

# The Importance of Frequent Flyer Programs: An In-depth Analysis

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## ABSTRACT

This paper discusses the important roles of frequent flyer programs (FFPs) in the airline industry with an emphasis on FFPs as a tool for airline business development, a customer relationship management (CRM) tool, and an airline tool of highest return of investment among CRM initiatives. An FFP is a sort of loyalty program sponsored by an airline or a group of airlines that rewards regular passengers with extras and prizes to make flying with the airlines convenient. Thus, advantages and disadvantages of FFPs between airline businesses and passengers are critically discussed. The paper examined existing and recent literature reviews with some add-on case studies. Interestingly, FFPs can be both push and pull factors for airline competitiveness enhancement, analytically reviewed. All discussions presented has revealed that FFPs can be a forceful tool for creating airline competitiveness, depending on how the airline manage it professionally or not. It can be summed that if the airlines manage their FFPs effectively, they can retain their existing passengers and be able to keep the market share. Hence, the airline competitors cannot effortlessly enter to the selected market.

**Keywords:** Frequent Flyer Program; FFP; In-dept analysis; Airline marketing.

## INTRODUCTION

The US Airline Deregulation Act in 1978 has forever changed the aviation industry in terms of airline business structures (Wensveen 2018). The act created an intensive competitive market as it aimed to solve the destructive competition and monopoly by that time (Peterson 2018). After the US deregulation, new entrants entered easily in the market; thus, passengers beneficially have additional choices on airlines which offer same routes at competitive price. As a result, the airlines are forced to adjust the airline strategies in order to capture the market share as much as possible.

Without the ability to compete on air fares, the airlines use service to overcome the competitors instead. Therefore, each airline comes up with different tactics and strategies to retain the passengers. There are numerable variables that impact the passengers' preference in choosing the airlines such as convenient schedule, fleet type, plane configuration, on-ground and on-board service qualities, etc. (Wensveen 2018). Nonetheless, it is possible to discuss that one of the innovations to drive percentages of repurchasing intention is Frequent Flyer Programs (FFPs), which allow passengers to collect the points to redeem the flight tickets at a minimized cost or for additional benefits such as airport lounge access, seat upgrade, fast-track security, etc. (Boer 2018).

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An airline's FFP is a loyalty scheme. Many airlines have FFPs in place to encourage passengers to accrue points, which may subsequently be redeemed for air travel or other commodities. Points can be earned depending on the price class, the distance travelled on that airline or its partners, or the amount paid under FFPs (Boer 2018; Boroh 2021). Although FFPs provide appealing incentives to participants, they are often only available to the genuinely frequent fliers, who not only fly frequently but also spend a significant amount of money on air travel. For a casual traveler, meeting the requirements necessary to receive most perks can be difficult, and FFPs are designed to deflect attention away from finding the best answer, like as utilizing competitive airlines or purchasing the lowest tickets (Boer 2018). Nowadays, it is also common to collect miles by spending on cobranded credit or debit cards which every spend can instantly turn into airline mile (Gao *et al.* 2018). Alternatively, international chained-hotels and international car rental companies partner with airlines, allowing their customers to turn points into airline miles. The FFPs, therefore, do not only increase the repurchasing intention rates but also push the brand loyalty among frequent travelers as well (Jong *et al.* 2019).

In a meantime, passenger loyalty is defined as an ongoing emotional bond between the airlines and passengers, manifested by a passengers' willingness to engage with and repurchase over again, as opposed to competition. Passenger loyalty is a result of a pleasant experience with the airlines, and it also builds trust among passengers (Boer 2018; Hapsari *et al.* 2017). Dated back in 1981, American Airlines had the official launch of its FFP, namely AAdvantage. Since then, the FFPs have been vividly common in airline industry, especially the full-service airlines (Zuo *et al.* 2017).

Having the FFPs, airlines can build a strong relationship with the passengers, allowing a direct communication between them and among the airlines themselves. Some would believe that FFPs can be a vital means for increasing competitiveness between the airlines and the passengers, leading to airline loyalty; as well, many literatures (e.g., Boer 2019; Gao *et al.* 2018; Kusaeni *et al.* 2018; Luchmun 2018; Nenem *et al.* 2020; Sui *et al.* 2018) show that FFPs also play an important role in creating competitiveness among the airlines themselves. Table 1 in Appendix illustrate the existing research themes of FFPs in an academic era.

Based on intensive literature reviews, this paper begins with the critical analysis of how FFP is important and presenting vital roles of FFPs in the airline industry with an emphasis on FFPs as a tool for airline business development, a customer relationship management (CRM), and the highest return of investment among CRM initiatives. Then, advantages and disadvantages of FFPs between airline businesses and passengers are presented with a variety of FFPs of selected airlines. By the end of the paper, push and pull factors of FFPs for airline competitiveness enhancement are analyzed. In a conclusion part, the overall discussion and summary are made to answer whether FFPs can be a powerful tool for remaining the existing airline passengers, keeping the market share and preventing airline business competitors to enter the market.

