

**Hoang Diep To Lan**

**THE IMPACT OF RELATIONSHIP MARKETING ON  
CUSTOMER LOYALTY IN THE AIRLINE INDUSTRY**

**Case Study Finnair**

**Bachelor's Thesis**

**CENTRIA UNIVERSITY OF APPLIED SCIENCES**

**Degree Programme in Business Management**

**December 2015**

## ABSTRACT

<b>Unit</b> Kokkola-Pietarsaari	<b>Date</b> December 2015	<b>Author/s</b> Hoang Diep To Lan
<b>Degree programme</b> Degree Program in Business Management		
<b>Name of thesis</b> THE IMPACT OF RELATIONSHIP MARKETING ON CUSTOMER LOYALTY IN THE AIRLINE INDUSTRY Case Study Finnair		
<b>Instructor</b> Birgitta Niemi		<b>Pages</b> 41
<b>Supervisor</b> Birgitta Niemi		
<p>Relationship marketing has proven itself to be an indispensable part of doing business effectively in recent decades. It was a new approach in marketing sector as well as a key trend in business field around the world. Based on relationship marketing, a company could be improved and developed by marketing researches as well as it could be built up a long term relationship with customer.</p> <p>This thesis was dedicated to examine the effect of relationship marketing on customer loyalty in the airline industry as well as to contribute to the understanding of customer loyalty to achieve a sustainable competitive advantage in this market. Evaluating the important role of relationship marketing, the firm will get more and more customers and profit in long-term.</p> <p>In terms of the study of Finnair, the company's operation will be determined, evaluated and discussed specifically through relationship marketing. Moreover, the aim of this thesis was to study customer satisfaction, customer retention, customer defection, customer loyalty, customer relationship management and electronic relationships based on customer relationship, internal relationship, external relationship, supplier relationship. Furthermore, the objective of these suggestions and recommendations was to present relationships for development and improvement among participants in Finnair.</p> <p>Throughout this thesis, the airline firm could create many programs to establish customers' relationship as well as develop positive attitude from them; and hence the airline firm will be developed in overall.</p>		

### Key words

Finnair, relationship marketing, airline industry, customer retention, customer satisfaction, customer defection, customer loyalty, CRM, E-relationship

## **PREFACE**

This thesis is the result of my study during more than three years at Centria University of Applied Sciences. This thesis would not have been possible to complete without the wonderful and knowledgeable professors I had the opportunity to have. I would like to thank all professors who helped me gain more knowledge in the last three years.

I would like to express my very sincere gratitude to my supervisor Professor Birgitta Niemi for motivating, supporting, and giving me valuable advices during the process.

A special thanks to Professor Janne Peltoniemi for guiding me from the very beginning of my study at school.

Last but not least, I take this opportunity to express the profound gratitude to my beloved family for giving me a chance to study abroad and encouraging me throughout my life.

**ABSTRACT**

**PREFACE**

**CONTENTS**

<b>1 INTRODUCTION</b>	<b>1</b>
<b>2 THEORETICAL FRAMEWORK</b>	<b>3</b>
<b>2.1 Defined Relationship Marketing</b>	<b>3</b>
<b>2.2 The Benefits of Relationship Marketing</b>	<b>5</b>
<b>2.3 Partnerships of Relationship Marketing</b>	<b>7</b>
<b>3 CUSTOMER RELATIONSHIP</b>	<b>9</b>
<b>3.1 Customer Satisfaction</b>	<b>9</b>
<b>3.2 Customer Retention</b>	<b>12</b>
<b>3.3 Customer Defection</b>	<b>14</b>
<b>3.4 Customer Loyalty</b>	<b>16</b>
<b>3.4.1 The Ladder of Loyalty</b>	<b>18</b>
<b>3.4.2 Classifying Loyalty</b>	<b>19</b>
<b>3.5 Customer Relationship Management (CRM)</b>	<b>20</b>
<b>3.6 Electronic Relationship (E-relationship)</b>	<b>21</b>
<b>4 PRESENTATION OF CASE COMPANY: FINNAIR</b>	<b>22</b>
<b>4.1 Background of Finnair</b>	<b>22</b>
<b>4.2 Interest of Customer to Airlines Service</b>	<b>23</b>
<b>4.3 Reasons for Finnair's Customer Defection and How to Manage It</b>	<b>26</b>
<b>4.4 Practices Related to Customer Satisfaction</b>	<b>30</b>
<b>5 ANALYSIS OF CASE COMPANY: FINNAIR</b>	<b>32</b>
<b>5.1 Four Broad Partnership's Model in Finnair</b>	<b>32</b>
<b>5.2 Relationship Marketing Strategy in Finnair</b>	<b>35</b>
<b>6 CONCLUSION AND RECOMMENDATIONS</b>	<b>38</b>
<b>REFERENCES</b>	<b>40</b>

## 1 INTRODUCTION

These days, there is no denying the fact that it is really difficult for organizations to exist alone in the consumer market. It is clear that every participant in the organization plays a vital role to reach the different targets. More and more organizations have started to improve qualities and services to maintain existing customers as well as gain more new customers. Therefore, making a good relationship is an important thing for every corporate to gain competitive advantage. Relationship marketing appears to adapt to the demand of development in the business globe. Based on relationship marketing, the company can manage the long term relationship between participants such as employees, suppliers, customers, competitors and others who affect the firm's business. To be more specific about the relationship marketing, the author will analyze and evaluate relationship marketing through the chosen company, Finnair.

In this competitive and globalize of airlines industry, customer of each firm is of crucial assets which the firm needs to preserve and expand for its profitability (Hanley, 2008). Many market researchers highlighted that loyal customers have an important contribution in market share and to a company's profitability. It is undoubted the fact that loyal customers can be seen as the most vital factor of an organization to achieve the financial performance in the long-term. In addition, transforming indifferent customers into loyal ones and establishing a long-term relationship with customers is crucial for business-success. It is therefore, necessary to establish and maintain of customer loyalty as a key goal for airlines in order to promote competitive advantage in the market place. Consequently, the maintenance of significant customers is a vital target which airline management need to understand to strengthen customer loyalty for the airline market.

To begin with, the aim of this thesis is to clarify the real role of relationship marketing within the airline industry. It is obvious that relationship marketing is a strategy made to promote customer loyalty and long-term relationship (Harwood, Garry & Broderick, 2008.) Many market researchers suggest that relationship marketing can help companies achieve higher returns from customers (Baron, Conway & Warnaby, 2010.) The theory of relationship marketing proves that to attract customers, it is very important to build a strong customer

relationship, as well as encourage customer loyalty. This study aims to explore the effect of relationship marketing on customer loyalty. In addition, this study also aims to evaluate the important of each partnership in the firm's perspective.

From the basic roles of relationship marketing, the thesis will show the role of customer satisfaction, customer retention and the effect of customer defection, which will ultimately result in customer loyalty. Consequently, the reasons of customer defection and how to get customer satisfaction will be defined and applied for case company. It is the fact that airline industry has a highly competitive environment in the market nowadays. Therefore, the case study about Finnair will introduce the loyal program which helps the firm to get more loyal customers as well as achieve the competitive advantage. Finally, some short series of relationship marketing recommendations will be produced for Finnair which can be used to refer for improvement and development.

## 2 THEORETICAL FRAMEWORK

In this theoretical framework section, the author will focus on the main elements of the theoretical baseline of relationship marketing as well as its partnership. In addition, this section also shows how to relationship marketing facilitates or enhances customer relationships in the organization.

### 2.1 Defined Relationship Marketing

In the marketing field there exist several theories to clarify the concept of "relationship marketing". In the past two decades, many researchers have demonstrated a movement between transactional marketing and relationship marketing. The important of this change is an organization try to build relationship with their customers in long-term instead of attracting short-term customers. Christopher, Payne & Ballantyne (1991) showed the differences between relationship marketing which concerns creating relationship with customers and transactional marketing which concentrates on sale and marketing. They underlined that relationship marketing directed toward to long-term orientation rather than short-term orientation. Table 1 shows the differences between transactional marketing and relationship marketing.

TABLE 1. Transactional marketing and relationship marketing (Adapted from Christopher, Payne & Ballantyne, 1991.)

<b>Transactional Marketing</b>	<b>Relationship Marketing</b>
Focus on single sale	Focus on customer retention
Orientation on product features	Orientation on customer values
Short time scale	Long time scale
Little emphasis on customer service	High emphasis on customer service
Limited customer commitment	High customer commitment
Moderate customer contact	High customer contact
Quality as the concern of production	Quality as the concern of all

Based on information explosion from the internet and globalization these days, markets have become more and more competitive. Therefore, it is crucial to make and maintain a long-term commercial relationships between service providers, economic partners and customers at various levels of the marketing channel and a broader business environment. It is obvious that developing closer relationships with customers and making them become loyal customers is one of the vital goals of marketing. Thus, according to Christopher, Payne & Ballantyne (1991), relationship marketing can be seen as the establishment and maintenance the relationship between an organization and its customers in the long-term. There were some arguments around this.

According to Morgan & Hunt (1994), relationship marketing is defined as:

“All marketing activities directed towards establishing, developing and maintaining successful relational exchange.”

Morris, Brunyee & Page (1998) indicated that:

“A strategic orientation adopted by both the buyer and seller organizations, which represents a commitment to long term mutually beneficial collaboration.”

Following to Grönroos (1994), relationship marketing is defined as:

“Relationship marketing is to identify and establish, maintain and enhance and, when necessary, terminate relationship with customers and other stakeholders, at a profit so that the objectives of all parties involved are met; and this is done by mutual exchange and fulfillment of promises.”

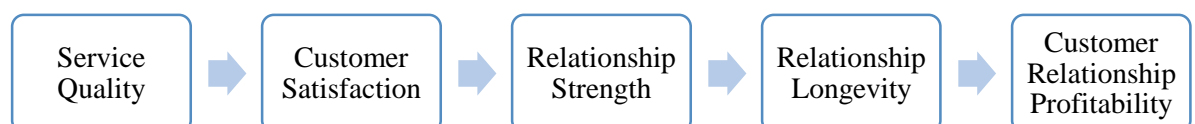
From the definitions, relationship marketing can be understood as a strategic orientation that focuses on developing customer loyalty. Relationship marketing is characterized as a type of marketing which organizations attempt to improve and enhance close relationship with customers. In other words, the objective of relationship marketing is building long-term relationships with customers rather than attracting new ones. Establishing long-term relationship with customers is an important condition for success of an organization. Moreover, relationship marketing can be seen as a process of participating in collaborative and cooperative programs and activities with direct customer to enhance or create the value of economic. In addition, relationship marketing can be considered as many aspects, including: internal, external, suppliers and customers to achieve the competitive advantage as well as satisfy customers' desires.



## 2.2 The Benefits of Relationship Marketing

To begin with, it is a fact that getting new customer is more expensive than retaining one so relationship between these firms and others are very crucial. First of all, relationship marketing underlines three factors as a key to get more profitability, such as: loyalty, long-term relationship and customer retention (Jagdish & Parvatiyar, 2000.) According to Bruhn (2003), customer share plays a more important role in the company than market share, and a relationship must be long-term win-win between participants. In addition, all participants must have respectful interactions and equal responsibilities. Therefore, relationship marketing makes more advantages and is predictable. In other words, it is an effective solution for companies to deal with problems of business.

