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**The Role of Personalized Communication and Frequent
Flyer Programs in Enhancing Passenger Retention: A Case
Study of AirSial Rewards**



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DEDICATION

We dedicate this work to our parents, the silent guardians of our dreams. Your unwavering faith in us transformed doubt into courage and your prayers carried us farther than we ever imagined. This work is as much yours as it is ours.

ACKNOWLEDGEMENT

A number of people and organizations were contacted for preparation of this project document that includes researchers, aviation enthusiasts, academics, scholars and industry professionals; all of them made contributions that merit recognition and acknowledgment, which helped develop the basic understanding regarding core issues in the project.

Among them, special thanks to our supervisor, **Professor Dr. Raja Mazhar Hameed**, for his continuous support, meaningful advice, unwavering motivation, and back-up during crucial junctures of the project execution. Without his support, this project could not bear results with which it is being published here.

My colleagues also played an important role in assisting during data collection, research, and organization of ideas and their translation into documented form, so as to bring about a well-prepared document providing critical insight into the subject matter.

EXECUTIVE SUMMARY

Aviation industry in Pakistan is a competitive environment depending upon various factors. Some of the important ones are retention of consumer base and their subsequent loyalty with the branding that are pivotal to success of the airline.

AirSial Limited was established in 2020 as a Low-Cost airline. Main aspect that was identified during the research on this project is the lack of incentives. Without providing such strategic inducement, airline's position against contemporary domestic airlines is considerably undermined.

Research contained in this Final Year Project is based on two fundamental theoretical frameworks: **Switching Costs Theory** and **Relationship Marketing Theory**. Both theories, while working in respective areas, emphasize the resolution of issues like retention, incentivization and, defection of the customers and how to navigate the barriers to induce personnel engagement in customer-oriented organizational culture.

Mixed-methods approach has been adopted as research methodology, wherein, data analyses of AirSial's operational metrics, benchmarking of regional and domestic players and qualitative assessment of industry's best practices were conducted.

With the issues at hand, proposed **AirSial Frequent Flyer Rewards Program** comprises of a **three-tier membership** structure designed to foster incremental spending and travel frequency through accumulation-based air miles or rewards. Financial projections suggest the program could increase passenger retention rates by 15-22% within the first two years, enhance Passenger Lifetime Value by 30-40% among enrolled members, and strengthen competitive differentiation particularly on AirSial's primary flight routes.

Other than foreseeable benefits, the program is designed to generate valuable customer data leading to pattern recognitions for targeted marketing campaigns, price optimizations and strategies for route specific promotions. To honour AirSial's highest yield segments, creation of switching costs is suggested.

To realize the complete project on ground, initial investments in IT infrastructure, customer relationship management systems, ongoing operation costs and cross-domain coordination between important teams of sales, revenue management,

marketing and finance remains crucial. To overcome these challenges, a phased rollout starting with a Pilot Project on most valuable routes is suggested, later to be expanded systematically.

Overall, this project provides AirSial's management with a framework, based on evidence. It proposes a Frequent Flyer Program, while balancing the realities of local market needs and international best practices. Alongside, it focuses on providing a sustainable model to enhance passenger experience, retention and maximize lifetime value to strengthen airline's position in Pakistan's dynamic aviation sector.

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CHAPTER 1: INTRODUCTION

1.1 Background of the Study and Organizational Overview



The aviation industry of Pakistan in the past was dominated by a single airline carrier, Pakistan International Airlines. With the passage of time, new airlines entered the industry, Airblue, Serene Airlines, Fly Jinnah, AirSial, etc, increasing competition. The rivalry between these new entrants initially focused on two main aspects, price and service quality. As the competition further intensified between full-service and low-cost carriers, industry leaders were forced to search for new and innovative ideas to gain a competitive edge. Today, passenger-focused initiatives have taken birth to attract more business opportunities and ensure growth & intangible benefits in the long-term perspective, while driving marketing tactics.

AirSial Limited represents an exclusive case in point. Based on the principles of business community ownership and private sector initiatives, the airline is fuelling regional industrial development. AirSial's beginnings, operational model, and competitive alignment provide building blocks for retrospective examination of the potential impact of implementing a structured Frequent Flyer Program designed to enhance passenger retention and maximize customer lifetime value.

1.1.1 Origins and Foundation

Conception of AirSial Limited in 2015 was inspired by the successful venture of Sialkot International Airport by the Sialkot Chamber of Commerce and Industry (SCCI) that followed a public-private partnership model. Main reason behind this effort was to directly connect Sialkot's export-oriented industry with the international markets instead of relying on air operations through Karachi or Lahore for international travel.

Sporting goods, surgical instruments, leather products and textile manufacturing are few of the many factors contributing to Sialkot's participation at global industrial stage. Substantial export revenue is generated by these industries leading to corresponding frequent air travel. Moreso, city is a hub for international trade

exhibitions, corporate meetings and client engagements. Sialkot had seen rising demands of international travel, especially to Middle Eastern destinations; specifically, to KSA and UAE.

Capitalizing on initial funding of around PKR 2 billion by the Sialkot based industrialists, the airline was structured as a private sector venture. Subsequently, regulatory approvals from the Civil Aviation Authority, Pakistan were secured in addition to comprehensive safety and operational readiness assessments. AirSial commenced its commercial operations on December 25, 2020.

1.1.2 Corporate Identity and Strategic Placement

AirSial can be categorized as a low-cost carrier and this characteristic reveals the airline's approach to its customer services, operational strategy and market placement. With a motto to become "The Pride of Pakistan", the airline is striving to evolve into a leading regional carrier. The clear indicators reflecting this attitude, adopted by AirSial, to put their motto to the test, are reliability in operations and service quality.

The various practices already implemented by AirSial for long-term passenger retention, such as a customer-first approach, have laid the foundation for implementing a Frequent Flyer Program.

1.1.3 Governance Structure and Management

AirSial's is well knitted into Sialkot's business community, where its headquarters are located. Mr. Fazal Jilani serves as Chairman, whereas Mr. Ameen Ahsan is at the position of Chief Executive Officer. Alongside, Mr. Qaisar Iqbal, Senior Vice Chairman and Mr. Muhammad Umer Mir as Vice Chairman provide strategic counsel and governance oversight. Commercial operations are managed by Mr. Tariq Amin who is the COO (Chief Operating Officer) of the airline. Operational headquarters of AirSial are situated in Karachi, an aviation and business hub.

With the abovementioned team of aviation experts and industry's renowned players, management of the airline ensures stakeholder-oriented alignment and professional accountability.

1.1.4 Operational Scope and Network Strategy

Primary focus of AirSial's route network domestically covers Karachi, Islamabad, Lahore, Sialkot, Peshawar and Sukkar. Whereas important destinations in the Middle

East are also part of their route network. Map of AirSial's route network is illustrated in *Figure 1* highlighting the international destinations that include Dubai, Dammam, Riyadh, and Jeddah.

Route network both domestically and internationally clearly underscores the importance given by the airline to Pakistani expatriates in the Gulf region and



Figure 1: AirSial Route Network Map

religious tourism during Hajj and Umrah pilgrimages.

1.1.5 Fleet Composition and Operational Strategy

AirSial is operating a standard fleet of seven A320-200 aircraft with around 10 daily flights across its network. Each aircraft is configured on a single-class layout with approximately 180 seats. Airbus A320-200 is globally recognized as most reliable and economical aircraft that has proven its mettle over the years. All these aircraft are procured on long-term operating lease agreements; a financial model that preserves capital for operational requirements.

Standardized operations on one type of aircraft have its own benefits, e.g. reduced pilot & engineer training requirements and certification costs as no equipment conversion is required. Moreover, scheduling a single type of aircraft is much easier than managing a diverse fleet, as any aircraft can be deployed on any route without operational constraints.

1.2 Industry and Competitive Analysis

To contextualise AirSial's strategic position, an in-depth competitive analysis was conducted focusing on three primary domestic competitors: Pakistan International Airlines (PIA), Airblue and Fly Jinnah.

- **Pakistan International Airlines (PIA)**

PIA is the national flag carrier and commands the largest market share in Pakistan's domestic aviation sector. Its key competitive advantages include an extensive route network, strong brand recognition and the longest-standing Frequent Flyer Program (Awards Plus). PIA's loyalty program provides tiered benefits such as mileage accrual, upgrades, and partner redemptions, which create significant switching costs for frequent travellers. Despite operational challenges, PIA's loyalty ecosystem enables it to retain high-value passengers, particularly government officials and corporate travellers.