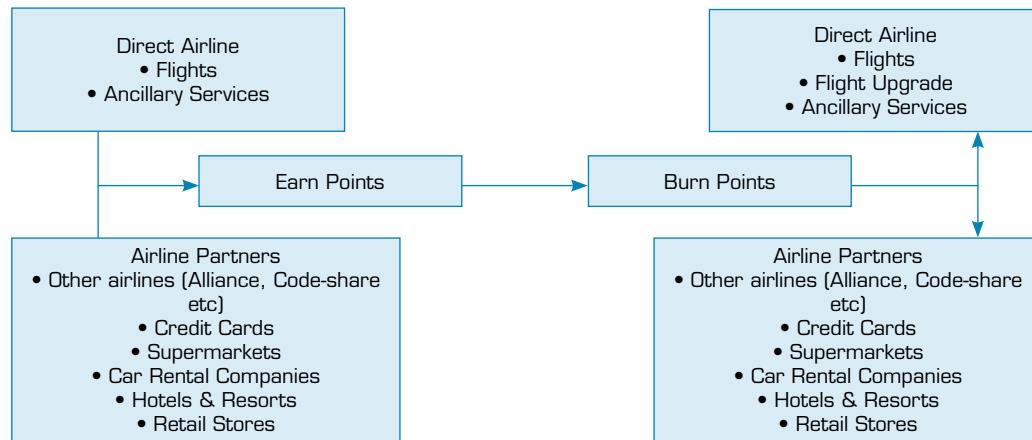
## THE ROLES OF FFPS IN THE AIRLINE INDUSTRY

It is unavoidable to say that FFPs are one of the powerful marketing tools employed by every full-service airline nowadays. The literature reviews indicate that FFPs are proposed by airlines to elevate the brand loyalty of frequent travelers, either leisure visiting friend or relative travelers or business travelers, discourage new entrants, and provide an effective communicable tool with engaged passengers (Boer 2018; Nenem *et al.* 2020). It can be described that FFPs allow passengers to collect the points which is typically equal to the actual flown miles. Nonetheless, the received points may vary depending on the class of ticket purchased; for example, low fare tickets may not be eligible for mile accrual, promotional tickets may result in 50% or 75% of mile accrual (Gao *et al.* 2018). In some FFPs, the programs allow the elite passengers to redeem the points for only half of actual required miles for one round-trip per calendar year. Furthermore, the elite members may get one complimentary class upgrade for round-trip during the elite member status.

### Frequent Flyer Programs as a Tool for Airline Business Development

In airline industry, airline marketers use FFPs to measure the success of relationship marketing as well as generate the airline profitability and effectiveness (Kalantzis 2017). It is found that airline marketers use the airline FFP database to increase the

marketing productivity by elevating business position, forecasting passengers' needs, and planning marketing activities. As well, the integration of technological tools including the FFPs, computer reservation systems and yield management systems have powerfully facilitated the airlines in order to achieve higher marketing productivity (Jiang 2020; Zuo *et al.* 2017). The studies from Stock (2021) and Briliana (2018) also affirm that FFP is not only a tool to build passengers' loyalty for a particular airline but it also facilitates airline partnerships and boost the capability to penetrate different airline markets. Nevertheless, in business point of view, FFPs merely reflect as an achievable CRM tool to grow the size, remain existing passengers and generate sales revenue. Figure 1 illustrates the flow of earning and burning points under typical airline FFPs.



**Figure 1.** The flow of earn and burn points.

Source: Adapted from Venture insights (2017).

Figure 1 shows the process of earning and burning points in passengers' point of view. Passengers can earn points from various channels, not only direct airlines, but also indirect airline partners such as cobranded credit cards, supermarkets, car rental companies, and international hotels and resorts. The points can be either redeemed for flights, flight upgrade or additional services such as extra baggage and airport lounge access. Meanwhile, passengers may redeem the air tickets with other airlines under the same alliance or codeshare. In some airlines, the points can be used as credits to spend for car renting and hotel booking. Basically, the full-service airlines employ own FFPs under either similar or different airline alliances; for examples, Thai Airways has the Royal Orchid Plus as FFP while operating under the Star Alliance airline members. This benefits the airlines by covering larger networks within the alliances as well as sharing alliance benefits and coadvertisements with airline partners (Wensveen 2018).

The study from Jiang (2020) reveals that FFPs under airline alliances increase more purchasing power between airlines and suppliers. Besides, it helps the airlines under the alliances to have a coherent look which reflects the perceived service quality by passengers. There are currently three major global alliances nowadays: Star Alliance, SkyTeam and Oneworld. In terms of FFPs, it can be concluded that passengers not only can receive the benefits from a particular airline, but they, at the same time, gain the benefits from the airline alliance members such as extra baggage weight, priority boarding, fast-track security screen, airport lounge access, etc. Table 2 in Appendix illustrates airlines with their FFPs categorized by airline alliance.

### Frequent Flyer Programs as a CRM Tool

Knorr (2019) and Karamata *et al.* (2017) explain that CRM is a formation of strategies to track sales activities as well as service qualities that lead to the loyalty on products. It also refers to as the rational bounding tool using the systematic technology and people as an intermediary. Knorr (2019) emphasizes that CRM does not merely focus on sales and services, but also collect the customers' spending behaviors and needs. Then, the collected data is analyzed to improve the products and services as well as the internal management policy to achieve the final goal of CRM with a key aim to turn the regular customers into loyal customers (Lainamngern and Sawmong 2019). In the airline industry perspectives, Barsy (2017) suggest that the airline marketers should adapt an integrated CRM strategy in order to earn market shares and compete with other airlines successfully. In addition, the CRM strategy is also

regarded as a true customer-centric approach which can increase passengers' perception, value and needs. Hence, understanding passengers clearly can be regarded as a success of airline businesses and functional CRM can be practiced through effective FFPs. Barsy (2017) also affirms that the FFP is the effective valuable investment in airline business. Beside increasing customer loyalty, FFPs can smooth the airlines to be able to earn more revenues such as selling the miles and points.