Secondly, relationship marketing is necessary for relationship quality, value and service. It is true that if customers are satisfied with the services that organizations supply, they will buy and pay more, the relationship will last as well as the organization will receive more profitability (Grönroos, 1994.) Furthermore, relationship marketing also provides the key element to increase social and financial benefits. Therefore, the organizations need to understand the core factors of the business to maintain the relationship between their resources, stakeholders and processes in the long-term (Jagdish & Parvatiyar, 2000). As a result, retaining and remaining customers can bring more profits and reduce expenses or save costs of unsuccessful prospecting for organizations in the long run. Graph 1 shows the connection between the stages in the relationship which will ultimately result in value of profit.



GRAPH 1. Stages in the development of relationship profit (Adapted from Grönroos, 1994.)

Finally, all parties that are related to the success of a business have an influence on relationship management. Each party has proven itself to be an indispensable part of

relationship marketing in business operations. The link between the elements impact relationship marketing is dedicated in Graph 2.

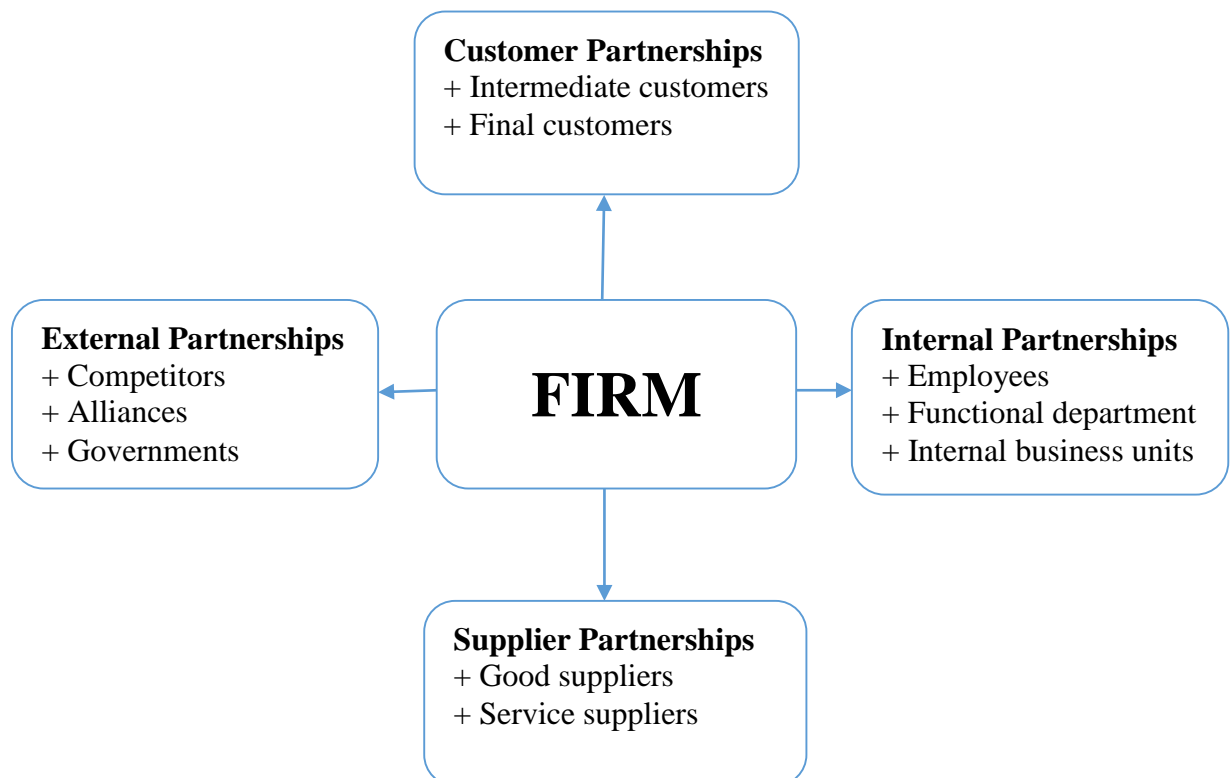


GRAPH 2. The main elements influences of relationship marketing (Adapted from Godson, 2009.)

As a result, relationship marketing brings long-term benefits from both customer's and firm's perspective. It is a fact that relationship marketing ensures mainly sustainable relationship between the customers and the firm. In addition, relationship marketing can be considered as an essential element in marketing research process. It is obvious that relationship marketing can help the organization increase profitability and competitive advantage through the globalization of world markets. Besides, relationship also permits providers to understand customer's demand. Thus, when customers have a long-term relationship with providers, the products and services may reduce risk and uncertainty.

### 2.3 Partnerships of Relationship Marketing

It is obvious that trust and commitment are two core factors needed to have, to ensure the success of relationship in long-term between firm and its partnerships (Morgan & Hunt, 1994). These days, there are many models that have been created to approach to relationship marketing theory such as, ten types specific of relationship marketing by Morgan & Hunt (1994), the six market models in relationship marketing by Christopher, Payne & Ballantyne (1991) but in this thesis, the author will focus to the latest model: the four board partnerships of relationship marketing which introduced by Godson (2009) to understand and study the relationship of a company towards its stakeholders. Based on Godson's reasoning, the four broad partnership's model is highly effective in relationship marketing. This model demonstrates four primary organizations in the middle the firm and its partners, including supplier partnership, external partnership, customer partnership and internal partnership which will be presented in Graph 3.



GRAPH 3. The four broad partnerships of relationship marketing (Adapted from Godson, 2009.)

To begin with, internal partnerships include three elements: employees, functional departments and internal business units (Godson, 2009). It is clear that employees play an important role in the organizations through creating competitive advantages and satisfying customers desires nowadays. It is therefore, necessary for organizations pay attention to employees to resolve problems and conflicts between employees and departments. Secondly, according to Godson (2009), there are some factors of external partnerships which have effects on the business, such as: competitors, alliances and governments. It is a fact that the media is very crucial to introduce and promote the product for companies. Thirdly, supplier partnerships, which include good suppliers and service suppliers, are also an important factor in relationship marketing. Suppliers play a vital role in the supply chain management; they manage the interconnection of organizations and control the processes to supply value for consumer through services and products.

The most important thing is that relationship marketing focuses on interacting with customers for long-term. In other words, one of the key objectives of relationship marketing is to build and maintain a strong relationship with customers (Godson, 2009). It is a fact that a customer has proven itself to be a foundation of any successful business in any market these days. It is therefore necessary to understand, identify and meet the demands of customers to achieve the primary goals in the marketing strategy. In order to understand what the customer needs and wants, an organization should look at the business from customers' point of view, collect and analyze information or ask them directly what they think about products and services.

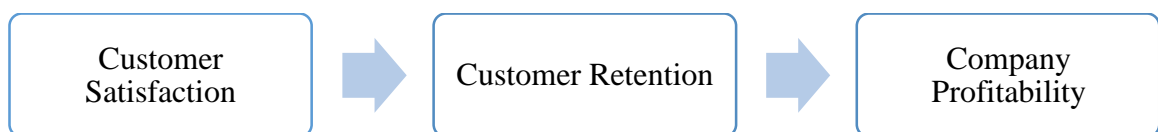
According to Godson (2009), customer relationship is the most important asset for organizations in the business market so looking after them is necessary for business success. It is important to adapt to customer requirements to give them good services as well as develop the long-term relationship with them. The purpose of this paper is to focus on customers and the impact of relationship marketing on them. A customer can be seen as a primary factor in the organization; therefore understanding customers in all aspects will bring many benefits for organizations in business circle. Besides, all of the strategies of relationship marketing are persuading and keeping or maintaining customers to come back and purchase more products and services.

### 3 CUSTOMER RELATIONSHIP

In this section, the author will outline some key features that effect on customer relationships, including: customer satisfaction, customer retention, customer defection, customer loyalty, customer relationship management and e-relationship. Moreover, this section also focuses on the importance of these factors in business management as well as the effect of relationship marketing on them.

#### 3.1 Customer Satisfaction

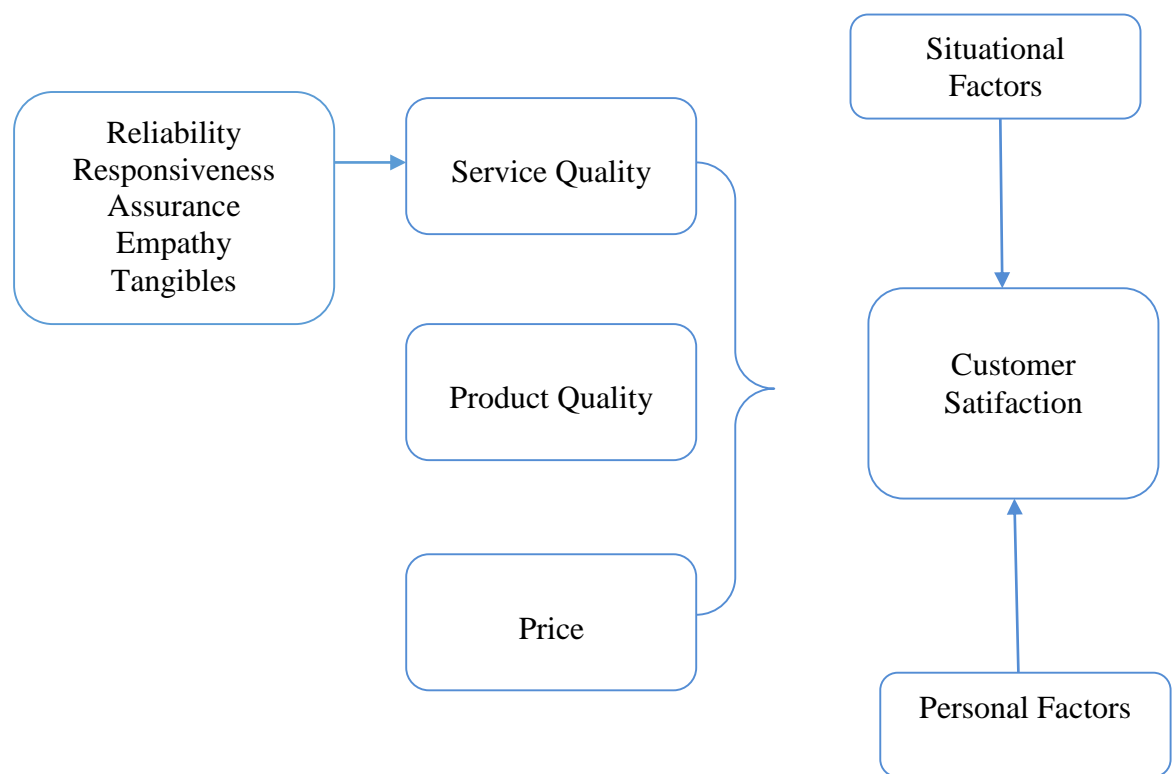
Customer satisfaction refers to the satisfaction of customers with the services and products provided by a firm (Foss & Stone, 2001). In other words, it is an attitude or feeling of customers within the services and products after they have been used. According to Hennig-Thurau & Hansen (2000), customer satisfaction can be seen as customers' overview evaluation of the products and services. In addition, customer satisfaction has proven itself to be a vital part in the marketing research and the consumer areas. Besides, customer satisfaction is also an important element in relationship marketing; it has been defined as evaluating customers' cognition through quality of service. In order to achieve long-term sustainability, the firm needs to create the best service to serve its customers. In order to bring success and profit for a business, it is necessary to satisfy customers (Egan, 2008). The simple relationship marketing model is dedicated in Graph 4.