- **Airblue**

Airblue operates as a hybrid low-cost carrier with a strong presence on major domestic routes and selected international destinations. Its BlueMiles loyalty program targets frequent flyers through mileage accumulation and redemption benefits. Airblue combines competitive pricing with brand familiarity and digital integration, allowing it to appeal to both price-sensitive and frequent travellers. The presence of a loyalty program enhances Airblue's ability to convert operational performance into long-term customer relationships.

- **Fly Jinnah**

Fly Jinnah is a relatively new entrant operating under a low-cost model with a focus on domestic connectivity and selective international routes. While Fly Jinnah emphasizes aggressive pricing and operational efficiency, it benefits indirectly from brand association with the broader Air Arabia Group. Although its loyalty offerings are limited, Fly Jinnah's cost leadership strategy presents strong price-based competition for AirSial, particularly in the absence of loyalty-driven differentiation.

Competitive Implications for AirSial

Compared to these competitors, AirSial lacks a formal loyalty framework to retain frequent travellers. While it competes effectively on service quality and

reliability, the absence of a Frequent Flyer Program limits its ability to build switching costs and long-term customer relationships. This competitive analysis reinforces the strategic necessity for AirSial to adopt a structured loyalty program.

1.3 Identification of the problem

Identification of the problem addressed in this project was carried out at the very outset of the study to ensure a clear research direction and logical flow. The problem was identified through a qualitative exploratory approach, primarily based on informal interviews with AirSial officials and academic literature.

As part of the initial exploratory phase, discussions were conducted with officials that were associated with AirSial's commercial and operational functions. These interviews were unstructured and diagnostic in nature, aimed at understanding the airline's current strategic priorities, operational strengths, and perceived challenges rather than collecting quantifiable data. The discussions were focused on areas such as; passenger behaviour, repeat travel patterns, existing customer engagement practices and competitive pressures.

Insights obtained from these interviews consistently highlighted that while AirSial performs well in terms of operational reliability, service quality and load factors but it faces difficulty in retaining passengers over the long term, particularly frequent business and diaspora travellers. Officials acknowledged that many passengers choose AirSial based on price or convenience but often switch to competing airlines due to the absence of long-term incentives or recognition mechanisms.

To validate these insights, the interview findings were cross-checked with secondary analysis of competitors practices, publicly available data and prior academic studies on airline loyalty and customer retention. This triangulation confirmed that the absence of a structured Frequent Flyer Program constitutes a strategic weakness rather than an operational inefficiency.

So based on this combined approach of informal interviews with AirSial officials and supporting secondary research the central problem of inadequate passenger retention mechanisms was identified.

1.4 Problem Statement

AirSial operates in an increasingly competitive aviation market characterised by low switching costs and high price sensitivity among passengers. Despite achieving acceptable load factors and maintaining service quality comparable to domestic competitors, the airline lacks a structured Frequent Flyer Program or a formal loyalty mechanism. As a result:

- Passengers have limited incentives to repeatedly choose AirSial over competing airlines.
- Customer Lifetime Value remains underutilized despite strong operational performance.
- Personalised communication and targeted retention strategies are constrained.
- The airline is strategically disadvantaged against its competitors that employ loyalty-based customer retention programs.

This absence of a formal loyalty framework exposes AirSial to customer defection and restricts its ability to build long-term passenger relationships, thereby necessitating the design of a structured Frequent Flyer Program.

1.5 Research Questions

The project is influenced by four fundamental research questions that drive further investigation and analytical approach:

1. How can a Frequent Flyer Program address the issue of customer loyalty for AirSial within the context of domestic aviation market?
2. How can such a program increase customer retention rates and encourage more than once travel behaviour for AirSial' customers?
3. What are the envisaged effects, especially benefits, of a potent Frequent Flyer Program on Passenger Lifetime Value for the airline's customer-base?
4. How can an incentivized program improve airline's competitive position within the established domestic aviation market?

1.6 Project Objectives

Based on the identified problem and competitive environment, the objectives of this project are clarified as follows:

1. To analyse passenger retention challenges faced by AirSial using insights obtained from interviews with airline officials and secondary industry data.

2. To evaluate the role of Frequent Flyer Programs in enhancing customer loyalty within the airline industry.
3. To assess competitor loyalty strategies employed by PIA, Airblue, and Fly Jinnah.
4. To design a Frequent Flyer Program tailored to AirSial's operational and market context.
5. To demonstrate how a structured loyalty program can increase passenger retention, repeat purchase behaviour, and Customer Lifetime Value.

1.7 Project Rationale and Justification

This project is vindicated by the crucial requirement of AirSial to introduce measures for enhanced customer satisfaction, retention and, improved financial outlooks amongst its competitors.

1.7.1 Competitive Imperatives

AirSial is of course at a disadvantage due to the lack of a Frequent Flyer Program. In contrast, if other airlines start executing such programs, switching costs would dramatically increase for the airline as customer expectations for repeat travel will grow for that airline that introduces it first. Perception deficits develop for airlines that do not put in place loyalty programs. This in turn deprives customers of their recognition in the eyes of the organization.

Low-cost airlines are at a liberty to flexibly compete without loyalty programs by leveraging structural cost advantages pointing to lower ticket prices. However, they must excel in providing unique and exquisite customer experiences at par with giants in the industry. This comparative imperative is in favour of airlines like AirSial, but a Frequent Flyer Program shall enable the airline to provide tangible value and create reasons for customers to choose AirSial over others.

1.7.2 Customer Retention Economics

It is an established fact of the services industry that customer retention is more cost effective and practical than customer acquisition because it substantially reduces expenditures for marketing and sales. With existing customers, higher revenue yields are expected when rewards programs are introduced to retain them.

Business and frequent travellers do generate revenue but disproportionately to overall profits. If these customers are not retained, that will have a significant impact

on the profits and revenues, as existing passengers are more profitable than new passengers.

Therefore, introducing a Frequent Flyer Program creates switching costs that significantly increase customer retention rates. Once passengers accumulate points or achieve elite status, the perceived cost of switching carriers increases dramatically. Points represent sunk investments that passengers are psychologically reluctant to abandon. Elite status provides tangible benefits such as priority boarding, lounge access, and upgrade privileges that passengers value highly and are unwilling to sacrifice. These switching costs transform satisfied customers into loyal customers.

1.7.3 Revenue Management and Yield Optimization

Loyalty programs build precious data on the customers that enhance revenue management. With improved revenue management, yield optimization can be achieved through optimization of promotional strategies based on booking patterns, price sensitivity, and route preferences. Airlines can offer differentiated pricing to loyalty program members based on their status, travel history, and predicted lifetime value, optimizing the trade-off between load factor and average fare.

1.7.4 Partnership Revenue and Program Economics

Frequent Flyer Programs also open other avenues of reward mechanisms, e.g. connected memberships containing exclusive deals for hotel stays, transits, ticket cancellation discounts, etc. Co-branding is another aspect of such partnerships with leading players in the banking sectors that can help retain customers from financial sectors as well as regular passengers. Being based in thriving economic centre stage, i.e. Sialkot, AirSial can leverage the community needs for strong corporate partnerships with firms and industrial associations.

1.7.5 Organizational Capability Development

Introducing a Frequent Flyer Program in an existing organizational environment may not be a viable way forward, as it requires a corresponding organizational capability and capacity building approach to tailor customer relationship management, data analytics, marketing and partnership management. Added capabilities will leave an everlasting impact on future discourse of the airline.

In this context, AirSial may be at an advantage due to its nascent existence in the aviation industry, leaving room for improvement.

1.7.6 Practical Benefits to AirSial

- Enhanced Customer Loyalty
- Improved Retention Rates
- Increased Passenger Lifetime Value
- Competitive Differentiation
- Revenue Management Enhancement
- Partnership Revenue Opportunities

1.8 Budget and Resources

1.8.1 Human Resources

- **Supervisor Guidance:** Approximately 15 to 20 hours of consultations per week
- **Student Research Effort:** We plan to spend roughly 500 hours on the project over a 16-weeks semester. This would include reviewing the literature, collecting and organising data, analysing the competitors, designing the proposal, doing basic financial modelling and writing the report.