### Frequent Flyer Programs as a Tool of Highest Return of Investment

Frequent Flyer Programs are an effective CRM tool to invest by airlines while the minimal benefit is an online baggage tracking which slightly affects passenger satisfaction. The return of investment in this context means the return of passengers' loyalty after having the products or services. Consequently, the airlines nowadays put more efforts on the FFPs in order to win the competitive advantages among other airlines.

Airlines have never had access to more exact data to develop individual traveler profiles than they do now. As a result, there is a strong trend toward more personalized offerings, such as one-on-one pricing and customized offers for ancillary for-pay services. Recently, the scope of auxiliary earnings is rapidly shifting, thanks to the FFPs. The capacity of FFPs to generate money has been exemplified by the selling of miles to third-party partners, which has resulted in cobranded credit cards being a popular tool for significantly increasing earning streams (Luchmun 2018). Almost every FFP has formed its own currency (miles & points) that loyalty members feel free to access a wide range of horizontally integrated tourism products, such as hotel accommodations, car rentals, etc. In this context, the selling of miles to third-party partners has shown FFPs' revenue-generating capabilities, and cobranded credit cards have emerged as a key tool for significantly increasing earning streams.

Hence, FFPs quickly become the *supplementary engine* of full-service network airlines. To illustrate a good example, United and Delta were both able to make more than \$ 1 billion in cash in 2015 because of the expanded FFP travel goods supply chain, demonstrating the massive dimensions of these programs, which now extend across several enterprises (Reales and O'Connell 2017). Furthermore, the results from Reales and O'Connell (2017) revealed that FFPs are referred to as *rich seams* since their worth has risen over time, and according to the report, such programs at major US carriers are valued at between 25% and 50% of their entire market capitalization. The results from de Boer (2018) allied with Reales and O'Connell (2017), reporting that without FFPs, the airlines would not be able to stay on top in the industry. A great example goes to Emirates Airline where an elite-status system, Emirates Skywards, keep pushing qualification thresholds higher and higher, although the airline itself does not a member of any of the three global airlines namely, Star Alliance, Oneworld, and SkyTeam. Besides, FFPs also serve as a useful data mining tool for identifying expenditure trends and capabilities based on tier status; more importantly, FFPs act as a large profit center by many full-service airlines. The airlines earn large amount of ancillary revenues by selling miles to passengers and third-party enterprises. Some airlines receive large portion of income by selling miles to financial institutions (Reales and O'Connell 2017).

The airline investment in operating FFPs tends to create high return of investment, meaning that if the airlines run FFPs professionally, it will deliver success in airline business operation. According to this, many airlines have undertaken the FFPs; however, doing so would provide both advantages and disadvantages to passengers and airlines themselves. Jong *et al.* (2019) emphasize that, in order to obtain full advantages, the airlines need to carefully operate FFPs with a special attention to passengers' behaviors and airline organizations. This shows that to succeed in FFPs, the airlines are necessary to understand the clients and their own organizations. However, Unsal (2019) says that the airlines cannot avoid disadvantages and obtain only advantages when operating FFPs. What they can only do is to manage with full capacity to have more advantages and less disadvantages.

## ADVANTAGES AND DISADVANTAGES OF FFPs FOR AIRLINE BUSINESSES AND PASSENGERS

Although FFPs allow passengers to accumulate miles to earn numerous commodities, they require passengers to be loyal with the airlines or airline alliances to retain the active memberships. It could be said that there are still pros and cons to employ the FFPs in airline businesses. The following parts examine the advantages of FFPs for airline businesses, and airline passengers. Additionally, some disadvantages of FFPs are analyzed between the airline businesses and airline passengers.

## Advantages of FFPs for Airline Businesses

The advantages of FFPs have been widely studied, which can help increasing the brand loyalty (Barsy 2017; Boer 2018; Jiang 2020; Wever 2017). Therefore, almost every full-service airline has their own FFPs, aiming at convincing existing passengers to repurchase the flights. Luchmun (2018) indicates that at least 20–35% of total revenues is driven by FFPs. Consequently, every full-service airline introduces the FFPs with diverse promotional campaigns for their competitive reasons. Not only revenue is boosted by FFPs, the airlines also indirectly benefit from the FFPs by utilizing the current passenger data to improve products and services (Ravishankar and Christopher 2020). The data from FFPs also helps the airlines to forecast the travel demand as well as travel behavior of their loyal passengers. Importantly, the airlines can earn a revenue from a direct mile selling which they have full rights to control the values of miles using the principle of supply and demand (Gao *et al.* 2018). As a result, the airlines can yield the quotas of mile redeeming seats of each flight. This facilitates the airlines to minimize the revenue displacement in some high demanded flights. Furthermore, Gao *et al.* (2018) add that the airlines also earn additional revenues from selling points to third parties, such as hotels, car rental companies, credit card companies. This presented information can evidently prove that FFPs have advantages to the airlines in terms of revenue increment and concurrently the data retrieved from FFPs can be beneficial for the airline operation improvement both for marketing and service operation.

