

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND**

The airline industry has been growing and expanding rapidly for several decades. Today it is one of the most competitive industries. This has been reflected in the reduction in costs and fares in order to stimulate sales and services. More destinations of each airline have been launched and new and more attractive services have been provided.

The airline industry is very sensitive to external factors such as economics, political, trade restrictions, investment, the aviation business, tourism, technology and other major events such as war and terrorism. These factors have resulted in both positive and negative effects on the industry. Therefore, airlines have had to react fast in adjusting their strategies to respond to these changes to gain an advantage over their competitors. The degree of competition amongst airlines has been continually increasing.

In past years, the airline industry has been affected by various crises, from events on 9/11, the War on Terrorism in Afghanistan, the bombing in Bali, the Iraqi War, SARS, the effects of the tsunami, and fluctuations in the jet fuel prices. These factors have contributed to a significant reduction in passenger traffic. Furthermore, full service airlines like Thai Airways International has been faced with increased competition due to the rise of new airlines in the market, especially regional low cost airlines. Thai Airways also faces competition from private Thai airlines, which have started to expand their services to international routes. Therefore, the company needs to improve its products and services in order to differentiate itself from the competitors and create profitability with quality.

The Thai Airways management team has formulated a corporate strategy plan to address the rapid changes in today's business environment. The company's

strengths, weaknesses, opportunities and threats have been carefully identified and analyzed while still maintaining the vision of being “The first choice carrier with touches of Thai”.

Further development of its sales systems and adjustments to its marketing promotions strategy to cope with airline competition have also been part of Thai Airways overall improvement of services. In striving to be the “First choice carrier with touches of Thai”, the company aims to maintain the highest level of customer satisfaction. Customer satisfaction is important to Thai Airways for the company has undertaken a marketing strategy to introduce several new services to help improve the flying experience for its customers. A variety of marketing promotions and activities have been launched to address the customers’ needs and to motivate them to re-use its services and to help maintain its customer base in the long term. One of the activities among those promotions is the Royal Orchid Plus (ROP).

Royal Orchid Plus (ROP) has been in existence since July, 1993. The program has run continuously for more than 14 years with more than 1.5 million members worldwide. Royal Orchid Plus (ROP) has been implemented to support the loyalty strategy. In the past 5 years, Royal Orchid Plus (ROP) has received the Fredde Award for the best customer service. There has also been the implementation of online services to bring convenience to members in order to obtain e-news and redeem mileage for benefits and rewards from Thai Airways, Star Alliance Airlines, Hotel Partners and other business partners.

Royal Orchid Plus (ROP) is one of the strategies that creates revenue for the Airline and reflects the passengers behavior in using Thai Airways services. Since Royal Orchid Plus (ROP) was first launched in 1993, most of the members have taken advantage of the benefits and the rewards provided by the program. However, there are still a number of members who have never redeemed their mileage rewards. For example, their accumulated mileage does not meet the rules of redemption or they failed to check the expired mileage. So it is necessary to implement a program to respond to the members’ needs and highest satisfaction that will create the positive

attitude with Royal Orchid Plus (ROP). In order to study if Royal Orchid Plus (ROP) meets members' needs or exceed their expectation, it is necessary to find out if members are satisfied with the program or not.

Members of Royal Orchid Plus (ROP) as well as other passengers who travel on board have a significant influence on the airline business, so that airlines are highly dependent on the passengers' satisfaction with the services. To create customers satisfaction is a significant strategy because, in one way, customers are not only doing the advertising for the business but they continue to do it in the future (Taneja, 2004, p.89). Studying the degree of Thai members' satisfaction and problems or obstacles which members may face can be used as a guideline for addressing some of the problems the Royal Orchid Plus (ROP) program. A program that fulfills the needs, desires and expectations of members can bring them a high degree of satisfaction and re-use of services. In the long term, those members will be the loyal customers of Thai Airways International Plc.

## **1.2 STATEMENT OF THE PROBLEM**

According to the study of the satisfaction of Thai members in Bangkok with Royal Orchid Plus (ROP) of Thai Airways International Plc, the research problems are as follow:

### **Main Problem**

Are Thai members in Bangkok satisfied with Royal Orchid Plus (ROP) of Thai Airways International Plc.?

### **Sub Problems**

1.2.1 To what degree are Thai members in Bangkok satisfied with Royal Orchid Plus (ROP)?

1.2.2 What are the factors that contribute to Thai members in Bangkok satisfaction with Royal Orchid Plus (ROP)?

1.2.3 What are some of the problems with obstacles to the use of the service of Royal Orchid Plus (ROP)?

### **1.3 OBJECTIVE OF THE STUDY**

#### **1.3.1 Main Objective**

To ascertain whether Thai members in Bangkok are satisfied with Royal Orchid Plus (ROP) provided by Thai Airways International Plc.