GRAPH 4. Simple relationship marketing model (Adapted from Egan, 2008.)

According to Egan (2008), if organizations cannot meet customer demand in any service, it will lead to service failure and customer satisfaction will be influenced. Although customer satisfaction does not guarantee repurchase from a firm it plays a very crucial part in achieving customer loyalty in long-term aspect (Foss & Stone, 2001). In other words,

customer satisfaction has a strong positive influence on customer loyalty. It is a valuable asset for every organization to get more customer retention and customer loyalty. Furthermore, customer satisfaction can be seen as a key performance indicator for evaluating the quality of a relationship between customers and organizations (Hennig-Thurau & Hansen, 2000). It is therefore necessary to study customer satisfaction to make decisions for improving customer relationship. Satisfaction is determined based on many aspects, such as price, product, service, personal factors and situational factors (Zeithaml & Bitner, 2001), see Graph 5.

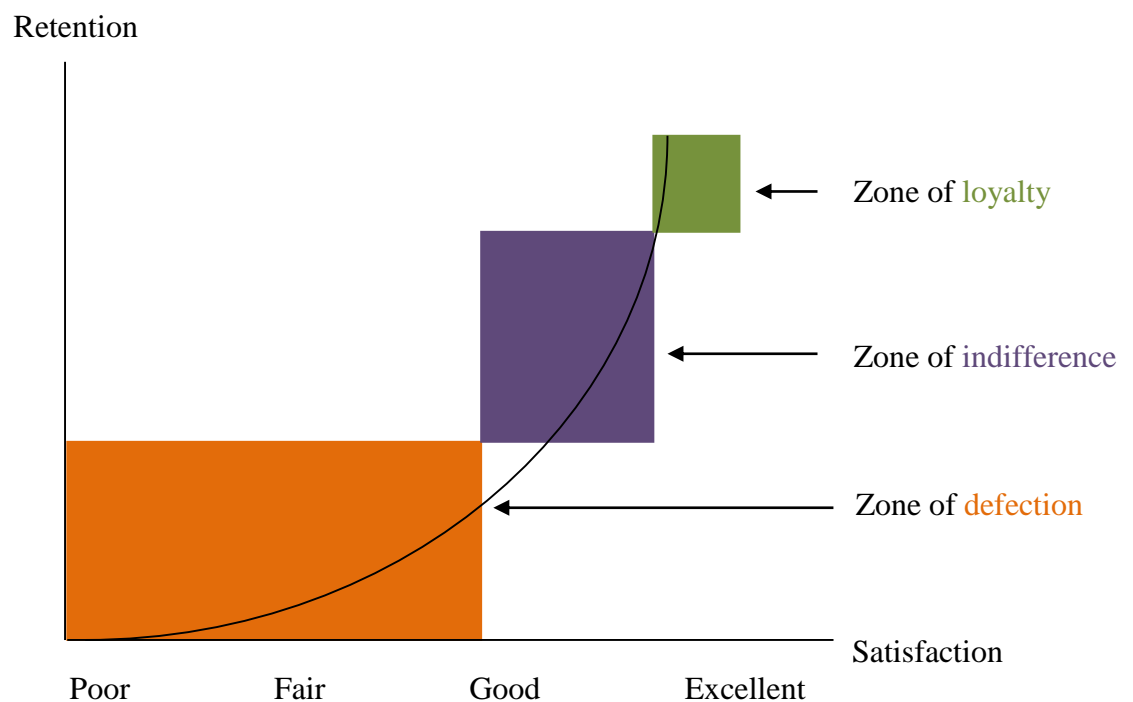


GRAPH 5. Customer satisfaction model (Adapted from Zeithaml & Bitner, 2001.)

It is obvious that organizations need to deliver the high level of service quality, product quality as well as suitable price to achieve the high level of customer satisfaction (Zeithaml & Bitner, 2001). Customer satisfaction plays a crucial role in business operations through the benefits it brings to the business. Many researchers illustrated that customer satisfaction has a strongly relationship with customer retention. Customer satisfaction helps organizations to retain their customers due to provide precious subordinate advertising for

business. Customer satisfaction can be understood as the organization which will receive more supports and less complaint and which will help organizations reduce costs in service failures (Hennig-Thurau & Hansen, 2000). Therefore, the organizations need to understand their customers' different demands to meet their desires accordingly.

According to Jagdish & Parvatiyar (2000), there is a strong link between customer satisfaction and customer retention. In other words, to increase the ability of keeping existing customers, it is important to increase the level of customer satisfaction. There are many factors that affect a satisfied customer when they decide to make a purchase, for example: many options, designs, values and services. It is a fact that if customers are satisfied with the service which the organization supplies, they are more likely to return with the firm but there is not guarantee for customer retention. On the contrary, if customers are dissatisfied, they will change their mind and switch to another firm or a competitor. Graph 6 shows the concept of the zone of defection, zone of indifference and zone of loyalty (Heskett, Sasser & Schlesinger, 1997).



GRAPH 6. Customer satisfaction and the effect on customer retention (Adapted from Heskett, Sasser & Schlesinger, 1997.)

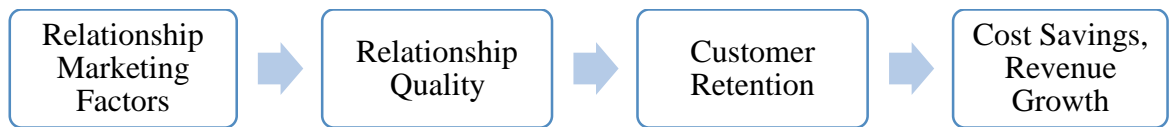
### 3.2 Customer Retention

According to Bruhn (2003); Hennig-Thurau & Hansen (2000), organizations have to take more costs to gain a new customer rather than retain an existing one. It is obvious that retaining customers has become a vital role for the success of organizations in business because customer retention brings benefits and profits in long-term for both the customers and the companies. In other words, maintaining customers can be seen as an accepted concept to expand loyal customers for organizations in long-term success. It is evidence that to provide a sustainable competitive advantage for companies in the markets, relationship marketing has to be established a strategy for customer retention (Heskett, Sasser & Schlesinger, 1997).

In addition, Bruhn (2003) highlighted that retaining customer is five to ten times cheaper than getting new customers. It is therefore true that the concept of customer retention is a crucial aspect of relationship marketing research. Besides, in research of relationship marketing, there is large recognition on the vital part of customer retention and related structures for success of relationship marketing (Heskett, Sasser & Schlesinger, 1997). It is obvious that customer retention brings many benefits to an organization, such as: less costs but more profits, reduced sales, marketing and advertising costs (Hennig-Thurau & Hansen, 2000). Therefore, organizations need to make effort to improve their customer retention in order to do business with customers in the long-term and achieve competitive advantage in business circle.

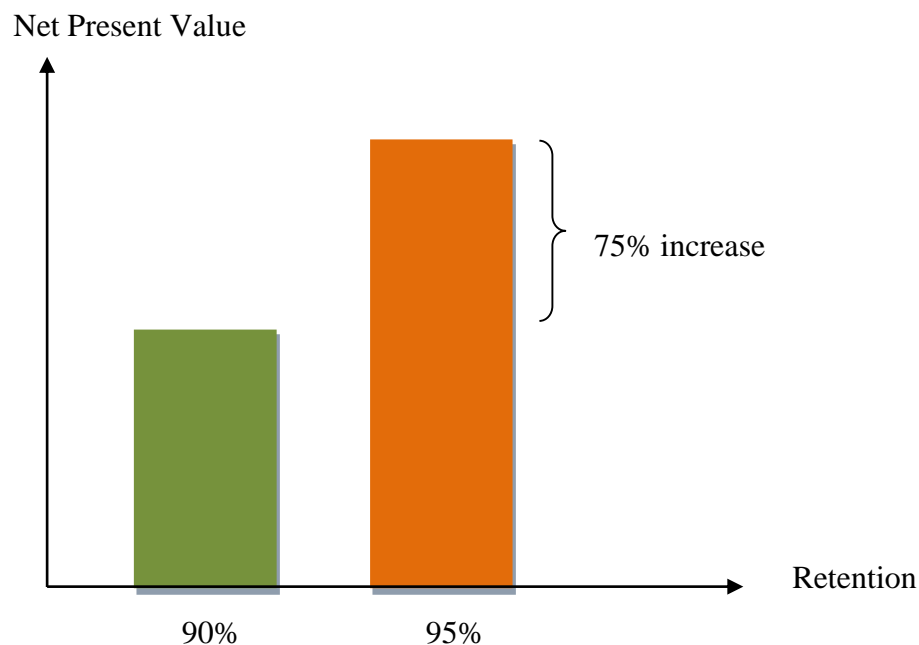
It is therefore crucial to understand that customer retention and customer loyalty have strongly related to the success of relationship marketing in the marketplace recently. Therefore, an organization needs to consider the methods and strategies to improve their customer retention. Moreover, successful relationship marketing factors, such as: communication, expertise of seller, comparison level of alternatives, cooperation and dependence on seller and successful of relationship quality, including: trust, commitment and satisfaction will lead to successful organizations due to increase customer retention (Hennig-Thurau & Hansen, 2000; Jagdish, & Parvatiyar, 2000; Harwood, Garry & Broderick, 2008). Graph 7 will illustrate the effect of relationship marketing on customer retention.





GRAPH 7. Customer retention research model (Adapted from Hennig-Thurau & Hansen, 2000.)

In fact, customer retention is one of the primary results of a strong relationship between seller and buyer. Thus, customer retention is an important feature to resist competition in the market place recently. The most important objective of retention in relationship marketing is to keep customers interested and engaged in the firm's services and products through retailers and service providers. Heskett, Sasser & Schlesinger (1997) emphasized that retaining customers will help companies reduce expenses and increase revenues significantly. Accordingly, they reported that a slight reduction (5 %) in the customer defection rate has a disproportionately positive effect on net present value (75 %) which is shown in Graph 8.



GRAPH 8. The important of customer retention (Adapted from Heskett, Sasser & Schlesinger, 1997.)

