PREMIER AIRLINES CASE

Premier Airlines is 25 years old and serves mainly the eastern half of the United States. About 55% of the passengers are business travelers and 45% use the airline for personal trips. Annual revenues are $2.1 billion and the airline employs 12,000 people. Premier has had reasonable financial success.

For customer satisfaction, Premier is slightly below industry average; for operating cost, Premier has an average rating relative to competition. On most routes, Premier has at least two competitors. The age of the fleet of planes is slightly lower than the average competitor. A frequent flyer program is competitive. The Director of Quality (formerly a senior marketing manager) was appointed three years ago.

Customer satisfaction is emphasized but private market research and public surveys show that Premier is slightly below average in overall customer satisfaction. Complaints cover reservations, airport checkin, flight operations, and postflight services. Many complaints mention rudeness and lack of customer sensitivity on the part of employees.

Based on discussions with ground and in-flight employees, the Quality Director learned that employees believe they are not provided with sufficient resources and time to meet customer needs. The employees express bitter comments about management's emphasis on keeping costs low. Employees also believe that "customers expect too much."

Premier uses a private firm to do market research. The research asks customers to provide overall ratings for airport checkin, flight services, and baggage services. Results are summarized by the Quality Department and forwarded to the operating departments. Complaints are received by the Quality Department, acknowledged, and sent to the appropriate department for action and input for a response to the customer. Management has been proud of the detailed work instructions and training that is provided to all key employees.

The CEO learned of the distinction between customer satisfaction and customer loyalty. He wonders if the mediocre rating on customer satisfaction causes customers to switch to competitors. The lost revenue then creates pressure to reduce operating costs which may cause further loss in customer satisfaction.

The Quality Director must identify the changes needed to improve customer satisfaction and loyalty but also maintain financial stability.