



MASTER THESIS MSC BUSINESS ADMINISTRATION

CURSE OR BLESSING?

THE SIGNIFICANCE OF LOYALTY PROGRAMS IN PANDEMIC TIMES

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"As much as the forces of nature can rage, they never reach the destructive potential of man." (Ernst Reinhardt) In memory of the victims of the 2021 flood disaster in Germany.

With all my strength, I still managed to finish this master's thesis in the middle of the 2021 flood disaster in North Rhine-Westphalia, Germany. Long, hard nights kept me awake and evacuations hindered me to work. But in the end, I managed it and I am so happy and relieved that I have both helped and completed this master's thesis.

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ABSTRACT

The Corona pandemic has hit the economy hard. Especially the aviation sector has been plunged into an unprecedented crisis suffering severe losses in revenue due to travel restrictions and border closures. Airlines worldwide have experienced a drastic decline in passengers of an estimated 64% for 2020. In Germany alone were approximately 132 million fewer passengers in 2020 than in the previous year (Keller, 2021). Pre-pandemic, the Deutsche Lufthansa AG, Germany's largest airline, focused primarily on business travelers. These also make up the largest share of status holders of Lufthansa's frequent flyer program Miles & More. However, business travel has declined significantly because of the pandemic, with meetings being held primarily online. This raises the question whether frequent flyer programs such as Miles & More will still be relevant in the post-pandemic, as the industry suspects that business travel will not return to pre-crisis levels after the pandemic (Koenen, 2021). Despite the popularity of frequent flyer programs, no academic research has been published in respect of how a frequent flyer program acts in pandemic times and what its loyal customers expect of it in the future. This thesis is a first examination on expectations of Miles & More members on the outlook of the program, questioning the frequent flyer programs' relevance after the Corona pandemic.

Keywords. Frequent flyer program, Miles & More, Lufthansa, Corona pandemic, Customer loyalty

TABLE OF CONTENTS

A	ACKNOWLEDGEMENTS					
A	ABSTRACT					
L	LIST OF FIGURES					
LI	LIST OF TABLES					
1.	. INTRODUCTION					
	1.1. RESEARCH OBJECTIVE AND RESEARCH QUESTION	8				
2.	THEORY					
	2.1. LITERATURE REVIEW	9				
	2.1.1. Corona Pandemic and its economic Influence					
	2.1.2. Customer loyalty Programs and CRM					
	2.1.3. Frequent flyer programs					
	2.2. DEUTSCHE LUFTHANSA AG					
	2.3. THE FFP: MILES & MORE	. 18				
	2.3.1. Collecting and redeeming award miles	. 20				
	2.3.2. Status miles and status	. 23				
	2.4. CONCEPTUAL FRAMEWORK	.24				
3.	METHODOLOGY	.26				
	3.1. STRATEGY AND DESIGN	.26				
	3.2. DATA COLLECTION	.26				
	3.2.1. Content Analysis	. 27				
	3.2.2. Questionnaire	. 28				
	3.2.2.1. Questionnaire Design					
	3.2.2.2. Sample					
	3.3. DATA ANALYSIS					
	3.3.1. Results and Evaluation Content Analysis					
	3.3.2. Results and Evaluation Survey	. 38				
4.	CONCLUSION	.55				
	4.1. LIMITATIONS					
	4.2. SUGGESTIONS FOR FURTHER RESEARCH					
	4.3. DISCUSSION AND CONCLUSION	.61				
5.	APPENDICES	.64				
	Appendix I	. 64				
	Appendix II	. 65				
	APPENDIX III	. 67				
	APPENDIX IV					
	APPENDIX V	.70				
6.	REFERENCE LIST	.74				