### 3.3 Customer Defection

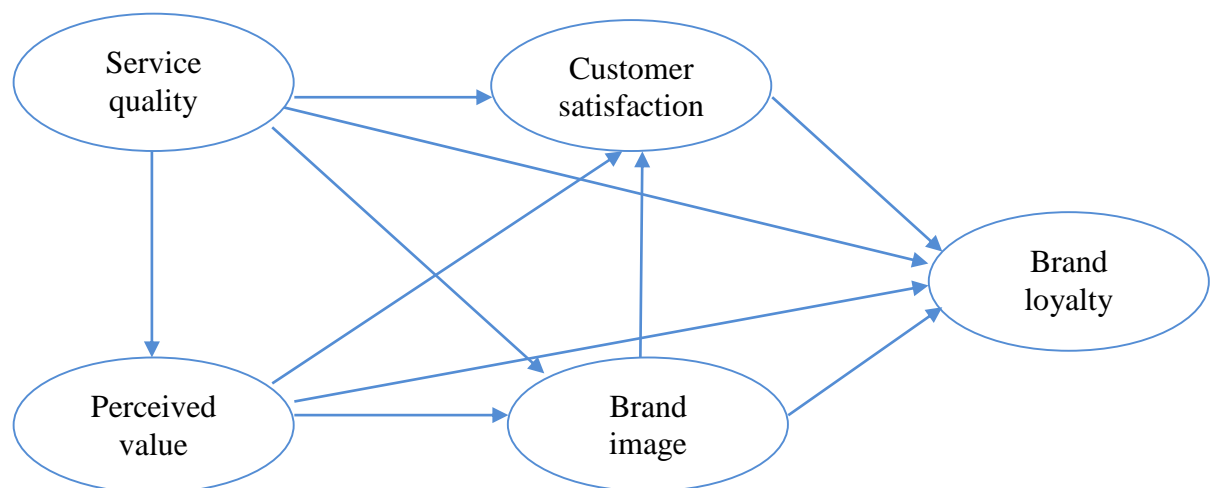
Recently, customer defection can be seen as a failure in business operations. According to Godson (2009), customer defection is a concept quite the opposite of customer retention. In other words, customer defection can be defined as the reduction of customer initiated of the business level in relationship marketing. Therefore, it is necessary for organizations to understand clearly why customers switch to competitors in order to gain valuable information before they want to maintain and improve customer retention through developing relationship marketing strategies (Foss & Stone, 2001.) In other words, when knowing the reason, an organization can make an effort and make a strategy to retain customers. It is vital to understand that defectors are customers who do not continually make purchase with the organization and they always have a tendency to proceed to a competitor (Godson, 2009).

Customer defection can be understood as a decreasing stream of value from the firm to its customers. There are different kinds of reasons which identify specifically the causes of defection of an organization, including: price, product, service, market and technological. From the root causes of defection, Foss & Stone (2001) extends some categories of reasons for customer defection, including: uncomfotability, core service failures, response to failed services, failed service customers, inconvenience, ethical problems, and competition. It is clear that customers who have decided to leave a firm are strongly affected of these factors (Foss & Stone, 2001).

First of all, price reasons show that customers often move to competitors who offer lower prices. In other words, customers usually change when they receive better prices from competitors for comparable products or services (Harwood, Garry & Broderick, 2008.) Secondly, it is clear that product reasons also play an important factor as a possible cause for customer defection. It implies that customers will change their mind when they receive a better quality product from competitors. Thirdly, customers can also move to competitors because of market reasons. It is a fact that markets have become more and more competitive recently, therefore customers want to have experiences of different styles of services or products from different firms. In other words, they can easily leave the old market to adapt to a new one.

Next, technology reasons are also the vital element which makes customers move to competitors. It is a fact that modernization and globalization require organizations' needs to make more efforts to supply modern technology for their customers. If organizations cannot meet their customers' demand, customers will choose the products which have better technology according to their needs. Service reasons are the most important factor. It is clear that service quality can be seen as an attitude which identify the strong connection between customers and organizations (Foss & Stone, 2001). Therefore, if customers receive poor services from organizations, this will lead to service failure. As a consequence, if the organization cannot manage and control service failures, customers will move to competitors.

Foss & Stone (2001) argued that service failure has a negative influence on the organization which makes customers move to competitors. According to Hennig-Thurau & Hansen (2000), the organization needs to understand what a customer wants are in order to ensure that retailers and service providers can supply the best service quality. If an organization cannot meet customer expectations on any of the many service delivery processes, it leads to a service failure and affects customers' satisfaction as well as affects firm's good name or reputation. According to Lin (2007), there is a relationship between customer satisfaction and service quality which brings loyal customers to an organization, see Graph 9.



GRAPH 9. Relationship between customer satisfaction and service quality (Adapted from Lin, 2007.)

### 3.4 Customer Loyalty

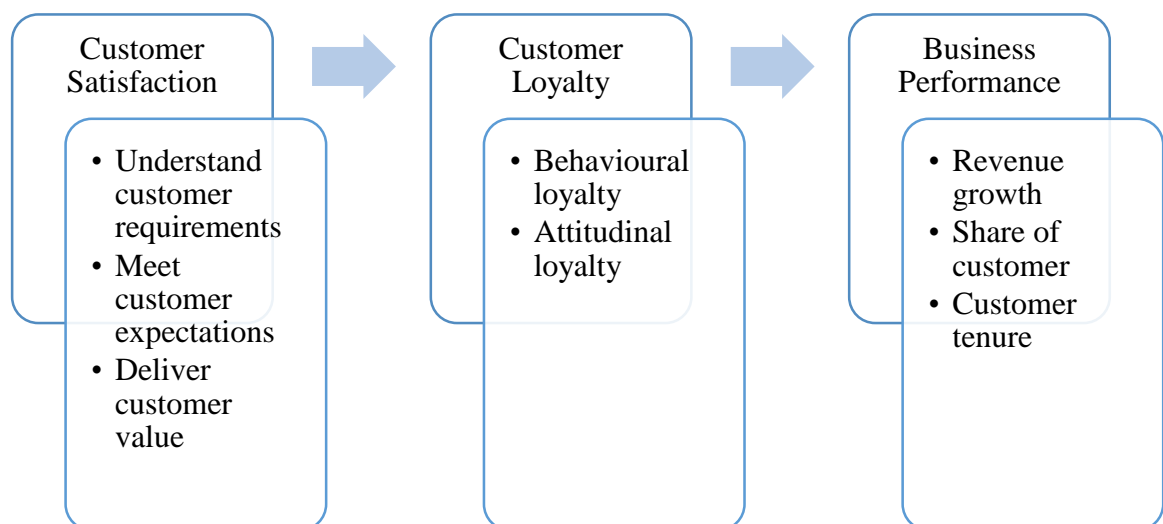
Loyalty can be seen as a commitment of customers to repeat purchases regularly (Peelen, 2005). It is evident that there is sustainable relationship between customer loyalty and relationship marketing. Customer loyalty can be seen as a customer's willingness to have a close relationship with a firm in long-term, using and purchasing a company's services and products on a repeated basic as well as voluntarily introducing the company's services and products to other people (Brink & Berndt, 2008.) To be more specific, loyal customers help the firm increase profits (Heskett, Sasser & Schlesinger, 1997) and decrease costs (Baron, Conway & Warnaby, 2010) as well as recommends their friends, co-workers and relatives to the firm via word of mouth (Brink & Berndt, 2008; Buttle, 2009).

Furthermore, customer loyalty is a vital aspect in relationship marketing which can be defined in different ways, such as: a positive attitude or allegiance toward a firm, the trend to choose a service or a product from that firm or the process of building committed relationship in long-term. On the other hand, it cannot be denied the fact that the long-term relationship exists based on customer loyalty and firm's profitability (Heskett, Sasser & Schlesinger, 1997; Baron, Conway & Warnaby, 2010.) Buttle (2009) argued that customer loyalty is more involved and committed to the organization rather than just repeat purchases. Therefore, an organization needs to make effort to achieve more loyal customers which are an essential element for developing a sustainable competitive advantage in business market (Brink & Berndt, 2008).

In addition, Godson (2009) also argued that with the context of relationship marketing, customer loyalty has meaning. It is obvious that in a continually growing and quickly changing environment, organizations cannot keep up attitudes described by attracting new customers or extending in new markets. There is no denying the fact that the endorsement of loyal customers for quality of services and products is stronger than any company's advertising campaign. It is therefore necessary to build trust, communication and commitment with customers to create customer loyalty in sustainable relationship in order to achieve the success of relationship marketing process (Morgan & Hunt, 1994). As a result, the strengthening of customer loyalty is a vital goal for accomplishing benefit through the retention of valuable customers.

Loyal customers directly impact company profitability; therefore, organizations should focus on customer loyalty as a right direction to develop business in some aspects. It is evident that loyal customers bring many benefits for organizations, for instance: reduce costs on advertising and promotion, attract new customers through word of mouth and achieve support of customers' positive feedback (Buttle, 2009). Besides, customer loyalty cannot easily be persuaded to move to competitors because they have strongly believed that their demands, desires and preferences will always be met by the best through organization (Morgan & Hunt, 1994). As a result, an organization will be able to achieve competitive advantage by loyal customers.

According to Heskett, Sasser & Schlesinger (1997), if organizations want to have more loyal customers, they need to supply social and financial benefits to their customers. In order to build customer loyalty, organizations need to establish long-term relationship with customers, provide customer incentives, manage customer complaints and encourage customer feedback. Consequently, a firm's primary aim in terms of relationship marketing is to get more loyal customers and to ensure a long-term relationship based on profitability. It is necessary to enhance customer satisfaction and customer loyalty to improve business performance (Anderson & Mittal, 2000). Graph 10 shows the connection between these elements.




GRAPH 10. The satisfaction profit chain (Adapted from Anderson & Mittal, 2000.)

### 3.4.1 The Ladder of Loyalty

According to Godson (2009), customers and suppliers will have a closer relationship over time; however it is not simple to move the customer or client up the loyalty ladder. Therefore, to achieve this transaction, the firms need to understand exactly the desire of customers to offer them additional value and satisfaction (Godson, 2009). The ladder of customer loyalty provides a good overview to classify customer values at different levels of relationship. As a result, understanding which level of relationship, the company can easily improve customer relationship to reach the highest level of loyalty. There are six stages in the ladder of customer loyalty, including: partner, advocate, supporter, client, customer and prospect. Each stage represents one type of customer based on their loyalty to an organization. Table 2 shows the relationship marketing ladder of customer loyalty. It is an effective tool for companies to classify and understand their customer segmentation as well as enhance opportunities to get more loyal customers.

TABLE 2. The relationship marketing ladder of customer loyalty (Adapted from Godson, 2009.)

	<b>Partner</b>	Individual or organization that has the relationship of a partner with your firm. It is the highest level of the ladder of customer loyalty
	<b>Advocate</b>	Customers who actively recommend your firm to others as well as give positive comment about your firm. They do marketing for the firm
	<b>Supporter</b>	Customers who like your firm, but only support your firm passively
	<b>Client</b>	Customers who have done business with your firm on a repeat basis but may be negative, or at best neutral, towards your organization
	<b>Customer</b>	Customers who have done business just one with your organization
	<b>Prospect</b>	New customers whom you believe may be persuaded to do business with your organization

### 3.4.2 Classifying Loyalty

According to Godson (2009), loyalty can be seen as a commitment of customers to repurchase a service or a product from an organization in the future. Besides, according to Anderson & Mittal (2000) loyal customers can be defined as people who strongly feel that their company can meet their needs while competitors of that company cannot. Therefore, it is clear that attitude plays an important role in the concept of loyalty. The concept of loyalty is the relationship between attitude and behavior (Dick & Basu, 1994). Besides that, if the firm wants to implement the right strategies for each customer, it is very crucial to defined categories of loyal customer. Based on two ways of approach to measure the loyalty, including: relative attitude and repeat purchase to establish the model of these categories of loyalty, including: true loyalty, spurious loyalty, latent loyalty and no loyalty (Dick & Basu, 1994). This model will be dedicated in Table 3.