## Advantages of FFPs for Airline Passengers

Stock (2021) and Briliana (2018) present that passengers are generally delighted with FFPs especially when they receive extra benefits than regular flyers such as priority boarding, priority baggage, airport lounge access, fast-track security, etc. Particularly, the elite passengers who are given better services as members of FFPs are satisfied with the benefits offered. Nonetheless, the extra benefits can as well encourage the base members to frequently fly to get the add-on benefits. Take Lufthansa as an example: Miles & More is one of the successful traveler loyalty programs in Europe with more than 28 million members worldwide since 1993 (Lufthansa 2018). There are four tiers in the program starting from normal member, frequent traveler, senator and HON circle member, the latest regarded as the top elite member. Lufthansa provides members by partnering with travel and lifestyle companies, allowing them to earn points in various channels including hotels, car rental, credit cards, entertainment & media, shopping & lifestyle, etc. Besides, the points can be turned into free flights, free hotels, free car rental, or even donate points for charity. Therefore, this highly attracts members to enroll before flying and remain the status for the add-on benefits. Presently, Lufthansa has numerous airline subsidiaries such as Air Dolomiti, Austrian Airlines, Brussels Airlines, Eurowings, Swiss International Airlines, SunExpress (Lufthansa 2018). As a result, the Miles & More members can enjoy the benefits as per tier level with these airline subsidiaries.

The benefits do not only apply to Lufthansa and its subsidiary, passengers are able to enjoy these benefits with Star Alliance airline members since Lufthansa is one of 28 airlines under Star Alliance's umbrella. Basically, the Star Alliance has two benefit tiers: Silver and Gold. The airlines typically match the status with Star Alliance tiers, for example, Frequent Traveler in Miles & More is equivalent to Star Alliance Silver, or Senator in Miles & More is equivalent to Star Alliance Gold. These mutual statuses allow passengers to receive similar benefits when flying within the airline alliance. Usually, the Star Alliance Gold offers priority airport check-in, gold track for priority security and immigration in some airports, priority baggage handling, priority airport stand-by, extra baggage allowance, Star Alliance Lounge Access, priority boarding and priority reservation waitlist (Star Alliance 2018). Lainamngern and Sawmong (2019) indicates that FFP is an essential factor that passengers decide on purchasing air tickets, another factor is whether who pay for the tickets. This is quite correct as the case of Lufthansa. The operation of FFP of Lufthansa has assisted Lufthansa to expand their market share and become one of the successful airlines of the world. The main reason behind the success is the benefits the airline offered to their passengers.

## Disadvantages of FFPs in Airline Businesses

Although the airlines receive direct and indirect benefits from FFPs, its cost is also a critical issue. Singh and Kumar (2019) and Tsafarakis *et al.* (2018) present that FFPs are fully costed by airlines. The cost usually comes in forms of program development, marketing campaign, and operation. Singh and Kumar (2019) also recommend that solely FFPs cannot make an airline successful unless the airlines are able to enhance the overall value-proposition of the products and services. It is believed that the

value-proposition the airlines offer will motivate the passengers to repurchase and support the airlines' marketing campaigns. It is revealed that the FFPs are important in airline industry. However, the FFPs are not as important as other components. The data shows that FFPs need to be integrated in airline operation with schedule convenience, on-time flight performance, airfares, in-flight services (Kalantzis 2017). Additionally, many academics (e.g., Boroh 2021; Shaw 2016; Wever 2017; Zuo *et al.* 2017) interestingly discuss the disadvantages of FFPs for business-related organizations which purchase the tickets through the airlines while the advantages go directly through their employees. This circumstance may result in the dissatisfaction of the business-related organizations toward the airlines, and later they may change the booking to the airline they receive the benefits. This is considered a contradictory relationship between the business-related organizations and the airlines. The business-related organizations believe that they, who are responsible for all travelling costs, should get the benefits while the real passengers, who are the employees, should not receive any advantages as they do not pay themselves. In this case, the airlines should carefully pay attention to deliver the benefits to the real payers, not just the ones who fly.

Given the aforementioned situation, many corporates, such as McKinsey & Company, Mercedes-Benz, IBM and Chubb Insurance, set up Travel Department or Travel Manager to be responsible for all travel businesses within the organizations (Boer 2018). The reason behind is that the corporates can control and monitor the travel expenses at possible lowest costs. As well, they are able to track the FFP benefits received by their employees and accrual miles under corporate account (Boer 2018). The repercussion of that may create difficulty for airlines to boost repeating business travelers unless they sell the tickets without attractive pricing, compared with other airlines (Karamata *et al.* 2017).

It is possible to recommend here that, to prevent the disadvantages of PFPs in airline businesses, the airline marketers need to give importance to travel managers in business-related organizations and satisfy them with the benefits directly extended to the organizations. Concurrently, for the employees who fly under the FFPs, they also need to provide the most memorable services so that they can feed back to the organizations to fly with the airlines again. This shows that, in order to lessen disadvantages of FFPs, the airlines need to pay attention to both sides of the customers—the organizations and the employees. This can be confirmed by Ruggy and Leff (2020) who explain that whoever is the customer whether the primary or the secondary, they are all equally important.