1.8.2 Information Resources

- **Academic Databases:** For academic material, I will mainly use Bahria University library access to databases such as ProQuest, EBSCO and JSTOR, along with other sources of journal articles, conference papers, and industry research.
- **Industry Publications:** For industry context, I will rely on aviation reports from IATA, PCAA, market research firms, and airline industry analysts.
- **Competitor Information:** For competitor info, I will look up publicly available data accessed through airline websites, booking platforms, and industry publications.
- **Organizational Data:** Publicly disclosed information on AirSial operations including route networks, fleet composition, service offerings, and organizational structure.

1.8.3 Technology and Software

- **Microsoft Office Suite:** Microsoft Word for document preparation, Microsoft Excel for data analysis and Microsoft PowerPoint for preparation of project presentation.

- **Statistical and Analytical Tools:** Basic analytical features within Microsoft Excel for calculations, projections and analyses.
- **Reference Management:** Bibliographic management tools for organizing academic sources and ensuring proper APA citation formatting.

1.8.4 Physical Resources

- **Computing Equipment:** Personal laptop computer with reliable internet connectivity.
- **Printing and Binding:** Professional printing and binding services.

1.8.5 Budget Estimates

- **Research Materials:** PKR 5,000 (printing & purchasing articles/reports if necessary)
- **Data Collection:** PKR 8,000 (potential costs for retrieving specific industry data or reports)
- **Analysis Software:** PKR 3,000 (applications/tools beyond MS Office)
- **Document Preparation:** PKR 10,000 (papers for printings, formatting, proofreading)
- **Binding and Submission:** PKR 12,000 (examination copies, hardbound final copy, CD)
- **Miscellaneous:** PKR 5,000 (transportation for supervisor meetings)
- **Total Project Budget: PKR 43,000**

CHAPTER 2: RELEVANT THEORIES AND LITERATURE REVIEW

2.1 Switching Costs Theory

The foundation for all customer retention programs is based on Switching Costs Theory. The theory was developed by Klemperer in 1987. He explained it in simple terms by stating that a customer will remain with his current suppliers even when competitors offer superior value, if the switching involves substantial costs or frictions.

2.1.1 Theoretical Foundation

In 1995, Klemperer identified three primary categories of Switching Cost. They were the transaction costs incurred when a supplier is changed, the learning costs when a customer acquaints himself with new systems and contractual costs created by organizations to secure customers. In the context of our project on AirSial Frequent Flyer Program all three categories of switching cost are explained in the ensuing paragraphs:

- **Transaction Costs:** Administrative burden of closing an existing program account by the passengers
- **Learning Costs:** Understanding the program and partnership ecosystem, i.e. cognitive efforts expended by passengers
- **Contractual Costs:** Points accumulation and elite status attainment and forfeiture by passengers when switching airline carriers.

2.1.2 Application to Airline Industry

In 2006, Nunes and Dreze recognised the endowed progress effect. In simple terms, it explained that the more customers advance towards loyalty program goals, the higher is the retention rate and purchase frequency. The accumulation of points plays an important role in the endowed progress effect, as it creates psychological barriers discouraging switching even when competitors offer better immediate alternatives. The more a passenger flies, the earlier elite status is achieved e.g. in case of business travellers as compared to leisure travellers; thus, business travellers have higher switching costs.

2.1.3 Relevance to AirSial Context

In case of AirSial, customers who have higher switching costs are the frequent business executives and diaspora frequenting travel to Middle Eastern destinations. In this scenario, a tiered model loyalty program with lucrative offerings and point redemption system seems more plausible. Through such rewards program, AirSial can create significant switching barriers that reduce price sensitivity and increase customer lifetime value.

2.2 Relationship Marketing and Customer Relationship Management

Relationship Marketing Theory deals with customer retention through conventional approaches, i.e. focusing on customer engagement for longer terms, emotional connection and personalized communications as driving factors. In simple terms, relationship marketing cares more about the long-term value of a customer rather than one-off sales.

2.2.1 Theoretical Foundations

In 1983, Berry gave a brief introduction to relationship marketing and its various stages. In simple terms, he explained that in relationship marketing the emphasis is on retaining current customers rather than on constant acquisition. He stated that the stages start from initial awareness of customers and progress towards deeper commitment. As per him, loyalty is seen as the outcome of trust, satisfaction, and perceived mutual benefit that grow through repeated interactions between the provider and the user.

Morgan and Hunt (1994) developed the commitment–trust theory of relationship marketing. They argued that successful relationships depend on two core elements. The elements highlighted were “commitment” and “trust”. They also made a further distinction between affective and calculative commitment. The term affective commitment reflects emotional attachment and identification with the airline brand, like Fly Jinnah, whereas calculative commitment is based on economic considerations, switching costs, and sunk investments.

A Frequent Flyer Program developed for an airline should be well placed and can create both elements. It should contribute to calculative commitment through points, status levels, and accumulated benefits. Further, their contribution to affective commitment can be seen through personalised recognition, status-based attention, and positive service experiences linked to membership.

2.2.2 Customer Relationship Management (CRM) Systems

Modern relationship marketing is usually implemented through CRM systems. In 2004, Peppers and Rogers described CRM as a four-step process. They stated that the first step was to identify individual customers, then to group them based on needs or value and finally to interact with them and adjust offerings over time. Similarly, in the context of airlines, the role of CRM is played by the Frequent Flyer Program. For an instance, Emirates Airlines used its Skywards Program to tailor offers to frequent flyers. The information collected can be used to make more personalised offers to members rather than generalised promotions.

2.2.3 Application to AirSial

A comprehensive CRM platform needs to be in place instead of merely introducing a rewards program. This platform should be built upon customer trust, satisfaction and lifetime value based on personal engagement experiences and satisfaction metrics. This all can be achieved through close analyses of customer data, put through CRM system to yield measures that would enable the airline to adopt mechanisms to bring its rewards program to a personal level commitment for its passengers. Furthermore, integration of such program into organizational operations will add to the overall benefits of the program.

2.3 Empirical Studies on Frequent Flyer Programs

2.3.1 Impact on Customer Retention and Loyalty

Dolnicar, Grabler, Grün, and Kulnig (2011) analysed efficacy of rewards programs introduced in several carriers. Analytically, these airlines saw increased retention rates of 18-24% and flight frequency by 12-18% among registered customers. Of course, the main contributors to these findings were business travellers; thus, confirming that programs deliver greatest value by retaining high-yield customers.

Suzuki's (2003) assessment of switching costs created by Japanese airline loyalty programs exhibited 40-60% higher retention rates than non-elite members even when controlling for flight frequency. Elite benefits, particularly lounge access and priority boarding, created perceived value exceeding the monetary cost of these benefits to airlines, representing high-return retention investments.

2.3.2 Frequent Flyer Program Design Elements

Kopalle, Neslin, Sun, and Swaminathan (2012) made a critical examination of how the tiered structure in loyalty programs tends to have effects on customer behaviour. Their findings showed that any program that had three tiers tended to work better than a program with only two or four. In their study, they concluded that entry-level tiers help in creating basic awareness and encourage customers to join, middle tiers provide realistic goals for frequent travellers to aim for, and the top tier offers a sense of prestige and exclusivity for the very highest value customers. In simple terms, the three-tier approach seemed to balance ambition and achievability more effectively than simpler or more complex tier structures. Points redemption is seen as another critical design element in a Frequent Flyer Program.

Uncles, Dowling, and Hammond (2003) explained that a Frequent Flyer Program which had flexible redemption options, reasonable points requirements, and a wide range of ways to redeem points generated higher satisfaction level and engagement among members. In contrast, programs that imposed strict rules, high thresholds, or blackout dates often left customers frustrated. For example, restrictions during busy travel periods like Eid can quickly erode loyalty, even if the rewards look appealing.

2.3.3 Financial Performance Impacts

Various studies on airline loyalty programs have shown mixed financial results; largely depending on how well they are designed and managed. In 1992, Nako found that Frequent Flyer Programs can cost airlines approximately 4–6% of passenger revenues, they often generate retention benefits worth around 8–12% by lowering acquisition costs and increasing customer lifetime value. In simple terms, a well-run program can more than pay for itself, once it matures.

