Lee, 2006). Because of this, it is important to build a unified concept that is well-accepted by a wide range of people (Brodie, Coviello, & Winklhofer, 2008; Lindgreen, Davis, Brodie, & Buchanan-Oliver, 2000). This acceptance can lead to a more productive application and use of Relationship Marketing (Palmer, Lindgreen, & Vanhamme, 2005), which would be a beneficial strategy for businesses to create a competitive advantage of business performance ((Hunt, 1997). This study illustrates determinants of factors that are relevant to Relationship Marketing. According to the reviews of textbooks, documents, and research studies, there are 10 relevant factors that include: bonding, empathy, reciprocity, trust, communication, shared value, employee's commitment, cooperation, customer service, and adaptation. In addition, this paper demonstrates the illustrates determinants of indicators of success for business performance that have been derived from literature review and reveals 6 factors which are: Customer retention, Client satisfaction, Interaction, Long-term profitability, Loyalty, and Market share. The study of Determinants of Relationship Marketing and Business Performance in the airline industry provided more information about Relationship Marketing and business performance.

## Recommendation

The finding of this paper will be apply for the future research which analyze the factors influencing aviation industry indicators of success concerning business performance in terms of Relationship Marketing.

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