

Airlines can improve bottom line by compensating captive passengers

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(PhysOrg.com) -- Instead of holding customers captive on a tarmac during unforeseen delays, airlines should give passengers the choice to leave or stay — and compensate them appropriately.

Doing so could stave off costly government regulation and increase customer loyalty, ultimately improving airline profits, suggests a new study by UC Davis management professors.

The paper, forthcoming in the journal *Marketing Science*, explores existing and proposed federal regulations governing extended passenger confinements due to blizzards and other unforeseen events.

“We make the case that airlines should voluntarily let customers escape during severe delays, even if this policy is costly to implement in the short run,” said Rachel Chen, an associate professor in the UC Davis Graduate School of Management and a study co-author.

Under current U.S. Department of Transportation regulations, airlines must let passengers off a plane after waiting three hours on a tarmac or face a fine of up to \$27,500 per passenger.

In their paper, Chen and her colleagues argue that it would be more cost-effective — and result in happier customers, less adverse publicity and less demand for additional government regulation — if [airlines](#) were to give passengers the option to deplane and reboard or cancel or change tickets.

A customer on a business trip, for example, might prefer to leave and get another flight, while a vacationer might consider an incentive to stay.

The authors cite several notorious cases in which passengers suffered hardships — diabetics went into shock, women made diapers out of T-shirts for their infants, and people were deprived of food, water or even the ability to use a toilet.

Increased customer loyalty for both groups of customers — those who stay or leave — over time would benefit the bottom line, the researchers argue, adding that their conclusions would apply to other service lines such as cruises and vacation packages.

“Because service providers do not see themselves responsible for delays due to weather or other issues that are beyond their control, too often they are reluctant to implement customer-friendly solutions,” said Catherine Yang, assistant professor of management at UC Davis and another author of the study.

“But such a policy is likely to be perceived as socially responsible because it promotes customer satisfaction — and reduces complaints by those who suffer the most from captivity,” Yang argued.

The third author of the study, Eitan Gerstner, is a former professor at the UC Davis Graduate School of Management, now working at the Israel Institute of Technology.

More information: The full study, titled, “Customer Bill of Rights under No-Fault Service Failure: Confinement and Compensation,” is available online at [papers.ssrn.com/sol3/papers.cfm ... ?abstract_id=1911071](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1911071)

Provided by UC Davis

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