2.3.4 Partnership Strategies

Evidence suggests that partnership strategies augment loyalty programs' values while generating offset revenues. Netessine, Savin, and Xiao (2006) examined airline-hotel partnerships, where cross-industry redemption options increased program attractiveness and member engagement. Exchange of partnership points for hotel stays and reciprocating otherwise created revenues that partially offset program costs.

Co-branded airline credit cards generated average signup bonuses of \$200-400 per cardholder plus ongoing transaction fees of 1-2% of purchase volumes. These

revenues often exceeded direct program costs, making loyalty programs profit centres rather than cost centres for airlines.

2.4 Conceptual Framework

In the light of literature review and well-researched contemporary designs for rewards programs, a conceptual framework is being proposed in this project. This framework establishes that all customer retention techniques can be amalgamated to produce a working model for AirSial to introduce a strong Frequent Flyer Program based on mutual trust, customer relationship experiences and history, putting customer lifetime value first while adopting a tiered approach.

The framework expects that well-designed Frequent Flyer Programs will perform as under and provide assessment criteria for viability of the rewards program for AirSial:

- Increase customer retention rates, particularly among high-frequency business travellers and diaspora passengers who represent AirSial's core target segments.
- Enhance Passenger Lifetime Value through increased flight frequency, reduced price sensitivity, and ancillary revenue generation.
- Strengthen competitive positioning by creating differentiation beyond service quality and pricing.
- Generate customer intelligence enabling sophisticated marketing strategies and operational improvements.
- Create partnership opportunities that enhance program attractiveness while generating offsetting revenues.

CHAPTER 3: METHODS AND TECHNIQUES

3.1 Research Design and Approach

This project adopts an applied, qualitative research design aimed at addressing a practical organizational challenge faced by AirSial, namely passenger retention in a competitive domestic aviation market. The study is entirely based on secondary research, drawing upon existing industry data, academic literature, and publicly available organizational information to evaluate the feasibility and strategic relevance of implementing a Frequent Flyer Program.

The methodological approach is exploratory and analytical in nature, focusing on understanding competitive positioning, loyalty mechanisms, and revenue implications through established marketing and strategic frameworks. No primary research methods such as surveys, questionnaires, experiments, or structured interviews were employed in this study. The proposed Frequent Flyer Program is justified through conceptual analysis and comparative evaluation rather than empirical measurement.

3.2 Nature of Data Collection

All data used in this project was obtained through **secondary sources**. The data collection process focused on gathering reliable, previously published information relevant to AirSial's operations, competitor strategies, and the broader aviation market in Pakistan.

The main sources of data collection comprise of:

- Organizational data on AirSial's operations
- Data on rival airlines
- Data on dynamics of the aviation market of Pakistan

3.2.1 Organizational Data on AirSial

Collection of data was organized through all available means, i.e. emails, websites, press releases, public statements, publicly disclosed communications issued by airline officials and statistical data on fleet composition, number of flights and routes adopted.

3.2.2 Competitive Intelligence

All available sources were explored to gather data on rival airlines just as similar to organizational data of AirSial. All collected data is then compared with AirSial's performance indicators, keeping in view the existing fleet and flight schedules, to draw comparisons and objectively derive results to suggest the viability of our framework. Loyalty programs offered by competitor airlines was also part of this segment of data collection.

3.2.3 Industry and Market Data

Journals published online and in print, International Air Transport Association's websites, Civil Aviation Authority reports, and market research firms provided passenger traffic trends and growth projections. Economic and demographic data from government statistics provided context on Sialkot's industrial economy and diaspora populations.

3.3 Analytical Tools and Marketing Framework Techniques

To justify the proposed Frequent Flyer Program and explain how it can lead to increased sales and passenger retention, several conceptual marketing and strategic **tools** were applied. These tools were selected based on their relevance to service marketing, loyalty development, and long-term revenue optimization. All analyses are based on secondary data and established theoretical models.

3.3.1 Comparative Analysis

Comparative analysis techniques were used to benchmark AirSial against the competitors on several metrics, i.e. fleet comparison, route coverage, frequency of flights, aircraft configuration, etc., documenting tier structures and benefits. Additionally, competitor loyalty programs were analysed in terms of tier structures, benefit offerings, and strategic intent. This analysis demonstrated that airlines with structured loyalty programs are better positioned to convert operational performance into repeat sales and sustained customer relationships.

3.3.2 Financial Indicators and Retention Implications

In this project, we used two basic airline performance indicators for financial calculations and to understand capacity utilisation and market positioning:

- Load Factor (%) = $(\text{Passengers Carried} / \text{Available Seats}) \times 100$
- Market Share (%) = $(\text{AirSial Daily Passengers} / \text{Total Market Passengers}) \times 100$

The measures deduced were then used to estimate how better retention could affect the overall passenger numbers and lifetime value. Cautious figures taken from previous studies were used for calculations.

3.3.3 SWOT Analysis for Frequent Flyer Program Feasibility

A SWOT analysis was used to study the matrix of positives and negatives in context of AirSial. On the strength side, the matrix showed good operational efficiency and solid service quality. In contrast, the weaknesses highlighted were limited brand recognition and smaller scale. The opportunities which could be concluded were the expanding markets and building of new partnership ecosystems. The threats on the other hand were two-fold, tough competition and economic instability in Pakistan.

3.3.4 Segmentation, Targeting and Positioning (STP) Analysis

STP analysis was applied conceptually using secondary passenger behaviour patterns documented in airline marketing literature. Passengers were segmented into business travellers, diaspora travellers, religious travellers, and price-sensitive occasional travellers. The analysis highlighted that loyalty programs are most effective when targeted toward high-frequency and high-value segments.

By positioning AirSial as an airline that recognizes and rewards repeat travel, a Frequent Flyer Program can shift customer decision-making away from price alone, leading to increased repeat purchases and higher long-term sales.

3.3.5 Customer Lifetime Value (CLV) Framework

The Customer Lifetime Value framework was used to explain the revenue impact of passenger retention. Secondary research consistently shows that retained customers generate higher cumulative revenue through increased travel frequency, longer relationship duration, and greater uptake of ancillary services.

Applying this framework conceptually demonstrates that even small improvements in retention rates through a loyalty program can produce significant gains in overall airline revenue and profitability.

3.3.6 Value Chain Analysis

Value chain analysis was applied to examine how a Frequent Flyer Program adds value across AirSial's internal activities. Loyalty initiatives enhance marketing

effectiveness through personalization, improve demand predictability in operations, and strengthen customer service through structured recognition. This internal value creation supports sustainable sales growth and operational efficiency.

3.3.7 BCG Matrix (Customer Portfolio Perspective)

The BCG Matrix was applied conceptually to AirSial's customer segments rather than physical assets. Frequent travellers were treated as high-value "Stars," while one-time travellers were categorized as lower-value segments. A loyalty program enables AirSial to shift customers toward higher-value categories by encouraging repeat travel, thereby justifying investment in loyalty initiatives.



Figure 2: BCG Matrix – AirSial customer portfolio analysis

3.3.8 Relationship Marketing and Switching Cost Theory

Relationship marketing theory and switching cost concepts were used to explain why loyalty programs reduce customer defection. Accumulated points, tier status, and exclusive benefits create psychological and economic costs that discourage passengers from switching to competitors. This mechanism stabilizes demand and increases repeat sales in competitive markets.

3.4 Strategic Design Framework for the Frequent Flyer Program

Based on insights derived from secondary research and analytical frameworks, a structured Frequent Flyer Program was conceptually designed. A tier-based system was proposed to differentiate passengers according to travel frequency and value contribution. Benefits were aligned with passenger expectations while maintaining

cost efficiency. Partnership opportunities were identified based on strategic fit and revenue potential.

3.5 Project Timelines

Week	Research Activities	Key Deliverables
1-2	Literature review, theoretical framework development, supervisor consultation	Theory chapter draft, conceptual framework
3-4	AirSial organizational analysis, operational data compilation	Chapter 1 draft, organizational profile
5-6	Competitive benchmarking, market analysis, data collection	Comparative analysis tables, market assessment
7-8	Loyalty program design, tier structure development, benefit specification	Program design specifications, tier matrix
9-10	Financial projections, impact assessment modeling, partnership strategy	Financial models, revenue projections
11-12	Benefits analysis, recommendations development, limitations assessment	Chapters 4-6 drafts, implementation roadmap
13	Final revision, formatting, references completion, submission preparation	Complete final report, hardbound submission

Table 1: Project Timeline

CHAPTER 4: PROJECT OUTCOMES AND RESULTS

4.1 AirSial Operational Analysis

Since its conception in 2015 and inception in 2020, AirSial has attained prominence in its operations, and its market acceptance has increased significantly over the recent years.