### Disadvantages of FFPs for Airline Passengers

Ravishankar and Christopher (2020) discuss about the passengers' perspectives that the limitation of airline routing under the alliance umbrella is considered an issue that prevents passengers from collecting miles. For example, Air France, a SkyTeam airline member, does not offer direct flight to London from Berlin airports. Also, no alliance airlines operate the similar route. This limits the passengers from choosing the particular airlines or even alliance airlines. Therefore, passengers need to fly with low-cost carriers (LCCs) such as Ryan Air or airline competitors with different airline alliances such as British Airways, a Oneworld alliance. This shows the disadvantages of FFPs to passengers when they have no flights to connect even if they are the FFP members. Additionally, when the FFP members would like to fly direct route of their own FFP airlines and the route is unavailable, the passengers may be forced to fly with alternative alliance airlines. In this case, the passengers may perceive different service quality (Lainamngern and Sawmong 2019; Singh and Kumar 2019). Take Lufthansa and Thai Airways as an example. In some cases, Lufthansa's flight from Bangkok to Frankfurt is fully booked. Alternatively, Thai Airways also operates similar route with different seat configurations, dissimilar service styles, different on-board entertainments, etc.; as a result, the perception towards airlines is varied, which may negatively or positively impact overall passengers' experiences although the airlines operate under the same alliance.

Migdadi (2022) shows that one of the difficulties in airline alliance formation is that each airline has different policies depending on business structures and geographical areas. As a result, passengers may find difficulty in baggage allowance as they need to connect the flights with different airlines especially from Asia to Europe. For example, Thai Airways allows 30 kg checked-in baggage with two pieces concept while Lufthansa allows only 23 kg checked-in baggage with 1 piece concept for economy class. This sometimes causes a confusion for check-through process from origin to final destination. For instances, the passengers who fly Thai Airways to Berlin need to connect the flight by Lufthansa at Frankfurt airport by codeshare and airline alliance agreement, and may have extra charged practiced by Lufthansa. This example shows the disadvantages of FFPs to passengers who would like to connect the flights with different policy airline FFP members.

## FREQUENT FLYER PROGRAMS AS PUSH AND PULL FACTORS FOR AIRLINE BUSINESS COMPETITIVENESS

Prior to the discussion whether FFP is the factor creating competitiveness or not, it is necessary to exactly define if FFP is for passenger airfare discount or passenger loyalty creation. Peterson (2018) and Wensveen (2018) define the special airfare as a method to attract passengers' intention to purchase the air tickets with a very affordable price but restricted conditions such as nonrefundable and nonreroutable and unpermitted flight change while airline loyalty creation can be practiced via many methods, FFP being solely one of them (Hwang *et al.* 2020; Reales and O'Connell 2017). Critically speaking, if one asks the relationship between passenger airfare discount and passenger loyalty program, it is quite subjective. To clarify, passenger airfare discount would be relevant to FFP in terms of mile redemption. According to this, passengers can use the miles to redeem free air tickets or partially use the miles for seat upgrade or airport lounge access. On the contrary, airline mile accumulation opportunity given to the FFP members can motivate the passengers to fly with the airlines, creating airline loyalty. This has widely been academically discussed in the airline research (e.g., Luchmun 2018; Barsy 2017; Gao *et al.* 2018; Jong *et al.* 2019; Zuo *et al.* 2017) that passenger airfare discount, passenger loyalty program, and FFP are closely interrelated. However, many say, in order to remain passengers with the airlines and build up airline competitiveness, airline service quality need to be professionally practiced not only airfare discount, loyalty program and FFP (Gao *et al.* 2018; Knorr 2019; Wever 2017). Sui *et al.* (2018) sum that airline competitiveness can be strengthened via major key competitiveness measures, including cost, productivity, service quality, price, and airline management. However, many (e.g., Boer 2018; Luchmun 2018; Wever 2017; Zuo *et al.* 2018) claim that pricing strategy can be regarded as the most powerful tool to create competitiveness. This is inevitably relevant to FFPs in terms of mile redemption for cheaper airfares. As a result of this, there has been a wide discussion whether FFPs can be both a push and pull factor for enhancing airline competitiveness.

### Frequent Flyer Programs as a Push Factor for Airline Competitiveness Enhancement

Karamata *et al.* (2017) has clarified the concept of relationship marketing in a form of FFPs as the successful tool to increase airline competitiveness among the competitors although the programs may affect the airline profitability. Similarly, Knorr (2019) describe the key benefits of FFPs that it is not only about free flight redemption for passengers, but also facilitate airlines in forming business partnership as well as develop a better competitive strength above other competitors. Additionally, Barsy (2017) gives an emphasis on CRM concept, that the companies should have at least a powerful marketing tool to build a relationship with valuable customers. By having the CRM tool, Karamata *et al.* (2017) imply that the companies benefit from classifying the current and high-value customers as well as understanding the consumer behavior related to products and services which eventually enhance the competitiveness. Besides, the statement of Boer (2018) is relevant to Lainamngern and Sawmong (2019) that consumer-centric approach is crucial, therefore, FFP is a distinguishable airline platform to achieve the long-term relationship with loyal passengers since these loyal passengers deserve greater attention than others. Law (2017) have interestingly discussed about the relationship between the market share and customer loyalty, arguing that building a customer loyalty can increase the rate of repurchasing which assists the companies to boost the competitiveness and profitability at the end. However, FFPs are a significant mean for airline competitiveness enhancement as follows:

*Firstly*, being a member of FFP can provide direct psychological effects of the airline passengers. Stock (2021) confirms this by illustrating that passengers can be members of FFPs by only just buying a ticket with no extra charge or minimal charge by some airlines; it is possible to discuss that the airlines employ *better than nothing concept*. It means passengers can easily enroll the membership anywhere and anytime to start mile collection. As a result of this, airlines can use this FFP channels to distribute marketing promotion campaigns to convince them repurchase the air tickets. This can enhance airline competitiveness in terms of airline information dissemination for marketing purposes.

*Secondly*, being a member of FFPs will create *self-superior emotion* referring to the concept of *above the others* given the airline priority services, the passengers would consider to fly more with the airlines. This is in accordance with Gao *et al.* (2018), who showed that passengers normally make a decision to purchase not because of the brain but the mind. Jiang (2020) supports Kusaeni *et al.*

(2018) by illustrating that, in the marketing world, business units will not only fight by price, facilities, and information; they also fight to overcome passengers' heart and mind. With the feeling of self-superior, passengers decide to fly with airlines under FFPs.

*Thirdly*, the significant benefits for being a mid to high tiers of FFPs allow passengers to check-in their luggage with extra weight entitlement. Therefore, this extra benefit is considered as an influential factor to purchase the airline tickets among FFP members. Costello (2019) statistically shows the massive spending of U.S. flyers on baggage fees at over US\$ 4.5 billion in 2017. In order to avoid these fees, it is recommended to enroll FFPs, and all major airlines usually offer loyalty programs that include baggage fee waivers, or discount for extra baggage weight. This has provided more competitiveness for the airlines offering FFPs. Shaw (2016) has affirmed that the benefits of FFPs are the influential tool whereby the major airline carriers can retain market share.

*Fourthly*, being a member of FFPs motivate passengers to go upper levels of the member statuses in order to gain elite benefits such as priority boarding, airport lounge access, priority security fast-track, free seat selection at no extra charges (Boer 2018; Hwang *et al.* 2020; Zuo *et al.* 2017). It simply means that FFPs can be a motivational driving force to upgrade the member status. Each airline has set different required qualifying miles to level up each status; for instance, upgrading from base member to bronze member for British Airways requires 300 tier points. Being bronze member of British airways allows passengers to have a priority check-in and boarding, free seat selection 7 days prior departure date, 25% bonus points, etc. (British Airways 2018). Dealing with passengers' self-motivation to hold higher airline membership status can stimulate them to purchase more tickets and make them remain loyalty with the airlines.

*Finally*, the availability of FFPs allow passengers to compare the benefits from one airline to other airlines because each FFP requires different qualifying points to upgrade the status. Lainamngern and Sawmong (2019) mention that every full-service airline tries to develop FFPs to be more captivating than other airlines in order to attract more passengers to enroll and become frequent members. It is a responsibility of airlines to introduce innovative FFPs to capture passengers since all airlines similarly employ FFPs as a marketing weapon. Making the passengers compare the member privileges, the airlines may take this opportunity to periodically launch promotional campaigns to capture nonmembers such as an instant mile bonus upon enrolment, extra miles after first flight, etc. Ruky and Leff (2020) state that customer loyalty programs create a direct communication channel between the companies and customers as business to client. Additionally, Jong *et al.* (2019) and Unsal (2019) clarify that, in order to effectively catch customers' interest, it is necessary for companies to find a unique selling point that differentiates one with others. These push factors will turn to be a powerful tool to increase competitiveness under the condition of the functional management, leading to impressive service quality. It is therefore to address here that if the airlines are not able to do the effective service quality control, FFPs could turn up-side-down to lessen trust and loyalty, providing less competitiveness.

### Frequent Flyer Programs as a Pull Factor for Airline Competitiveness Enhancement

*Firstly*, it has been broadly agreed that the service quality of each airline is at different levels, hence each FFP is designed according to individual characteristics of the airline (Gao *et al.* 2018). This is quite problematic in building the similar service impression among the passengers whose hold FFPs, particularly when each airline joins an airline alliance. For example, when the airlines do the codesharing, the passengers may use different airlines' aircrafts, different airport lounges with different management and quality, causing the felling of different service perception. This can create less competitiveness. To lessen the aforementioned challenge, Migdadi (2022) suggests that, before implementing the strategic airline alliance approach, code of conduct among the airline members should be set to remain the expected service standard. Law (2017) as well, says that in the mentioned case, the airlines should carefully consider whether the target market of the airlines to collaborate under FFP alliance is at the similar level or not.