TABLE 3. Two dimensional model of customer loyalty (Adapted from Dick & Basu, 1994.)

Relative attitude	High	<b>True Loyalty</b>	<b>Latent Loyalty</b>
	Low	<b>Spurious Loyalty</b>	<b>No Loyalty</b>
		High	Low
		Repeat purchase	

It can be seen that true loyalty, which occurs when repeat purchase and relative attitude are high, has proven itself to be the most preferred category for any organization in the marketplace (Dick & Basu, 1994). Therefore, in order to achieve the highest level of loyalty, organizations need to make an effort to meet their customers' demands, desires and preferences. Moreover, organizations also needs to train their employees to make the best products and give the best customer service to satisfy customer. It is obvious that if customers are satisfied, they will purchase more.

### 3.5 Customer Relationship Management (CRM)

According to Peelen (2005), CRM is defined as:

“a process that addresses all aspects of identifying customers, creating customer knowledge, building customer relationships, and shaping their perceptions of the organization and its products.”

Godson (2009) also underlined:

“CRM is the implementation of the principles of relationship marketing through the management of customer data and use of technology.”

Therefore, it is true that CRM plays an important role in the relationship marketing and business operation as well. According to Buttle (2009), there are four vital different types of CRM which are necessary to apply for an organization, including: strategic, operational, analytical and collaborative.

To begin with, strategic CRM focuses on keeping customers by creating and delivering products and services better than competitors (Buttle, 2009). Therefore, an organization needs to offer the best satisfaction to their customers by meeting their demand as well as supplying them outstanding service. It is clear that strategic CRM is a vital part for development of all companies. Secondly, according to Buttle (2009), operational CRM is focused on automating and improving customers as well as supporting a business operation. To be more specific, an organization can easily manage its customers based on applying modern technology to business process, such as: marketing automation, sales-force automation to and service automation.

Thirdly, analytical CRM focuses on the foundation of customer-related information for strategic aims. In other words, organizations can manage their customers and offer the best value for their customers through customer-related data, such as: service data, financial data, marketing data and sales data (Buttle, 2009.) It is obvious that CRM is really difficult to reach full effectiveness without analytical information about customers. Using customer analytics, an organization can deliver and offer timely, solve problems, enhance customer satisfaction and customer retention. Finally, according to Buttle (2009), collaborative CRM is focused on the strategy and tactic to optimize customer value, partner and company. Furthermore, collaborative CRM helps retailers, manufacturers and consumers operate effectively and efficiently.



### **3.6 Electronic Relationship (E-relationship)**

Recently, E-Commerce has proven itself to be an indispensable part of organizations. It changes the collaboration between organizations and customers as well as promotes the developing of e-relationship. This relationship creates many advantages for organizations; for instance, it is a simple way to approach and manage customers. According to Evans, O'Malley & Patterson (2004), the business sector structure was changed by e-relationship. It is therefore easy for each company can create a network with each other all over the world. There are four categories of customers in e-relationship, including: B2B (business to business), B2C (business to consumer), C2B (consumer to business) and C2C (consumer to consumer)

On the one hand, electronic relationship is a useful tool to improve buying and selling through the Internet to meet marketing objectives. Thanks to the development of technology, the organization offers customers to purchase products and services online through its websites. It is clear that buying online is a modern trend of society these days. Thanks to the development of e-relationship, an organization can make a new relationship with customers. Besides, customers have become smarter and smarter. They have a trend to buy everything and compare price via the Internet because buying online is extremely flexible and convenient as well as time and money saving. It is clear that e-relationship is a vital part for firms establishing electronic systems of relationship online among customers, partners and organizations.

On the other hand, there is no denying the vital role of Internet in business operations. According to Buttle (2009), electronic relationship plays an important factor in an organization in order to reduce costs, distance and time. In addition, the website of an organization can be combined with other websites to cooperate and develop. Besides, electronic relationship helps customers to give feedback easily. With good feedback from customers, organizations can focus on having higher advancement and developing it in all aspects to get more customer satisfaction, in contrast, with bad feedback from customers, an organization can improve situation and solve problems immediately to fulfill customer's requests as soon as possible.

## **4 PRESENTATION OF CASE COMPANY: FINNAIR**

In this section, the author will provide a brief review on the Finnair company. Firstly, the author will present an outline of historical background, operation, brand and legal factors. Secondly, this section further addresses relationship marketing aspects to Finnair, including: interest of customers to the airline, causes of defection and how to manage it as well as the practices related to customer satisfaction of Finnair.

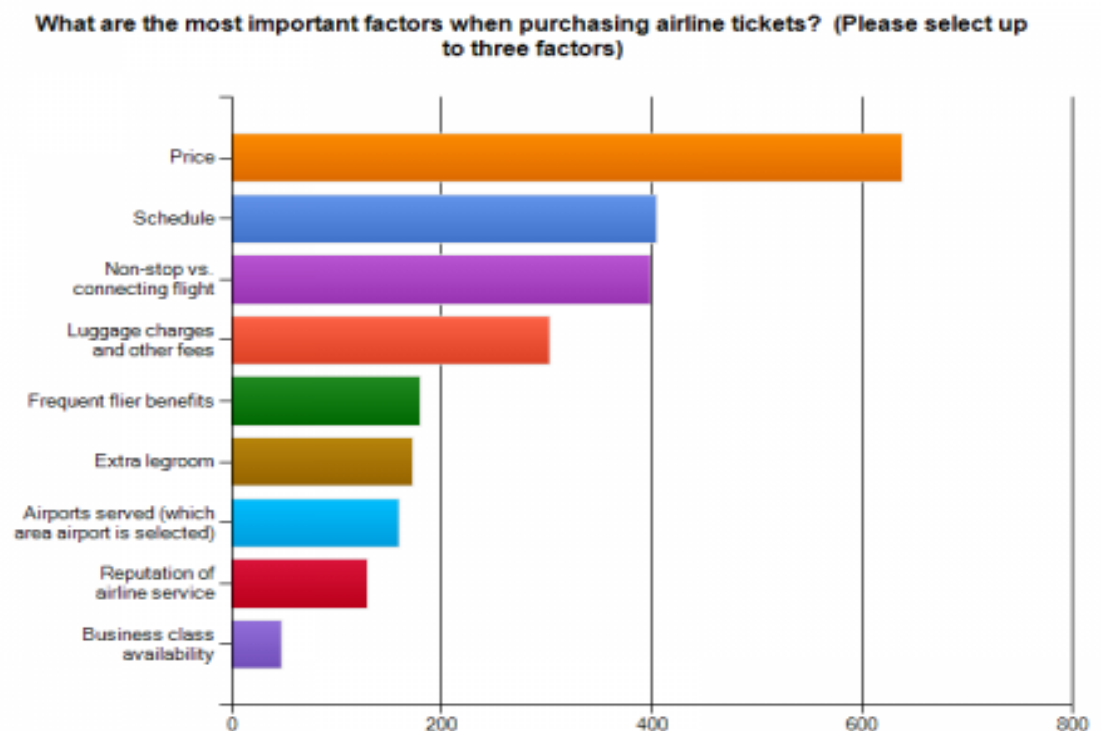
### **4.1 Background of Finnair**

Generally, the airline industry plays a crucial role in trade as well as social and economic development. Finnair is the largest airline in Finland, which majority is owned by the Finnish Government. Finnair was founded on 1 November 1923 and the first flight was flown on 20 March 1924. Since Finnair has been established, it has consistently been creating and getting more customer satisfaction. In addition, Finnair and its subsidiaries dominate both the domestic and international air travel markets in Finland. The Finnish Government currently owns a 55.8 per cent at shares in Finnair while 7.8 per cent were held by foreign investors or in the name of a nominee (Finnair.) It is clear that foreign shareholders also play a vital role of the share owners in Finnair company. Besides, other shareholders include financial institutions, public bodies, public corporations, private households, private companies and insurance companies.

In these days, the airline industry exists in an intensely competitive market. Therefore, in order to adapt to competition markets from premium airlines, low costs airlines and other airlines situated in the Middle East, Finnair network carrier has modified its operating systems and balanced its costs. Simultaneously, the high price of fuel requires fuel efficiency as well as more investment in cost-efficient and modern fleet (Finnair.) It is therefore necessary for airlines to shape worldwide alliances and consolidation as a way to secure some values of the competitive advantages, improve profitability as well as expand markets. Since 1999, Finnair is a member of the Oneworld alliance which consists of 15 members in the airline market. Besides, the Oneworld alliance network covers more than a thousand destinations in 155 countries in the world (Oneworld.)

## 4.2 Interest of Customer to Airlines Service

Before continually exploring circumstance and systems which Finnair used to make its customers happy and satisfied, this report will demonstrate the requests which customers need when they use airline services. It is clear that if the customers receive benefit from service provider, long-term relationship will be existed (Heskett, Sasser, Schlesinger, 1997). In an overview which was carried on in 2011, Elliott demonstrated that the greatest concern of customers when they use airline services was costs. It is obvious that customers desire to receive a good service at an affordable price. Other than costs, there are some elements which customers have lower care, for example: plan or schedule, baggage charges and different expenses, frequent flyer advantages and benefits, reputation, service at the airports, business class accessibility, additional legroom, connecting flight and non – stop (Elliott, 2011). Graph 11 shows the most important factors when customers decide to purchase airline ticket.



GRAPH 11. Important factors which customers want when using airline services (Adapted from Elliott, 2011.)

Based on identifying factors which effect on customers' desires, Finnair can develop strategies to adapt to customers' demands, increase modern of technology, enhance relationship marketing process and increase competitive advantage in the airline industry. These elements will be linked to Finnair as Table 4 below shows

TABLE 4. Important factors which customers want when using Finnair services (Adapted from Finnair.)

<b>Important factors</b>	<b>%</b>	<b>Apply for Finnair</b>
<b>Price</b>	77	When comparing Finnair's price with others in the Oneworld alliance such as: Qatar Airways, Cathay Pacific, British Airways, American Airlines, Japan Airlines, etc. there is no denying the fact that its cost is not lower for; however passengers still feel happy and satisfy (Finnair Annual Report, 2013).
<b>Schedule</b>	48	Currently, Finnair is operating scheduled flights to 14 long-haul destinations, including: New York, Nagoya, Chongqing, Tokyo, Xian, Osaka, Shanghai, Beijing, Delhi, Singapore, Hong Kong, Seoul, Delhi and Hanoi. In addition, Finnair has a large network connects northern region of Europe, Asia and North America via Helsinki Airport. It has a good schedule which brings satisfaction for customers (Finnairgroup.)
<b>Non-stop vs connecting flight</b>	47	Finnair with Helsinki Airport is known as the hub which connects North America, the northern regions of Europe and Asia. The operations are based on reliability, quality, design and safety inspired by Nordic pure nature. Helsinki's geographical location provides Finnair with a natural competitive advantage, as the fastest routes between many destinations in Europe and mega-cities in Asia go through Helsinki (Finnair.)