#### **1.3.2 Sub Objective**

- To examine the degree of satisfaction of Thai members in Bangkok with Royal Orchid Plus (ROP).
- To locate the factors related to the satisfaction of Thai members in Bangkok with Royal Orchid Plus (ROP).
- To find out some of the problems with obstacles to the use of the service of Royal Orchid Plus (ROP).

### **1.4 DEFINITION OF TERMS**

1. “Satisfaction” means the level of personal perception of Thai members on Royal Orchid Plus (ROP) including:

- The benefits and rewards
- The service provided for members on the use of ROP

2. “Thai Members” are Thai passengers who apply for their membership in Royal Orchid Plus (ROP) since 1993, consisting of temporary membership, silver membership and gold membership and they are Bangkok residents.

3. “Royal Orchid Plus (ROP)” is the program of earning and accruing miles from flying frequently with Thai Airways International Plc. and Star Alliance Airlines. THAI grants benefits and rewards to the members who are frequent flyers. This accrual mileage program has been in place since July, 1993. Now, there are more than 1.5 million members worldwide. (Thai members in Bangkok are approximately 400,000)

3.1 “Membership” consists of three levels :

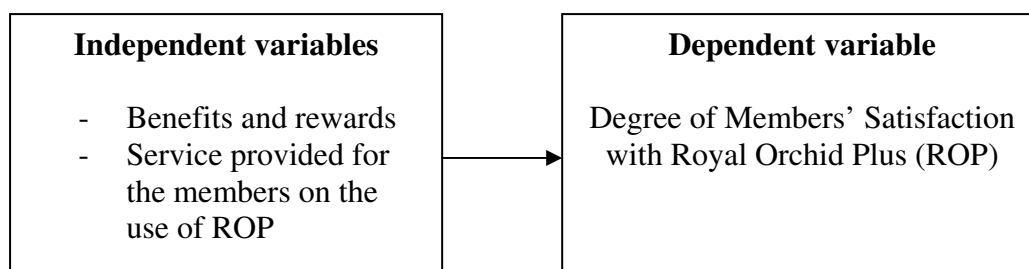
- “Temporary membership” is members who enroll in the ROP program and earn quantifying miles from 0-10,000 miles.
- “Silver membership” is members who enroll in the ROP program and earn quantifying miles from 10,001-50,000 miles.
- “Gold membership” is members who enroll in the ROP program and earn quantifying miles up from 50,000 miles or fly with Thai Airways on more than 40 international routes within any one calendar year.

3.2 “Quantifying miles” are the actual miles flown and additional class of service miles on Thai Airways and Star Alliance Airlines.

## 1.5 SCOPE OF THE STUDY

This study is set up to examine the satisfaction of Thai members who live in Bangkok area on Royal Orchid Plus (ROP) of Thai Airways International Plc. The sampling unit of the study is 400 members from the approximately 400,000 Thai Royal Orchid Plus members who are Bangkok residents. The sampling unit was taken from members issued tickets at ticketing office at Head Office and Larn Luang Office. It includes members who travel on both domestic and international routes at Don Muang Airport and Suvarnabhumi Airport. The period of collecting data from the sampling unit was during December 2007 to early January 2008.

### 1.5.1 Variables in the Study



## **1.6 SIGNIFICANCE OF THE STUDY**

The results of the study are beneficial to Thai Airways International Plc. The findings can be used to provide guidelines to improve Royal Orchid Plus (ROP) in order to meet the members' needs and expectations from the program. Furthermore, Thai Airways International Plc can use the result of the study as the basis to create a new campaign or promotion to respond to members' needs from the program. Therefore, those members will be more frequent customers and become the loyal customers of the Airline.

## **1.7 ORGANIZATION OF THE STUDY**

The study of Satisfaction of Thai members with Royal Orchid Plus (ROP) of Thai Airways International Plc in this paper is divided into five chapters.

1. Chapter One introduces the background of the study, the statement of the problem, objectives, scope of the study, definition of terms, and significance of the study.
2. Chapter Two defines the main concepts and reviews previous literature and research.
3. Chapter Three covers the aspects of research methodology, subjects, and material used in the study. This chapter also describes the procedures of data collection and data analysis.
4. Chapter Four presents the findings derived from the study commencing with the application of the questionnaire in the form of tables with the description of the results.
5. Chapter Five provides a summary of the study and findings, the discussions, the conclusions and the researcher's recommendations for further research.