*Secondly*, sharing the FFPs among the airline members could lead to less competitiveness if the service policy of each airline is different (Unsal 2019). Gao *et al.* (2018) emphasize that airline policy of business operation is quite important, particularly the service policy that directly impacts to the passengers. Take the case of number of luggage and weight allowance in airline alliances as an example, in which, even under the same alliance umbrella, some airlines allow checked baggage in *piece concept* while some airlines allow in *combined weight concept*. This possibly create an inconvenience when passengers need to connect the flights under the airline alliance members. This vividly shows the dissimilar service standard that could lessen competitiveness in the mind of customers.



*Thirdly*, the highlight of FFPs is mainly mile accumulation and rewards. Boroh (2021) shows that mile accumulation and rewards are critical factors in stimulating passengers to be the members of FFPs; however, the airline executives need to carefully design how the passengers can get miles and turn them to reward otherwise the airlines may encounter the operational costs. Under this concept, most airlines set different airfares with numbers of accumulated miles. This can create the feeling of airline insincerity in the mind of customer. Therefore, this issue needs to be watchfully managed. Karamata *et al.* (2017) address that effective marketing communication and CRM shall be done professionally to create better understanding and the condition under the changing percentage of a number of mile accumulation with various classes of ticket to the passengers. Additionally, there are many forms of mile redemption specified by airlines, for examples, ticket rewards, class upgrades, airport lounge access, etc. All of these mentioned offerings are under airline condition. Take a ticket reward redemption as an example: It is dependable on the availability of quota on each flight offered by airlines. This circumstance may lead to the feeling of the passengers that having a ticket reward creates airline loyalty but flight selection is limited to the ticket availability, causing passengers' frustration. This is a kind of contradictory feeling that the passengers may hold accordingly to malfunctioned airline communication to the passengers. This can be concluded as Luchmun (2018) and Sui *et al.* (2018) discuss that when passenger expectation is fulfilled it can create competitiveness while unsuccessful supply of the demand can lead to frustration. It is possible to say here that once the airlines create the expectation, they need to manage it professionally.

*Finally*, one of the aims of airline FFPs is to disseminate airline marketing information to the passengers in order to urge flying demand as well as giving passenger benefits (Boer 2018; Nenem *et al.* 2020; Shaw 2016; Zuo *et al.* 2018). Nevertheless, airline information management is quite vital through FFP channels (Gao *et al.* 2018). It is possible to say here that in disseminating airline marketing information, the airlines should carefully consider the consumer behavior of passengers. Demographic and economic backgrounds should be very much concerned, otherwise this may lead to passenger annoyance and irritation, creating less competitiveness of the airline.

## CONCLUSIONS

To sum up, FFPs are considered as a marketing and CRM tools used by the airlines in order to raise the passengers' loyalty, develop the airlines and concurrently escalate the highest returns through the programs. According to the critical analyses, FFPs also assist airline marketing team to reduce operational time and create an effective cost-saving scheme. The digital era allows airline to reach their loyal passengers anywhere and anytime. In a meantime, passengers can instantly check their progress of *earning and burning* activities through airline loyalty applications. Not so many low-cost carriers (LCCs) focus on the implementation of FFPs. The reason behind is its vast marketing costs that do not balance with LCC ticket prices. As well, it is believed that LCC passengers do not have loyalty with their flying airlines, only the lowest possible price is considerable when flying. In facts, marketing costs, especially in this technological era, are affordable with a great return of investment. By entering into strategic alliances, the airlines gain tremendous benefits, such as new route expansion, codesharing and interlining. Many LCCs use a direct distribution channel strategy and there may be less of a need to use a loyalty program to gain access to passengers' data. Thereby, LCCs may not able to offer the global reach that Star Alliance, Oneworld and SkyTeam can offer legacy carriers.

All discussions presented in this paper has revealed that FFPs can be a powerful tool for creating airline competitiveness, depending on how the airline manage it professionally or not. Simply put, if the airlines manage FFPs effectively, most airline passengers will be well retained and be able to keep the market share, meaning that the airline competitors cannot easily enter to the selected market. However, the indicator of success of FFPs may statistically rely on the final perceived service quality and satisfaction of the airline passengers, both travel managers and individual flyers, toward the FFPs.

## DATA AVAILABILITY STATEMENT

The data will be available upon request.

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## APPENDIX

**Table 1.** Selected existing research themes of FFPs during 2017–2021.

Research Title	Author(s) (Year of Publication)	Perceived Value	Competitiveness	Gamifications	Program Comparisons	Customer Relationship Management	Passenger Satisfaction	Passengers Loyalty	Social, Economic and Environmental Impacts	Factors Analysis
Curse or Blessing?: The Significance of Loyalty Programs in Pandemic Times	Stock (2021)								x	
Factors Affecting Airline's Passenger Choice During COVID-19 Pandemic	Thepchalerm <i>et al.</i> (2021)								x	x
Frequent-Flyer Program: The Connection between Commercial Partners and Spin-off	Jiang (2020)		x			x				
Impact of Innovative Services on Customer Satisfaction and Enhancing Tourism: Airline and Hotel Services from a Tourist Perspective	Ravishankar and Christopher (2020)		x				x		x	
Maintaining Competitiveness of Aviation Hub: Empirical Evidence of Visitors to China via Hong Kong by Air Transport	Sui <i>et al.</i> (2018)		x				x			
Airline Schedule and Network Competitiveness: A Consumer-Centric Approach for Business Travel	Nenem <i>et al.</i> (2020)		x							
Big Data, Customer Relationship and Revenue Management in the Airline Industry: What Future Role for Frequent Flyer Programs?	Knorr (2019)		x			x			x	
Comparison of Turkish Airlines and Aegean Airlines Loyalty Programs via Frequent Flyer Money Saver Analysis	Unsal (2019)				x					
How Customer Relationship Management, Perceived risk, Perceived Service quality, and Passenger Trust Affect a Full-Service Airline's Passenger Satisfaction	Lainamngern and Sawmong (2019)	x				x	x	x		
The Effect of Airline Service Quality on Passenger Satisfaction: Evidence in an Emerging Economy	Singh and Kumar (2019)	x					x			

Continue...