4.1.1 Fleet, Capacity, Load and Market Share

Based on the methodological frameworks outlined in Chapter 3, this section presents AirSial's operational metrics to provide context for the proposed Frequent Flyer Program. Comparative data across major domestic airlines highlights operational scale, efficiency, and market presence:

4.1.2 Fleet Capacity & Size

Airline	Fleet Size	Primary Aircraft Types	Avg. Seat/Aircrafts	Est. Daily Flights	Key Route Focus
AirSial	7	Airbus A320	180	10	Major Domestic routes, KSA, Dubai, Muscat
PIA	17	A320, B777, ATR-42/72	180-300	50+	Comprehensive domestic and international
Airblue	12	A320, A321, A321 neo	180 A320, 220 A32, 235 A321Neo	25	Major domestic routes, UAE, KSA
Fly Jinnah	6	A320	180	8	Extensive domestic routes, Sharjah, KSA, Bahrain

Table 2: Comparative Fleet and Capacity Analysis

The fleet capacity of these airlines reflects a balanced mix of aircrafts suited for both long-haul and short-haul operations. PIA leads with the largest and the most diverse fleet. While AirBlue, AirSial and Fly Jinnah operate primarily Airbus A320 aircraft, offering standardized seating and efficient operations. Together, their combined fleet size supports a steady volume of daily flights, enabling consistent passenger movement across domestic cities and high-demand international routes.

AirSial operates a small but focused fleet. While larger competitors possess scale advantages, AirSial's standardized A320 fleet enables operational efficiency. Due to AirSial's relatively smaller size, its loyalty programs should focus on getting maximum value from regular flyers rather than increasing signing up of new members.

4.1.3 Load Factor Analysis

Airline	Estimated Average Load Factor (%)
Airblue	82
AirSial	80
PIA	75
Fly Jinnah	71
Average	77

Table 3: Average Load Factor Comparison

AirSial's average load factor is about 78-82%. It indicates effective capacity management and market acceptance in terms of route and price. However, these load factors do not show loyalty. A Frequent Flyer Program has the potential to transform this operational success into long-term passenger retention.

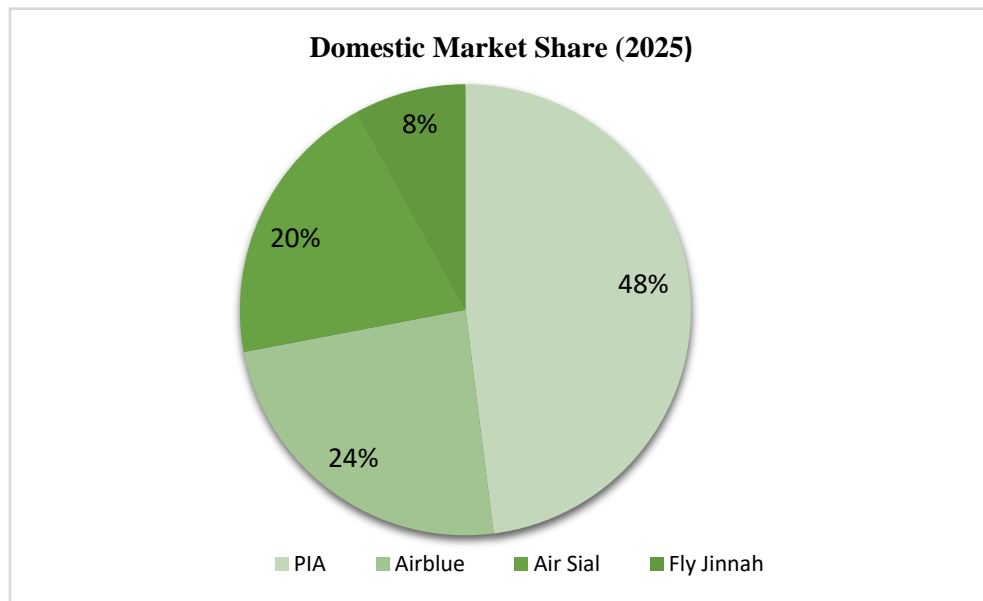


Figure 3: Domestic Market Share of Airlines (2025)

4.1.4 Domestic Market Share Estimation

The domestic market share of AirSial, approximately 20%, reflects focused regional positioning. It points to the fact that a loyalty strategy should focus on customer retention within target segments rather than mass enrolments.

4.1.5 Route Network and Fleet Operations

AirSial has devised a strategic network of destinations in Pakistan and Middle East to connect Sialkot's industrious diaspora with 80-100 weekly flights (Table 3).

Route Category	Key Destination	Weekly Frequency (Est.)	Strategic Importance
Domestic	Karachi, Lahore, Islamabad	35-42 flights	Core business and government travel demand
Regional Cities	Sialkot	4 flights	Industrial connectivity, export sector support
Gulf Markets	Dubai, Jeddah, Riyadh, Dammam, Muscat	55-60 flights	Diaspora Travel, religious tourism, labor migration
Total Network	15+ destinations	80-100 weekly flights	Focused FSC positioning

Table 4: AirSial route network and frequency

Load factor for domestic trunk routes exceeds 80%, while Middle Eastern routes capitalize on expatriates and religious tourism. AirSial's seven aircraft are operating

below industry benchmarks of daily per-aircraft flights, i.e. 2.0 to 2.4 instead of 2.5 to 3.0; but this is mitigated through deliberate prioritization of operational reliability over efficiency.

4.1.6 Core Passenger Segments

Analysis identifies three key segments ideally suited for loyalty program engagement in order of frequency of travel:

- **Business Travellers:** Export sector executives and industrial managers
- **Diaspora Passengers:** Expats and religious tourists from UAE and KSA
- **Government Officials:** Functionaries of the government

These passenger segments provide ideal grounds for a conducive loyalty program, its implementation and effectiveness because of high accrual of travel points, and corresponding benefits offered by the envisaged rewards program.

4.2 Competitive Positioning Assessment

4.2.1 Service Quality and Market Position

AirSial has built a reputation through its full-service model. It offers free meals, generous baggage allowances, and a focus on customer service. Passengers often mention punctuality, cabin cleanliness, and crew professionalism as positives. As elaborated earlier, the load factor of AirSial sits at around 80%. This is close to Airblue at 82% and better than PIA at 75% or Fly Jinnah at 71%. However, Fly Jinnah has the potential to replicate these service features, which means AirSial might lose this competitive edge. Customers also complain about limited flights and routes, showing where AirSial needs to grow.

4.2.2 Pricing and Brand Recognition Challenges

As a relatively new airline, AirSial is still in the process of building its brand recognition in the market. Its fares are comparable to other local carriers; hence, the majority of passengers make choices of flights based on price or familiar brands (PIA, Airblue etc). In the absence of a loyalty program, it becomes difficult for AirSial to retain customers or increase long-term value of each passenger.

4.3 SWOT Analysis

The SWOT analysis shows that AirSial has many strengths and opportunities, as outlined in the table. At the same time the absence of a structured customer retention mechanism, is a vulnerability which if addressed can reduce negative effects as a

whole. The analysis gives an endorsement to this project for the implementation of a loyalty program that can fill the gap and increase retention of high value passengers.