<b>Luggage charges and other fees</b>	36	An extra bag charge applies when travelling with more luggage allowance. The maximum amount of baggage is 10 pieces. Ticket cost of Finnair includes meals and taxes (Finnair.)
<b>Frequent flier benefits</b>	21	Finnair creates Finnair's frequent flyer program (called Finnair Plus) which brings many advantages and benefits for customers. Moreover, Finnair also offers special meals, hotel booking online, cruise lines and other entertainments to serve customers (Finnair Annual Report, 2013.)
<b>Extra legroom</b>	20	Recently, Finnair offers up to 127 cm of legroom on short-haul and 140 cm on long-haul flights that make passengers feel comfortable on the flight (Finnair.)
<b>Airports served</b>	19	Finnair flies to over 70 destinations in Finland, Europe, Asia and North-America. In addition, its routes also based on Oneworld alliance co-operation and bilateral agreements. Moreover, Finnair flies leisure flights to approximately 60 destinations depending on the tour operators programs and seasons (Finnair.)
<b>Reputation of airline service</b>	15	Finnair is a part of the world's leading alliance, Oneworld which committed to provide the best services and convenience for passengers. Finnair is a famous brand with many prestige rewards, such as: Nordic airline with a four-star Skytrax rating since 2009, The Best Airline in Northern Europe for several years in a row, The Best European Airline of 2013 in the prestigious TTG Travel Awards (Finnair Annual Report, 2014.)
<b>Business class availability</b>	6	Finnair is always available business class on its flight, such as: business class on intercontinental airlines which is the ultimate way to travel whether on business or for pleasure or business class on flights within Europe which gives the finishing touch to your business trip or holiday travel in Europe (Finnair Annual Report, 2014.)

### 4.3 Reasons for Finnair's Customer Defection and How to Manage It

It is obvious that profitable markets which create significant profits will attract more competitors to the market. Although Finnair is a famous airline brand, it still has to deal with fierce competition. Therefore, it is necessary for Finnair to identify the reasons of customer defection to a competitor in order to enhance effective management. Besides, understanding the reasons why customer defection, Finnair will have effective strategies to improve its weaknesses and threats as well as enhance its strengths and opportunities. To begin with, there are different reasons which make customer defect, such as: price, product, service, market and technological (1992: cited Foss & Stone, 2001). Table 5 shows the causes of customer defection which is applied for Finnair.

TABLE 5. The reasons customers move to competitors (Adapted from Finnair Annual Report, 2014.)

Causes		Apply for Finnair
<b>Price</b>	Receiving lower prices of competitors	Recently, people become smart consumers when they have experiences in booking online, they can compare the ticket price when searching some websites. Therefore, Finnair has to face with competitors at lower cost airline, for instance: Ryan Air, Air Baltic and Norwegian (Finnair Annual Report, 2014.)
<b>Product</b>	Obtaining better quality product from competitors	Finnair is one of the best European Airlines these days (Finnair Annual Report, 2014.); however it has to face with effective competitors, for example: Qatar Airways, Lufthansa, Cathay Pacific, SAS and British Airways.
<b>Service</b>	Defecting due to poor service from the organization	Finnair offers the good services for its customers, such as: meals, hotel booking (Finnair Annual Report, 2014); however it has to face with effective competitors, for example:

		Qatar Airways, Lufthansa, Cathay Pacific, SAS and British Airways.
<b>Market</b>	Leaving the old market and moving to the new one	Customers want to have experiences with different styles of services or entertainments from different airlines, therefore Finnair needs to have changes to avoid boring for its customers (Finnair Annual Report, 2014)
<b>Technological</b>	Discovering modern technologies from competitors	Finnair maintains a modern fleet and alternative fuels as aspects of technological innovation. The average age of Finnair's fleet is about seven years while the average age of the world's commercial aircraft is about eleven years (Finnair Annual Report, 2014). However, it also has to face with other competitors.

According to Godson (2009), if the rate of defection is decreased by 5 %, a firm could double the profit. Therefore, it is crucial for Finnair to decrease defection and increase retention to bring customer satisfaction and maintain customer loyalty. However, it is impossible to achieve all of customer retention because it is not practical. Therefore, Finnair needs to concentrate on some features to improve situation as much as possible. Godson (2009) also highlighted three main steps, which include measure customer retention, identify cause of defection and corrective action, through Table 6 below and this report will be applied for Finnair.

TABLE 6. Manage retention and defection

<b>Step</b>		<b>Apply for Finnair</b>
<b>Measure customer retention</b>	To attain high levels of customer retention, it is important to provide the highest levels of customer satisfaction. Therefore, there is a need to measure the	Finnair could conduct the study the customer segment, for example: efficiency, comfort, price and flexibility. It is convenient for Finnair to retain customers via identifying the most profitable segment.

	proportion of retaining customers over a period of time	Furthermore, Finnair needs to focus on the factors of services enhances loyalty in customers because it is more easily to retain loyal customers.
<b>Identify cause of defection</b>	Understanding the reasons why customers leave this firm and readily switching other firms	It is important for Finnair to collect information and evaluate from customer defection. To be more specific, the firm has to identify its weaknesses while bringing the satisfaction for customers. Finnair needs to have clearly market research, such as: service, staff, price, product, quality, etc. to identify the root causes and the key issues.
<b>Corrective action</b>	Strategy and specific actions need to be established to resolve situation	After gathering enough information, Finnair analyses the issues and find the solution to minimize the defection. Besides, Finnair needs to ensure the satisfaction from customers and staff and aware of building customer relationships in long-term as well as provide the best quality service to enhance the performance through applying the best technologies.

Finnair has succeeded to manage defection and retention. As a result, Finnair posted 8.9 % passenger growth in September, 2015 and the passenger load factor grew by 1.4 %. Furthermore, the available seat kilometers and the revenue passenger kilometers increased by 2.5 % and 4.4 %, in that order (Finnairgroup). In addition, the detailed statistics of each region, including: Europe, North Atlantic, Asia and Domestic is also shown in Table 7 below.

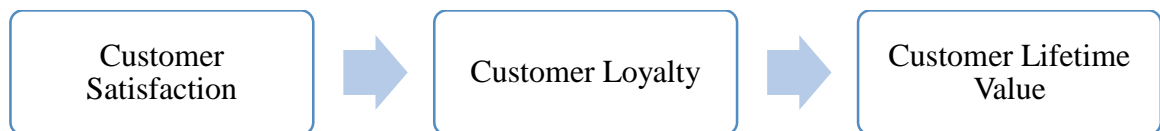


TABLE 7: Finnair Traffic Performance September 2015 (Adapted from Finnairgroup.)

	<b>September 2015</b>	<b>Change %</b>	<b>Year-to date 2015</b>	<b>Change %</b>
<b>Total Traffic</b>				
Passengers 1000	916,7	8,9	7761,9	5,5
Available seat kilometers mill	2711,5	2,5	23920,3	1,8
Revenue passenger kilometers mill	2213,8	4,4	19399,5	2,0
Passenger load factor % (p = percentage points)	81,6	1,4 p	81,1	0,1 p
<b>Europe</b>				
Passengers 1000	575,2	7,2	4880,8	5,9
Available seat kilometers mill	118,4	4,6	9778,8	5,2
Revenue passenger kilometers mill	871,2	5,4	7708,3	4,2
Passenger load factor %	77,9	0,6 p	78,8	-0,8 p
<b>North Atlantic</b>				
Passengers 1000	26,1	40,6	201,6	14,8
Available seat kilometers mill	210,3	39,9	1645,0	18,4
Revenue passenger kilometers mill	175,5	42,7	1392,8	15,7
Passenger load factor %	83,4	1,6 p	84,7	-2,0 p
<b>Asia</b>				
Passengers 1000	144,1	-1,8	1278,9	-1,6
Available seat kilometers mill	1251,8	-5,1	11461,7	-3,1
Revenue passenger kilometers mill	1085,9	-1,8	9591,1	-1,9
Passenger load factor %	86,7	3,0 p	83,7	1,0 p
<b>Domestic</b>				
Passengers 1000	171,3	22,3	1400,6	10,0
Available seat kilometers mill	131,0	23,9	1034,8	6,2
Revenue passenger kilometers mill	81,2	22,5	707,3	9,3
Passenger load factor %	62,0	-0,7 p	68,3	1,9 p

#### 4.4 Practices Related to Customer Satisfaction

For Finnair, customers who use and like its services and sometimes support it can be seen as supporters. In addition, when customers feel satisfied with these services, they will introduce and recommend Finnair to others as well as give positive comment about it which have strong effect on service perception and ability of purchase. As a result, new customers would probably rate their satisfaction with this airline and become loyal customers of Finnair. It is clear that, theoretically and empirically, customer satisfaction can be considered to be one of the vital elements affecting customer loyalty. To be more specific, customers tend to choose an airline brand that they think can satisfy their demand. As a result, customers will choose the same airline for the next travels even when other brands offer many promotions. Based on customer satisfaction, Finnair could achieve its target for long-term performance. Graph 12 illustrates the relationship between customer satisfaction and customer loyalty.



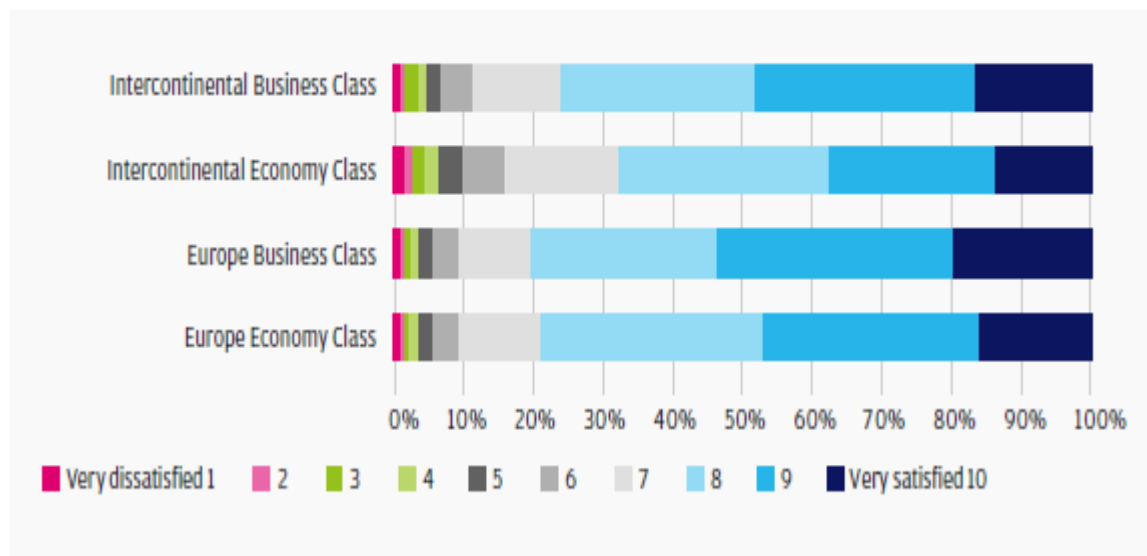
GRAPH 12. The relationship between customer satisfaction and customer loyalty and customer lifetime value (Adapted from Baron, Conway & Warnaby, 2010.)