**Table 1.** Continuation.

Research Title	Author(s) (Year of Publication)	Perceived Value	Competitiveness	Gamifications	Program Comparisons	Customer Relationship Management	Passenger Satisfaction	Passengers Loyalty	Social, Economic and Environmental Impacts	Factors Analysis
An Analysis of Gamification Effect of Frequent-Flyer Program	Zuo <i>et al.</i> (2018)			x						
Competitiveness of Domestic Airlines in Australia: The Effect of Experience Quality, Brand Image and Perceived Value on Behavioral Intentions	Luchmun (2018)	x	x							
Consumer Satisfaction on Airline Passenger Loyalty: Antecedents and Outcomes	Briliana (2018)	x					x	x		
Exploring the Ecosystem of the Frequent Flyer Program	Boer (2018)		x							x
Taking the Frequent Flyer Program to Measure	Boer (2018)		x			x				
The Perceived Value of Frequent Flyer Program Benefits Among Australian Travelers	Gao <i>et al.</i> (2018)	x			x					
Loyal Customers Comes from Royal Airline	Kusaeni <i>et al.</i> (2018)							x		
A Multiple Criteria Approach for Airline Passenger Satisfaction Measurement and Service Quality Improvement	Tsafarakis <i>et al.</i> (2018)						x			
Advantages and Disadvantages of Deploying Frequent Flyer Programs as Impact Factors Affecting Airline Customer Behavior and Retention	Wever (2017)		x					x	x	x
The Impact of Using Customer Relationship Management to Achieve Competitive Advantage for Egypt Air	Barsy (2017)		x			x			x	
Gamification and Customer Loyalty	Kalantzis (2017)			x		x		x		
Marketing Implications of Loyalty Programs on Customer Relationship Management within the Airline Industry	Karamata <i>et al.</i> (2017)					x		x		

Source: Elaborated by the author.

**Table 2.** Active FFPs categorized by airline alliances.

Star Alliance		Oneworld						Skyteam				Non-Alliance	
AL	FFP	AL	FFP	AL	FFP	AL	FFP	AL	FFP	AL	FFP	AL	FFP
Aegean Air	Miles+Bonus	Austrian Airlines	Miles & More	Alaska Airlines	Mileage Plan	British Airways	Executive Club	Aeroflot	Aeroflot Bonus	Aerolíneas Argentinas	Aerolíneas Plus	Emirates	Emirates Skywards
Air Canada	Aeroplan	Avianca	LifeMiles	American Airlines	AAdvantage	Cathay Pacific	The Marco Polo Club	Aeroméxico	Club Premier	Air Europa	Suma		
Air China	PhoenixMiles	Brussels Airlines	Miles & More	Finair	Finnair Plus	Iberia	Iberia Plus	Air France	Flying Blue	China Airlines	Dynasty Flyer		
Air India	Flying Returns	Copa Airlines	ConnectMiles	Japan Airlines	Japan Airlines Mileage Bank	Malaysia Airlines	Enrich	China Eastern Airlines	Eastern Miles	Czech Airlines	OK Plus		
Air New Zealand	Airpoints	Croatia Airlines	Miles & More	Qantas	Qantas Frequent Flyer	Qatar Airways	Privilege Club	Delta Air Lines	SkyMiles	Garuda Indonesia	Garuda Miles		
ANA	ANA Mileage Club	Egyptair	EgyptAir Plus	Royal Air Maroc	Safar Flyer	Royal Jordanian	Royal Club	ITA Airways	Volare	Kenya Airways	Flying Blue		
Asiana Airlines	Asiana Club	EVA Air	Infinity MileageLands	S7 Airlines	S7 Priority	SriLankan Airlines	FlySmiLes	KLM	Flying Blue	Korean Air	SKYPASS		
LOT Polish	Miles & More	Lufthansa	Miles & More	Fiji Airways	Tabua Club			Middle East Airlines	Cedar Miles	Saudia	Alfursan		
SAS	EuroBonus	Shenzhen Airlines	PhoenixMiles					TAROM	Smart Miles	Vietnam Airlines	Golden Lotus Plus		
Singapore Airlines	KrisFlyer	South African Airways	Voyager					Xiamen Air	Egret Club				
SWISS	Miles & More	TAP Air Portugal	Miles&Go										
Thai Airways	Royal Orchid Plus	Turkish Airlines	Miles & Smiles										
United	MileagePlus	Ethiopian Airlines	ShebaMiles										

AL = Airlines, FFP = Frequent Flyer Program. Source: Elaborated by the author.