<p style="text-align: center;">STRENGTHS</p> <ul style="list-style-type: none"> • Modern A320 fleet (standardized) • Business Community ownership model • Experience of Running Multiple businesses • LCC positioning • Growing route network • Competitive load factors (78-82%) 	<p style="text-align: center;">WEAKNESSES</p> <ul style="list-style-type: none"> • Limited fleet size (7 aircraft) • Smaller market share (20%) • GDS integration • Limited international network • Narrow Body Fleet • Brand awareness gaps
<p style="text-align: center;">OPPORTUNITIES</p> <ul style="list-style-type: none"> • Growing aviation market (6-8% CAGR) • Underserved secondary cities • EU/UK diaspora travel demand • Religious tourism (Ziarat Iran/Iraq) • Partnership potential • Digital transformation 	<p style="text-align: center;">THREATS</p> <ul style="list-style-type: none"> • Intense competition (Fly Jinnah. Airblue) • Rising costs pressure • Economic volatility (FX) • Fuel price fluctuations • Regulatory challenges • Regional Instability

Figure 4: SWOT Analysis of AirSial

4.4 Proposed AirSial Rewards Program Design

4.4.1 Program Objectives

The AirSial Rewards program was designed around five objectives which are interlinked. They are as follows:

1. Increase customer retention from around 45% baseline to 63% within a period of three years,
2. Maximize passenger lifetime value through increased flight frequency and spending,
3. Enhance competitive differentiation by matching competitor offerings,
4. Generate customer intelligence for personalized marketing and service improvements, and
5. Create a partnership platform generating ancillary revenues.

4.4.2 Three-Tier Structure

The proposed framework employs a three-tier structure balancing goals with achievable milestones (Table 6).

Benefit	Silver (0 – 24,999 Pts)	Gold (25,000 – 49,999 Pts)	Platinum (50,000+ Pts)
Points Earning	100% base miles	125% base miles	150% base miles
Priority Boarding	Standard	Zone 2 priority	Zone 1 first boarding

Checked Baggage	23kg (1 piece)	46kg (2 pieces)	69kg (3 pieces)
Lounge Access	Not included	2 visits/year	Unlimited access
Seat Selection	48hrs advance	Premium economy free	Premium + exit rows free
Upgrades	Not eligible	Waitlist priority	Complimentary upgrades
Points Validity	24 months	30 months	36 months

Table 5: Tiered Structure and Benefits Matrix

As shown in Table 6, **Silver Status** requires automatic enrolment with zero barriers, maximizing participation. **Gold Status** requires 25,000 points (approximately 10-15 domestic roundtrips or 5-7 Middle East roundtrips annually), achievable for monthly business travellers or diaspora passengers making 2-3 annual international trips. **Platinum Status** requires 50,000+ points (approximately 25+ domestic or 12+ Middle East roundtrips), targeting weekly business travellers with premium benefits including unlimited lounge access and complimentary upgrade priority.

4.4.3 Points Accrual and Redemption

Points earning uses distance-based methodology: base points equal kilometres

Route	Distance	Economy Base	Gold (125%)	Platinum (150%)
Karachi-Lahore	1,200km	1,200 pts	1,500 pts	1,800 pts
Lahore-Dubai	2,200km	2,200 pts	2,750 pts	3,300 pts
Karachi-Jeddah	2,800km	2,800 pts	3,500 pts	4,200 pts
Domestic one-way	-	8,000-12,000 pts	-	-
Middle East one-way	-	18,000-25,000 pts	-	-
Upgrade	-	6,000-15,000 pts	-	-
Extra baggage	-	2,000 pts/piece	-	-
Lounge day pass	-	3,000 pts	-	-

flown (1 km = 1 point), and tier bonuses apply multiplicatively (Table 7)

Table 6: Points Accrual Framework on Selected Routes

Redemption options include domestic economy one-way (8,000-12,000 points), Middle East economy one-way (18,000-25,000 points), Upgrades (6,000-15,000 points), extra baggage (2,000 points per piece), and lounge day passes (3,000 points). Award pricing achieves approximately 2.5-3.5 flights per year earning capacity, equals one free domestic roundtrip, maintaining 15-20% margin versus revenue ticket values.

4.4.4 Operational Process and Partnerships

Registration for the program can be made through website, mobile app, or airport counter staff, receiving immediate membership numbers. Points will be updated within 48 hours after the flight and shall be viewable through online platforms. Points validity ranges from 24-36 months depending on tier, with redemptions processed instantly online or within 24 hours via customer service.

Partnership strategy prioritizes:

1. **Banking partnerships** for co-branded credit cards with major Pakistani banks (HBL, UBL, MCB, Meezan) earning 2 points per PKR 100 spent, generating PKR 5-10M in Year 1 rising to PKR 15-20M by Year 3,
2. **Hotel partnerships** with Pearl Continental, Sheraton, Serena and Marriott for points earning/redemption,
3. **Corporate B2B partnerships** with Sialkot exporters providing volume-based incentives
4. **Lifestyle partnerships** (Phase 2) with retailers, dining, fuel, and telecom partners.

4.5 Financial Projections

4.5.1 Implementation Investments

Year 1 implementation requires PKR 28-39 million:

- **Technology Infrastructure** (PKR 15-20M) for cloud-based loyalty platform, CRM integration, and mobile app development
- **Marketing Launch** (PKR 8-12M) for awareness campaigns and enrolment incentives
- **Operational Setup** (PKR 5-7M) for staff recruitment, training, and partner integration

Ongoing annual costs include rewards fulfilment (3-4% of member revenues), technology maintenance (PKR 3-4M), program management staff (PKR 6-8M), marketing (PKR 5-6M), and partnership management (PKR 2-3M).

4.5.2 Three-Year Performance Projections

Conventional projections assume 40% of passenger base enrolls by Year 3, with active member rates improving from 72% to 80% as the program membership increases. Retention rates of 7-18% points align with the research suggesting mature

programs achieve 15–25-point gains. Flight frequency increases 14-46%, reflect tier qualification incentives and reduced-price sensitivity, conservative relative to studies documenting 30-50% increases.

Metric	Baseline	Year 1	Year 2	Year 3
Program Enrollment	0	25,000	45,000	65,000
Active Members	0	18,000 (72%)	34,000 (76%)	52,000 (80%)
Retention Rate	45%	52% (+7pp)	58% (+13pp)	63% (+18pp)
Avg Flights/Customer	2.8	3.2 (+14%)	3.6 (+29%)	4.1 (+46%)
Incremental Revenue (PKR M)	-	+45	+95	+160
Program Costs (PKR M)	0	35	45	55
Partnership Revenue (PKR M)	0	5	12	22
Net Program Impact (PKR M)	-	+10	+50	+105
ROI	-	30%	145%	242%

Table 7: Three-Year Performance Projections for FFP Implementation

4.5.3 Customer Lifetime Value (LTV) Impact

The program exponentially enhances Customer Lifetime Value.

- **Baseline LTV** (no program): 2.2-year retention, 2.8 flights/year, PKR 16,000/flight = **PKR 99,000**
- **Projected LTV** (Year 3): 3.5-year retention (+59%), 4.1 flights/year (+46%), PKR 17,200/flight (+7.5% due to reduced price sensitivity) = **PKR 247,000 (+150% improvement)**

This 150% LTV improvement reflects compounded effects of longer relationships, increased purchase frequency, and modest fare premium acceptance. Business travellers achieving Platinum status may reach PKR 300,000-400,000 LTV, while leisure travellers show more modest gains.

Chapter Summary: AirSial possesses requisite strengths and placement but evidently lacks customer retention. Proposed Three-Tier AirSial Rewards Program tried to resolve this critical gap through incentivized customer relationship management, distance-based earnings and multiple redemption options. Financial projections demonstrate attractive economics with 242% ROI by Year 3, 150% Customer Lifetime Value improvement, and positive net impact from Year 2 onward,

justifying the PKR 33 million implementation investment for sustainable competitive advantage in Pakistan's growing aviation market.

CHAPTER 5: PROJECT BENEFITS

Chapter 5 elaborates on the project benefits. After the implementation of the Frequent Flyer Program for AirSial, we elaborate on the comprehensive benefits which can be attained in different spheres. For ease of understanding, the spheres have been classified into four subparts: strategic, operational, financial and competitive. Each are explained in the ensuing paragraphs.

5.1 Strategic Benefits

5.1.1 Enhanced Competitive Positioning

The competition among airlines in Pakistan is mainly in two domains: price and route network. For AirSial, it is difficult to excel against larger carriers in route network because of its comparative size. However, the implementation of a Frequent Flyer Program can give AirSial an edge in this competition. If AirSial manages to retain high-value passengers through a rewards program, it can offset network limitations and remain competitive and profitable. Introducing a Frequent Flyer

Program and allowing passengers to attain elite status are strategic steps that can shift the mindset of passengers from “price economy” to “long-term loyalty value.”