It is crucial for Finnair make some strategies to satisfy its customers. In the airline industry, passengers will rate their satisfaction with an airline based on criteria, such as: the attitude of cabin crews and ground staff. Besides, effective services are also considered, for example: waiting lounges, check-in, quality food and beverages, entertainment on board. Therefore, Finnair needs to understand customers' desires, demands and preferences to offer the best quality services and make the best quality products in order to achieve competitive advantage in the airline market as well as increase customer loyalty and customer lifetime value (Baron, Conway & Warnaby, 2010).

Based on monitoring customer feedback and customers' reactions to new product launches, Finnair has developed customer experience in flight and at the airports, such as: develop check-in areas, entertainment and lounge. In addition, the in-flight entertainment system of Finnair has continuous innovations to offer its passengers a wide selection of music, TV

shows, magazines, newspapers, movies, TV series and games. Besides, to meet customers' desires, on long-haul and short-haul flights, Finnair upgrades products and services, such as: comfy headrests, extra legroom, high-quality foods and beverages. Furthermore, Finnair also develops other products in flight and on ground, for example: new seats in Business Class for long-haul aircraft, new shower suites and sauna at the Finnair Lounge (Finnair Annual Report, 2014.)

As an airline service company, Finnair has to meet customer demands and understand customer desires as customer satisfaction is one of Finnair's key goals. According to the report on Airline Ratings, Finnair is one of top 10 safest airlines in the world. It is always at the forefront of safety innovation and launching new planes to serve passengers. Moreover, Finnair caters to a multitude of languages, such as: English, Swedish, Finnish, Korean, Japanese and Chinese to make customer satisfaction in flight. As a result, Finnair's customers appreciate Finnair's cabin environments and friendly in-flight service. Therefore, Finnair received 77 % of customers rated for their satisfaction in 2014 (Finnair Annual Report, 2014.) Graph 13 shows the result of Finnair's customer satisfaction in flights in 2014.

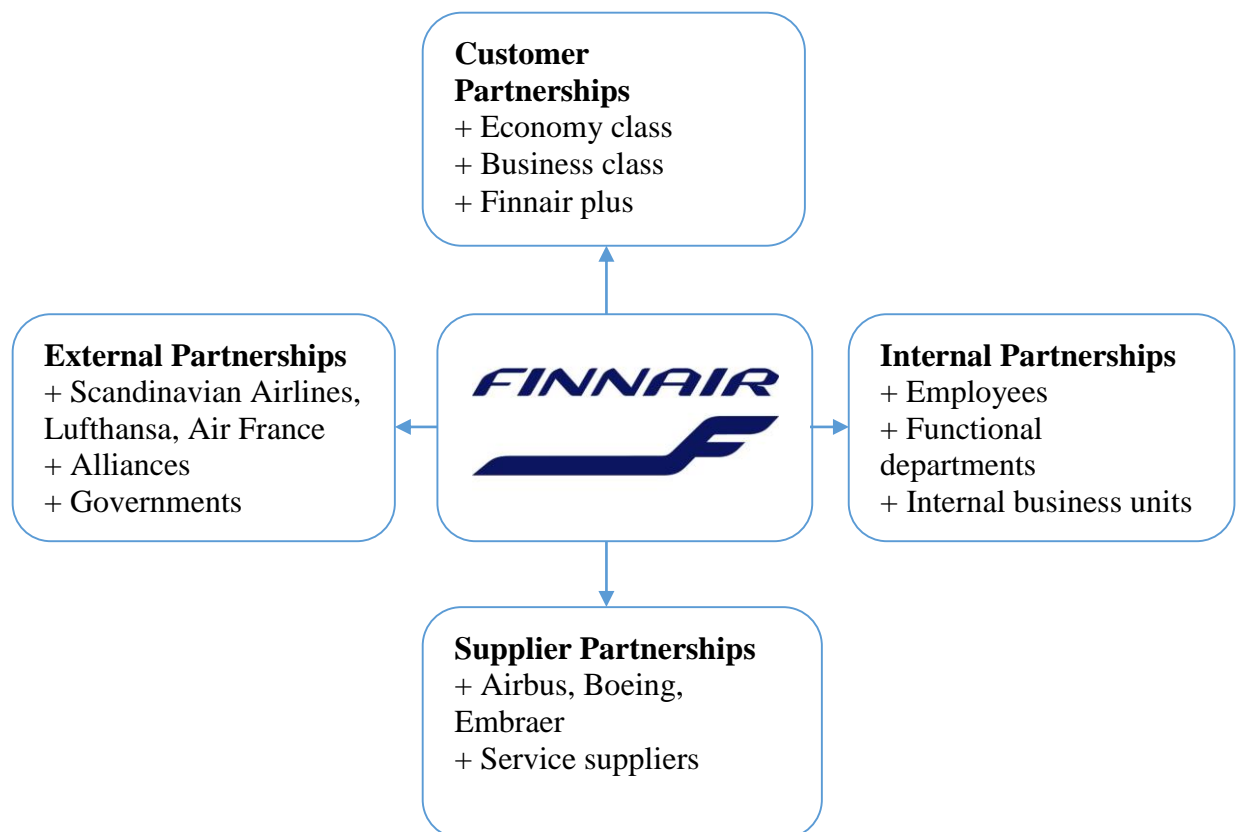


GRAPH 13. Finnair's customer satisfaction with flight as a whole in 2014 (Adapted from Finnair Annual Report, 2014.)

## 5 ANALYSIS OF CASE COMPANY: FINNAIR

According to Four broad partnership of relationship marketing model, the partner relationship in Finnair is divided into four categories, including customer partnership, internal partnership, external partnership, supplier partnership. The author will analyze the role of each partnership in cooperation with Finnair and the relationship marketing strategy of Finnair will be analyzed as well.

### 5.1 Four Broad Partnership's Model in Finnair



GRAPH 13. The four broad partnerships of Finnair (Adapted from Godson, 2009.)

Graph 13 shows the relationship between Finnair and its partners. Since Finnair was established in 1923, they take a dynamic part in the making of a prosperous nation. They developed as the organization in advantageous interaction with the partners, such as: business partners, shareholders, employees, customers, media and society. In order to ensure

the success in airline industry, Finnair has proven itself to have strongly responsible relations with its partners (Finnair.) In addition, Finnair sets up an arrangement for every partner by creating purposes through shared advantages for both sides. Each partnership has proven itself to be an indispensable role of Finnair company in the airline market (Finnair Annual Report, 2014.)

To begin with, there is no denying the fact that customer is the best important factor in Finnair's operation which is analyzed throughout the report. It is clear that customers, including: business travelers and leisure travelers are an important asset of the firm (Finnair Annual Report, 2014). In addition, Finnair cooperates with many stakeholders to get more profits, increase benefits, develop its brand and achieve competitive advantage in the airline industry. First of all, Finnair's employees have played a vital role in the company because they help the company increase revenues, grow the business and renew the fleet. Employees need to be maintained and the professional skills need to be developed in a rapidly changing world to make success of company in the future. Moreover, Finnair employees are proud of their work and they are committed to develop it in all aspects. More importantly, Finnair's employees play a crucial role in creating competitive advantage for company (Finnair Annual Report, 2014).

Employees can be seen as an important human resource for Finnair company. They work at Finnair as fulltime and part time employees. Table 8 shows the contribution of Finnair personnel of which 57 % are women and 43 % are men. From 2013 to 2014, the number of Finnair employees reduced rapidly because of structural change in progress of the firm. Toward the end of 2014, the quantity of Finnair's employees was 4,461, including: Cabin Crew (30 %), Pilots (15 %) and White Collar Employees (12 %) which is 1,342 less than in the earlier year. There was 567 (10 %) Finnair personnel working outside Finland at the end of 2014. Of these, 198 were utilized in sales and customer administration obligations for Finnair's travelers and cargo traffic. A total of 141 individuals worked for financial services situated in the Baltic nations, 86 individuals functioned as guides at Aurinkomatkat Suntours' vacation destinations. Work forces based abroad are included in the total number of Finnair personnel (Finnair Annual Report, 2014.)

TABLE 8. Human resources contribution in Finnair (Adapted from Finnair Annual Report, 2014.)

<b>Full-time and part-time employees as of 31 December 2014</b>				
	<b>Airline Business</b>	<b>Travel Services</b>	<b>Other Functions</b>	<b>Total</b>
<b>Total</b>	3772	376	313	4461
<b>Part-time (%)</b>	1	5	3	2
<b>Full-time (%)</b>	99	95	97	98

Finnair cooperates with shareholders and investors to manage strategy, market environment, financial position, and business operations. To be more specific, shareholders and investors need to make sure that the market has sufficient and correct information to analyze the value of the Finnair share in the market (Finnair). Finnair creates good relationship with other aviation sectors in Oneworld alliance, hotels and spas, car rental and transportation, credit cards, restaurants, tour operators, cruise lines and other entertainments (Finnairgroup). It is therefore convenient for passengers to earn miles when they fly, drive, stay, book, call, charge and buy from any of Finnair partners in the world. As a result, working with the aviation sector will make Finnair increase profitability in cooperation and development (Finnair Annual Report, 2014).

Furthermore, Finnair uses the most modern and youngest fleet which supply the most comfortable and safest flight for customers. Finnair is the first European airline and the third airline in globe to receive the new Airbus A350 XWB aircraft that increase customer comfort and achieve environmental performance (Lindgren, 2015). In addition, Finnair's fleet also includes the following aircraft types: Airbus A340-300, A330-300, A321, A321-231, A320, A319, Embraer E190, and E170 (Finnairgroup). Finnair uses media, such as: press conferences, press releases, press trips websites, and Blue Wings magazine and general public, including: e-mail, blogs, Facebook, Twitter and Sina Weibo to connect to its partnerships and advertise its brand (Finnair Annual Report, 2014). It is clear that social media is an effective tool to introduce Finnair company in the worldwide aviation market recently.

## 5.2 Relationship Marketing Strategy in Finnair

In the highly competitive market today, airline industry needs to make great efforts to keep its customers to get more profitability. Finnair focuses on retaining customers by giving the best services for them, it helps the Finnair company to reduce costs and increase profits for getting new customer. In other words, the strategy of Finnair is to become the best airline in Northern Europe through modern fleet and new technologies to make customers feel satisfy. Godson (2009) claims that the basic objective of relationship marketing is developing customers' relationship with the brand to enhance customer loyalty. In case of airline industry, the service brand of airline market is an important relational asset that can further foster customer loyalty. Finnair has proven itself to be a famous brand that attracts more customers and further fosters customer loyalty through creating Finnair's frequent flyer program (Finnair Plus). In addition, Finnair organizes conferences and events to appreciate customer loyalty (Finnair Annual Report, 2014.)