5.1.2 Brand Building and Market Differentiation

It is important to understand the reason for brand building, especially in the context of AirSial. Such steps are not aimed at mere discounts and rewards; they are meant to make passengers feel valued and to help them build an emotional connection with the airline. The marketing angle linked to brand building can concentrate on making the diaspora feel closer to home and giving the business community a sense of pride in nation building and progress.

5.1.3 Customer Intelligence

A Frequent Flyer Program and its retention of high-value passengers will have the advantage of providing AirSial with invaluable customer intelligence. This data is extremely useful. When AirSial conducts a detailed analysis of this data, it can identify the routes, prices, booking patterns, etc, and plan accordingly to maximize profitability and retention. Furthermore, a correct analysis of customer intelligence and implementation of preferences by AirSial will attract more partners seeking development of a customer base.

5.2 Operational and Financial Benefits

5.2.1 Revenue Predictability

Another benefit of a Frequent Flyer Program for AirSial is revenue predictability. This can be achieved as demand becomes easier to predict, thus facilitating planning and revenue management. For example, when high-value passengers book flights well in advance rather than haggling over last-minute prices, it helps with forecasting and capacity management and reduces costs on promotional discounts.

5.2.2 Reduced Acquisition Costs

Aviation marketing experts state in various studies that a Frequent Flyer Program reduces acquisition costs in the long run. In the short run, the focus and spending is on building a strong and loyal high-value passenger base. Once this base is in place, a loyal customer will act like an unpaid and unofficial brand ambassador, bringing in potential customers by word of mouth, not only increasing revenue but also decreasing marketing expenditure. Thus, a rewards program implemented by a low-cost, small carrier like AirSial will achieve cost effectiveness in the long run.

5.2.3 Ancillary Revenue Enhancement

A very specific benefit of a Frequent Flyer Program is that, as it matures over time, it can start to generate profit that exceeds the costs incurred. An example to explain this is a possible partnership between AirSial and Habib Bank Limited for a co-branded credit card. Based on points earned or redeemed, every 10,000 cardholders could generate an additional revenue stream in the range of PKR 4–8 million. In short, the cost of running the Rewards Program can be fully covered,

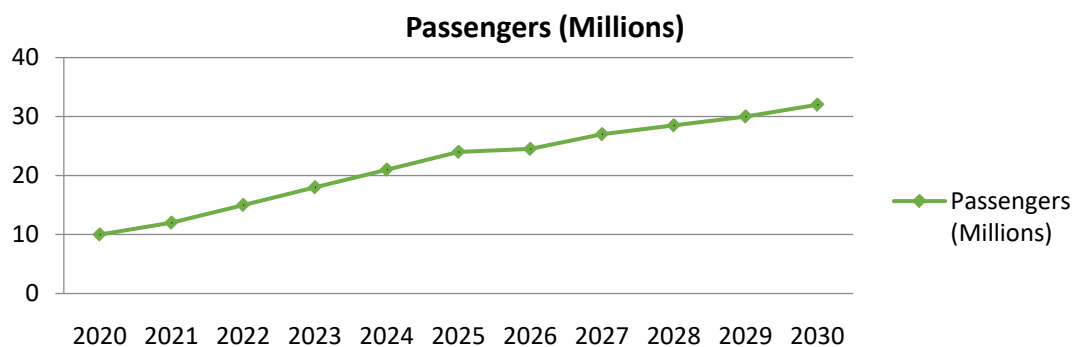


Figure 5: Pakistan Aviation passenger traffic growth

while high-value customers feel more connected to the airline.

5.2.4 Operational Efficiency

As discussed earlier (Section 5.2.1), revenue efficiency is a benefit of the Frequent Flyer Program implemented by AirSial in financial terms. However, the advantages are not just limited to financial terms and also have a positive impact on the operational efficiency of AirSial. This efficiency is created due to predictable pattern analysis, which leads to better aircraft utilisation, crew handling, and capacity management, in short bolstering overall management.

5.3 Customer and Market Benefits

5.3.1 Enhanced Value Proposition

A very important aspect derived from the benefits of any Frequent Flyer Program is customer retention through tangible and intangible value. The passenger should feel that he has gained actual value (tangible and intangible) from his association with the airline. The AirSial Frequent Flyer Program provides value not only in practical but also in psychological terms. These take the form of status recognition

and various upgrades (booking, boarding, lounges, discounts, etc.) from the time he books his ticket to the time he leaves the airport.

5.3.2 Loyalty Recognition

A passenger of AirSial who has attained a certain status in the Frequent Flyer Program will be rewarded with reciprocated loyalty and recognition. His/her decision to select AirSial, despite the presence of other competitors in the market, becomes the basis for his/her superior and preferential treatment.

5.3.3 Simplified Travel Management

An advantage of the Frequent Flyer Program is its connectivity and compatibility with its mobile app and desktop version. This integration enables the concept of simplified travel management, unlocking premium features as per the status of the passenger. In short, it gives value to the passenger by providing access to 24/7 customer service for the resolution of any situation in the shortest possible time frame.

5.4 Long-Term Competitive Advantages

5.4.1 Switching Cost Barriers

The Frequent Flyer Program of AirSial has been structured in a very specific manner which enables higher switching cost barriers over time. As the duration of membership and the status of a passenger increase, any undercut in price by a competitor will have a negligible effect on a loyal AirSial passenger. A long-term, high-value passenger will prefer to protect his accumulated premium rather than switch.

5.4.2 Lifetime Value Maximization

A benefit of the AirSial Frequent Flyer Program is that, as the duration of a high-value passenger's relationship with the airline increases, the cumulative forecasted value of revenue minus cost generation increases by approximately 140–150%. Thus, the initial cost incurred on customer retention via a Rewards Program is highly justified, keeping in view the future benefit.

5.4.3 Partnership Ecosystem

An ideal Frequent Flyer Program should operate as a partnership ecosystem. Hotels, banks, and corporations should partner in such a manner that, as these

partnerships grow, the cost of switching for passengers and the cost of replication for competitors becomes too high. The AirSial Frequent Flyer Program aims at nurturing a similar partnership ecosystem for the retention of high-value passengers.

Benefit Category	Specific Benefits	Primary Impact	Timeline
Strategic	Enhanced competitive positioning, market differentiation, brand building, customer intelligence	Sustainable competitive advantage	Medium to Long-term
Financial	Improved retention (+18% by Year 3), increased LTV (+150%), reduced acquisition costs, ancillary revenues	Direct profitability improvement	Short to Long-term
Operational	Revenue predictability, demand forecasting, operational efficiency, reduced disruption costs	Cost reduction and planning	Medium-term
Customer	Enhanced value proposition, rewards for loyalty, simplified management, elite recognition	Satisfaction and advocacy	Immediate to Long-term
Competitive	Switching cost barriers, ecosystem advantages, organizational capabilities, sustainable moats	Defensive market position	Long-term

Table 8: Summary of Benefits

1.1.1 Organizational Capabilities

Any airline in its early years must create a customer-focused and retention-oriented mindset if it is to capture a sizeable market share. The implementation of the AirSial Frequent Flyer Program fosters this mindset through training in data analysis, CRM, digital marketing, and partnership management. Hence, the program directly and indirectly improves the organizational capabilities of AirSial.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Research Limitations

This research project on AirSial Frequent Flyer Program covers various aspects in depth. However, certain constraints must be highlighted to understand the accuracy of the project. These research constraints can be summed up as data access constraints, absence of primary research, financial project uncertainty and implementation planning depth.

6.1.1 Data Access Constraints

During the course of the project, limited or restricted, access to internal data of AirSial and competitors was an impediment to accuracy. Due to this restriction, our research was primarily based on publicly available and estimated data regarding financial projections, passenger demographics, booking patterns, operations, market dynamics and competitive intelligence, etc.

6.1.2 Absence of Primary Research

The research project does not include any direct input from passengers via surveys, interviews, or focus groups. It relies heavily on secondary sources available

in the form of industry reports, competitor analysis, and theory. This has forced us to base our research on assumptions rather than actual passenger feedback.

6.1.3 Financial Projection Uncertainty

Industry benchmarks and empirical research from market segments are the basis of the financial projections. Real performance parameters are only possible to be measured through quality of implementation, competitive responses, macroeconomic conditions, and customer reception that cannot be predicted with certainty.

6.1.4 Implementation Planning Depth

Due to certain constraints, project provides a high-level guidance. In-depth operational excellence can only be achieved through process documentation, training development and change management protocols. Recommendations provide strategic direction but not complete implementation blueprints.

6.2 Conclusions

This project investigated AirSial's customer retention challenges systematically. Based on the research and evidence-based recommendations, AirSial Reward Program is proposed and gauged against the competitors based on the available data from open sources. Final design is to enhance customer loyalty, maximize Passenger Lifetime Value, and strengthen competitive positioning.

6.2.1 Key Findings

Strategic Gap: The absence of a Frequent Flyer Program, unlike other domestic competitors places AirSial at a strategic disadvantage. Its tools for retaining passengers are restricted to service quality and price. This strategic gap makes AirSial vulnerable to competitors. A Frequent Flyer Program can overturn the gap to an advantage if implemented as per pre-determined design and plan.

Target Segment Alignment: A key finding of the project was the identification of AirSial target market and its alignment. This includes business travellers from Sialkot's industrial sector, diaspora passengers traveling to Gulf destinations, and government officials. The travel patterns and characteristics of this segment align with the design of Frequent Flyer Program for AirSial.

Competitive Necessity: In the race for dominance in the aviation market of Pakistan, airlines have adopted a Frequent Flyer Program or are in the process of initiating one, for retention of high value passengers. AirSial's delay in gaining this competitive necessity or edge is placing it at a disadvantage.

Theoretical and Empirical Support: During the course of this project a key finding observed was that "Switching Cost Theory" and "Relationship Marketing Theory", if understood and applied via a Frequent Flyer Program, had the potential to increase passenger retention by 15 % - 30 %.

Financial Viability: A key finding observed in regard to the financial viability of a Frequent Flyer Program was its ability to generate positive returns within 2-3 years of implementation. An initial investment of PKR 30-40M, can generate profits over a few years, reducing costs of marketing and increasing passenger retention.

6.2.2 Program Design Conclusions

The conclusions drawn from the proposed AirSial Rewards program are elaborated as follows:

Three-Tier Structure: Three milestones, Silver-Gold-Platinum, have been created in the AirSial Frequent Flyer Program, with "varying degrees" of progressive privileges, Platinum signifying elite status.

Distance-Based Earning: Points accrual based on flight distance with tier bonuses creates transparent value while rewarding most valuable frequent flyers on longer routes.

Relevant Benefits: Priority boarding, lounge access, baggage allowances, upgrade privileges, and dedicated service provide benefits highly valued by business travellers without disproportionate airline costs.

Partnership Platform: The program establishes foundation for strategic partnerships with banks, hotels, and corporate clients enhancing customer value while generating ancillary revenues offsetting costs.

Digital Integration: Mobile app and CRM infrastructure enable personalized engagement, real-time management, and data-driven marketing maximizing effectiveness while minimizing operational complexity.

6.2.3 Strategic Implications

AirSial Rewards represents strategic transformation rather than tactical marketing. The program fundamentally changes competitive dynamics from transaction-based price comparisons to relationship-based loyalty considerations. This is particularly valuable given AirSial's scale and network limitations. The program creates multiple interconnected advantages: switching cost barriers, customer intelligence, partnership ecosystems, and organizational capabilities. This compound over time as programs mature, member bases grow, and partnerships expand.

6.3 Recommendations for Implementation

6.3.1 Phased Rollout Strategy

Recommendation: Implementation of proposed Rewards Program in phases in AirSial starting with Pilot Project on most frequented routes in the network of operations with subsequent expansion to cover all customer base.

Rationale: A phased implementation plan has the advantage of reducing risk, gaining hands on experience, and lowering capital cost. Since the majority of high value passengers tend to travel on the Karachi-Lahore-Islamabad or the Middle East routes, these are best for initial implementation due to higher traffic.

Timeline: Phase 1 (Months 1-3): Technology and system development. Phase 2 (Months 4-6): Pilot launch on selected routes with targeted enrolment. Phase 3 (Months 7-9): Refinement based on feedback. Phase 4 (Months 10-12): Full network expansion and partnership launches.

6.3.2 Technology Investment Priority

Recommendation: Invest in latest loyalty management system and CRM infrastructure which can sustain operations and analytics with ease.

Rationale: A technology base is essential for success. Modern cloud-based platforms provide advanced features at reasonable costs. The requirements needed include a loyalty management system, mobile application, CRM integration, and data analytics capabilities.

6.3.3 Banking Partnership Priority

Recommendation: Building partnerships with major banks in Pakistan for co-branded credit cards etc.

Rationale: Partnerships increase earning and redemption opportunities for members. They will also generate additional revenue for AirSial. Collaboration with established banks provides access to millions of potential customers. HBL, UBL, MCB, or Meezan Bank should be targets.

6.3.4 Corporate Focus

Recommendation: Introduction of loyalty programs for corporate clients. This should specifically include exporters from Sialkot industrial/business fraternity and major Pakistani corporations.

Rationale: Business travellers are the most valuable group because they bring steady revenue. Corporate loyalty programs make demand more stable and loyalty benefits add extra value to travel agreements. Targeting should be exporters and companies in Sialkot and nearby industrial areas.

6.3.5 Marketing Investment

Recommendation: Invest resources to launch a marketing program in order to build awareness and increased enrolment among existing and potential passengers.

Rationale: A strong marketing program is essential to achieve early enrolment and momentum. The outreach should have an easy signup process, inform travellers and cover digital marketing, PR positioning, and Sialkot Chamber of Commerce outreach.

6.3.6 Performance Monitoring

Recommendation: Establish a performance measuring and monitoring systems which can facilitate improvement based on data collected.

Key Performance Indicators: The performance of the program should be measured via Key Performance Indicators. These KPIs can be how many passengers enrol, how actively members fly and use points, and how retention compares with non-members. Further there is a need to monitor tier progression, redemption costs, and revenue from partners. To check overall program value the customer satisfaction and net promoter score will be reviewed.

6.3.7 Organizational Structure

Recommendation: After looking at PIA Award +Plus program and Airblue BlueMiles, we have concluded that for the success of AirSial Rewards Program, a dedicated loyalty program management team needs to be constituted.

Rationale: Success requires dedicated focus and cross-functional coordination. Structure: Loyalty Program Manager reporting to Director Commercial, program operations team handling member services, partnership development manager, analytics specialist, cross-functional steering committee with commercial, operations, finance, IT, and customer service representation.

6.3.8 Financial Discipline

Recommendation: Maintain rigorous financial discipline ensuring positive ROI while avoiding excessive reward costs.

Practices: Set clear targets for program cost as percentage of member revenues (target 3-4%), monitor redemption patterns and adjust award pricing, regularly assess partnership performance and renegotiate terms, conduct annual profitability analysis including all costs, maintain liability reserves for outstanding points.

6.4 Future Research Directions

Customer Preference Research: Primary survey research investigating passenger preferences regarding loyalty features, benefit valuations, and participation intentions would provide customer-grounded insights.

Partnership Economics: Detailed financial modelling of specific partnership arrangements would enable more precise revenue assessment and optimal structures.

Competitive Response Analysis: Investigation of how competitors might respond to AirSial Rewards launch and differentiation strategies would inform defensive positioning.

Cultural Adaptation: Investigation of how Pakistani cultural values, family structures, and travel patterns should influence program design.

Long-Term Ecosystem Strategy: Analysis of how AirSial Rewards could evolve beyond airline loyalty into broader travel and lifestyle ecosystem creating additional value and competitive advantages.

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1	22nd Sep 2025	Sir's office	finalisation of FYP topic and discussion	Aminah
2	7th Oct 2025	Sir's office	Planning literature review and methodology design	Aminah
3	21st Oct 2025	Sir's office	chapter 1 and 2	Aminah
4	4th Nov 2025	Sir's office	chapter 3 and 4	Aminah

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Thesis/Project Title	The role of personalized communication and frequent flyer program in enhancing passenger retention: A case study of Aerial Rewards

Supervisor Student Meeting Record

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1	18 th Nov 2025	Sir's office	chapter 5 and 6	<u>Aminah</u>
2	9 th Dec 2025	Sir's office	Data analysis, finding and discussion	<u>Aminah</u>
3	16 th Dec 2025	Sir's office	final report review and submission preparation	<u>Aminah</u>

APPROVAL FOR EXAMINATION

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