It is obvious that new customers turn into regularly purchasing customers is the main objective of relationship marketing. In case of Finnair, the core product offering, such as: customer experience, frequencies and destinations, is always created with customer in mind (Finnair Annual Report, 2013). In other words, the key strategy of Finnair is focusing on customers. Customers will become more satisfied and create a deeper relationship with Finnair. In addition, Finnair applies and maintains two types of customers, for example: B2B and B2C which permit Finnair links to its supplier, such as: Airbus, Boeing, Embraer as well as other partners, such as: hotels and spas, car rentals and transportation, credit cards, restaurants, tour operators, cruise lines and other entertainments, etc. which are all part of Finnair Plus (Finnair Annual Report, 2014).

Finnair will receive many benefits when creating Finnair's frequent flyer program, such as: maintain existing customers, establish long-term relationship with loyal customers, avoid competing on price with competitors, increase customer lifetime value, increase revenue and profits, and build firm's brand (Finnair).

Finnair Plus is one of the best marketing relationship strategies and the best customer relationship management tool that Finnair created to encourage its customers to become members. This program represents loyalty programs typical for Finnair. Passengers can earn

award points and tier points when joining Finnair Plus members. In other words, customers will get points for each purchased flight and can accumulate them to exchange them to rewards. To be more specific, becoming a member of Finnair Plus program, customers will get more benefits such as: priority boarding, premium check-in desk, additional baggage allowance and lounge access, valuable offers and receive exclusive discounts from Finnair Plus partners and Oneworld alliance. There are three kinds of membership levels in Finnair Plus, including: silver, gold and platinum. Table 9 will show this program.

TABLE 9. Frequent Flyer Programme (Adapted from Finnair.)

			
<b>Baggage</b>	one extra bag (max. 23 kg)	+ one extra bag (max. 23 kg) + take one set of golf equipment (clubs and a bag), one ski or snowboard bag or one set of diving equipment (air tanks must be fully emptied)	+ one extra bag (max. 23 kg) + one extra bag (max. 20–23 kg depending on the airline on Oneworld airlines, except Finnair) + take one set of golf equipment (clubs and a bag), one ski or snowboard bag or one set of diving equipment (air tanks must be fully emptied)
<b>Airport Service</b>	+ use Business Class check-in + use the faster Priority Lane at security control	+ use Business Class check-in + use the faster Priority Lane at security control	+ use Business Class check-in + use the faster Priority Lane at security control



	+ access to the Finnair Lounges	+ access to the Finnair Lounges and Premium Lounge + access to Oneworld Business Class lounges	+ access to the Finnair Lounges and Premium Lounge + access to Oneworld Business Class and First Class lounges
<b>Flight</b>	+get a 50% discount from advance seat reservations +get 10% off all normal priced products +purchased on board or pre-ordered	+ reserve a seat through the Select Your Seat service free of charge + get a confirmed Business or Economy Class seat at least 48 hours + get 10% off all normal priced products purchased on board or pre-ordered	+ reserve a seat through the Select Your Seat service free of charge + get a confirmed Business or Economy Class seat at least 48 hours + get 10% off all normal priced products purchased on board or pre-ordered
<b>Travel Class Upgrade</b>	None	get four one-way travel class upgrades	+ receive two one-way travel class upgrades + get four one-way travel class upgrades + upgrade up to three family members from Economy Class to Business Class
<b>Finnair Plus Member</b>	earn 10% more Finnair Plus points	earn 15% more Finnair Plus points	+ your points will not expire during your Platinum membership + earn 25% more Finnair Plus points

## **6 CONCLUSION AND RECOMMENDATIONS**

In conclusion, the purpose of this report is to underline the importance of relationship marketing and to illustrate the influence of relationship marketing on the customer loyalty in the airline industry. From the review of relevant literature it was observed that relationship marketing plays a crucial role in the field of customer loyalty. The benefits of attending loyalty programs were recognized as essential factors for customer loyalty in the airline industry. Therefore, there are many airlines that have started to offer good valued services to adapt to customers' desires and also create loyalty programs to increase profit and enhance competitiveness.

In the globalized business environment and as the markets change rapidly nowadays, relationship marketing can be seen as one of the most important strategies in the field of marketing as well as one of the most vital sources of enhancing market share and gaining competitive advantage for airline industry, recognized by scholastics and by experts. Relationship marketing can be defined as the marketing channel to interact with customers. Besides, its application in the business world is absolutely noticeable. There are many benefits that relationship marketing brings to the business operation, such as: improve competitive advantages in the market segment, increase levels of customer loyalty, customer satisfaction, customer retention, and maintain high-level of financial performance.

It is undoubted that to build relationship with customers, airlines need to keep customer retention as well as increase customer satisfaction, which will ultimately result in customer loyalty. It is clear that customer loyalty has proven itself to be an indispensable part of relationship for both marketing theory and practice. It is therefore necessary for airlines to supply the good service quality in the relationship marketing program in order to increase customer loyalty because customer loyalty is the final goal of relationship marketing. From the result, it is obvious that relationship marketing and customer loyalty are closely connected. To be more specific, if the firm can offer good quality services and supply relationship marketing program, the firm can maintain customers successfully as well as achieve the competitive advantage within the market.

Finnair is a well-known company in the airline industry; it is therefore difficult to give any recommendations. Finnair has received numerous prestigious prizes and was acknowledged as competitive value and best quality of services, particularly for business class. However, this report will give a few suggestions which can be seen as added methods for Finnair's services being more developed.

Since Finnair has been founded, it has been known as a quality, safety, white and blue airline. There was a lot of information about Finnair's customer feedbacks, gathered through website addresses such as [customerservicescoreboard.com](http://customerservicescoreboard.com), [airlinequality.com](http://airlinequality.com), [flyertalk.com](http://flyertalk.com) and [reviewcentre.com](http://reviewcentre.com). Some feedbacks can give negative effects to Finnair brand because brand image can influence on the perception of customers; particularly, some information is not right and may be strategies of rivals in competing. Therefore, it is necessary for Finnair to create a forum for its customers to manage the information as well as its brand.

Although Finnair is one of the best European airlines, it has to face with fierce competition at some point in each segment. For instance, it has to face to the premium segment airlines, including Qatar Airways, Lufthansa, Cathay Pacific, British Airways, SAS, AirFrance and other airlines situated in the Middle East. In addition, Finnair also faces the low cost airlines such as: Ryan Air, Norwegian and Air Baltic. Moreover, Finnair confronts with a few hindrances of a few firms in the European Union. Therefore, Finnair needs to arrange negotiations with competitors and sign long-term contract with Airbus for stable development and improvement.

## REFERENCES

- Anderson, E. & Mittal, V. 2000. Strengthening the satisfaction-profit chain. *Journal of Service Research*, 107-120.
- Baron, S., Conway, T. & Warnaby, G. 2010. *Relationship marketing. A consumer experience approach*. Londong: Sage Publications.
- Brink, A. & Berndt, A. 2008. *Relationship marketing and customer relationship management*. New York: Juta Academic.
- Bruhn, M. 2003. *Relationship marketing. Management of customers' relationships*. Essex: Pearson Education Limited.
- Buttle, F. 2009. *Customer relationship management. Concepts and technologies*. Second edition. Massachusetts: Elsevier Ltd.
- Christopher, M., Payne, A. & Ballantyne, D. 1991. *Relationship marketing - bringing quality, customer service and marketing together*. Oxford: John Wiley & Sons, Ltd.
- Dick, A. & Basu, K. 1994. Customer loyalty: Toward an integrated conceptual framework. *Journal of the Academy of Marketing Science*, 99-113.
- Egan, J. 2008. *Relationship marketing. Exploring relational strategies in marketing*. Third edition. London: Pearson Education Limited.
- Elliott, C. 2011. What do airline passengers really want - besides a good fare?. Available: <http://elliott.org/blog/what-do-airline-passengers-really-want-besides-a-good-fare/>. Accessed 11 August 2015.
- Evans, M., O'Malley, L. & Patterson, M. 2004. *Exploring direct and customer relationship marketing*. Second edition. London: International Thomson Business Press.
- Finnair. Available: <http://www.finnair.com/fi/gb/>. Accessed 16 July 2015.
- Finnair. Finnair annual report 2013. Available: [http://www.finnairgroup.com/linked/en/konserni/23162\\_Finnair\\_2013\\_EN\\_withlinks\\_v2.pdf](http://www.finnairgroup.com/linked/en/konserni/23162_Finnair_2013_EN_withlinks_v2.pdf). Accessed 16 July 2015.
- Finnair. Finnair Annual Report 2014. Available: [http://www.finnairgroup.com/linked/en/konserni/Finnair\\_Annual\\_Report\\_A4\\_final.pdf](http://www.finnairgroup.com/linked/en/konserni/Finnair_Annual_Report_A4_final.pdf). Accessed 16 July 2015.
- Finnairgroup. Available: <http://www.finnairgroup.com/en/index.html>. Accessed 16 July 2015.
- Foss, B. & Stone, M. 2001. *Successful customer relationship marketing. New thinking, new strategies, new tools for getting closer to your customer*. First edition. London: Kogan Page Limited.
- Godson, M. 2009. *Relationship marketing*. Oxford: Oxford University Press.

- Grönroos, C. 1994. From marketing mix to relationship marketing: Towards a paradigm shift in marketing. *Management Decision*, 4-20.
- Hanley, S. 2008. The effectiveness of relationship marketing strategies in department stores. *International Journal of Business and Management*, 25-38.
- Harwood, T., Garry, T. & Broderick, A. 2008. *Relationship marketing. Perspectives, dimensions and contexts*. London: McGraw-Hill Education Limited.
- Hennig-Thurau, T. & Hansen, U. 2000. *Relationship marketing. Gaining competitive advantage through customer satisfaction and customer retention*. New York: Springer-Verlag Berlin Heidelberg.
- Heskett, J., Sasser, W., Schlesinger, L. 1997. *The service profit chain. How leading companies link profit and growth to loyalty, satisfaction, and value*. New York: The Free Press.
- Jagdish, N. S. & Parvatiyar, A. 2000. *Handbook of relationship marketing*. Thousand Oaks: Sage Publications.
- Lin, W.B. 2007. The exploration of customer satisfaction model from a comprehensive perspective. *Expert Systems with Applications*, 110-121.
- Lindgren, J. 2015. Finnair becomes 1st airline in Europe, third in the world to fly Airbus' A350. Available: <http://www.usatoday.com/story/todayinthesky/2015/10/10/finnair-becomes-1st-airline-in-europe-third-in-the-world-to-fly-airbus-a350/73688204/>. Accessed 15 October 2015.
- Morgan, R. & Hunt, S. 1994. The commitment - trust theory of relationship marketing. *Journal of Marketing*, 20-38.
- Morris, M. H., Brunyee, J. & Page, M. 1998. Relationship marketing in practice. Myths and realities. *Industrial Marketing Management*, 359-371.
- Oneworld. Available: <https://www.oneworld.com/member-airlines/overview>. Accessed 20 July 2015.
- Peelen, E. 2005. *Customer relationship marketing*. Edinburgh: Pearson Education Limited.
- Zeithaml, V.A. & Bitner, M.J. 2001. *Services marketing. Integrating customer focus across the firms*. Boston: Tata-McGraw Hill.