LIST OF FIGURES

FIGURE 1: NUMBER OF PASSENGERS OF LUFTHANSA FROM 3/20 TO 3/2110
FIGURE 2: PROMINENCE OF LOYALTY PROGRAMS IN GERMANY
FIGURE 3: SURVEY ON PARTICIPATION IN AIRLINE BONUS PROGRAMS IN GERMANY 2017 15
FIGURE 4: OVERVIEW OF STAR ALLIANCE MEMBERS
FIGURE 5: MILES & MORE GOALS
FIGURE 6: VISUAL PRESENTATION OF THE CONCEPTUAL FRAMEWORK
FIGURE 7: DISTRIBUTION OF GENDER AMONG RESPONDENTS
FIGURE 8: DISTRIBUTION OF AGE AMONG RESPONDENTS
FIGURE 9: DISTRIBUTION OF EDUCATIONAL QUALIFICATION AMONG RESPONDENTS
FIGURE 10: STATEMENT ON FFP
FIGURE 11: NUMBER OF PASSENGERS TRANSPORTED BY LUFTHANSA FROM 2008-202037
FIGURE 12: DISTRIBUTION OF MILES & MORE MEMBERS AMONG RESPONDENTS
FIGURE 13: DISTRIBUTION OF THE LENGTH OF THE MILES & MORE MEMBERSHIP AMONG
RESPONDENTS
FIGURE 14: DISTRIBUTION OF MILES & MORE MEMBERS HAVING COLLECTED MILES IN THE
PAST 10 YEARS AMONG RESPONDENTS40
FIGURE 15: DISTRIBUTION OF STATUS MEMBERS AMONG RESPONDENTS41
FIGURE 16: DISTRIBUTION OF REASONS TO FLY WITH LUFTHANSA AMONG RESPONDENTS42
FIGURE 17: DISTRIBUTION OF USAGE OF COLLECTED MILES AMONG RESPONDENTS
FIGURE 18: DISTRIBUTION OF BUSINESS FLIGHT FREQUENCY AMONG RESPONDENTS
FIGURE 19: DISTRIBUTION OF LUFTHANSA MILES & MORE CREDIT CARD OWNERS AMONG
RESPONDENTS45
FIGURE 20: DISTRIBUTION OF REASONS FOR OBTAINING A LUFTHANSA MILES & MORE
CREDIT CARD AMONG RESPONDENTS46
FIGURE 21: DISTRIBUTION OF FLIGHT FREQUENCY AMONG RESPONDENTS SINCE MARCH
2020
FIGURE 22: DISTRIBUTION OF OPINION ABOUT FLIGHT FREQUENCY AFTER PANDEMIC AMONG
RESPONDENTS
FIGURE 23: DISTRIBUTION OF GIVEN STARS FOR PROGRAM CHANGE AMONG RESPONDENTS49
FIGURE 24: DISTRIBUTION OF GIVEN STARS FOR GOODWILL MEASURE 'PROLONG CURRENT
STATUS' AMONG RESPONDENTS
$FIGURE \ 25: DISTRIBUTION \ OF \ GIVEN \ STARS \ FOR \ GOODWILL \ MEASURE \ `COLLECTING \ DOUBLE$
MILES' AMONG RESPONDENTS
FIGURE 26: DISTRIBUTION OF GIVEN STARS FOR GOODWILL MEASURE 'EARN STATUS MILES
WITH CREDIT CARD' AMONG RESPONDENTS52
Figure 27: Distribution of Respondents' opinion of how significant $M\&M$ will be
AFTER THE PANDEMIC
FIGURE 28: DISTRIBUTION OF EXPECTATIONS AND CHANGES OF THE PROGRAM IN THE
FUTURE AMONG RESPONDENTS

LIST OF TABLES

TABLE 1: CALCULATION EXAMPLE STATUS MILES	22
TABLE 2: CALCULATION EXAMPLE OF AWARD AND STATUS MILES EARNED	23

1. INTRODUCTION

Last year in April, the world shut down completely. The Corona pandemic has impacted our everyday lives in ways we would have never imagined being possible. Travel restrictions and even bans were imposed worldwide to reduce the spread of the virus, shops and restaurants had to close and events had to be postponed. The economy was hit hard by the repercussions of the pandemic – especially the travel sector.

Due to the imposed measures like border closures and travel restrictions, passenger air traffic in many countries came to a virtual standstill. For example, according to several sources, there were around 50% fewer scheduled flights worldwide in the month of January 2021 than in the same month the previous year. According to a forecast by Keller (2021) there were about 64% fewer air passengers in 2020 than originally expected. In Germany alone, there were an estimated 132 million fewer passengers in 2020 than in the previous year. Air freight traffic has also been affected by the crisis: Global exports have fallen sharply, and the loss of passenger flights means a significant amount of cargo capacity is being lost. Globally, air freight ton kilometers offered decreased by almost 18% in December 2020 compared to the same month the year before. Industry experts highlight the fact that most companies in the aviation industry have had to record major revenue losses. As early as April 2020, the airlines' umbrella organization IATA forecast a loss of revenue of \$314 billion for global airlines in 2020. German airlines were estimated to generate more than \$21 billion less revenue in 2020 (Pearce, 2020). Experts fear that there will be a wave of bankruptcies among airlines.

Germany's biggest airline, the Deutsche Lufthansa AG, also expects a sharp decline in demand for air travel in the period after the Corona pandemic. Therefore, the company stopped the operation of its low-cost subsidiary Germanwings and announced to reduce the capacities at almost all flight operations as well as to downsize the administration (Lufthansa Group, 2020b). To prevent Lufthansa from going bankrupt, it is receiving equity capital of six billion euros from the German government, as well as government-guaranteed loans of three billion euros. By May 2020, there had been a total of \$123 billion in state aid for airlines worldwide as a result of the Corona pandemic (Lufthansa Group, 2020b).

Along with downsizing the Lufthansa Group, the outlook on the Miles & More loyalty program is uncertain and among other factors, the company has to face huge decisions on changes to the internal mechanisms as well as to the customer portfolio. Pre-pandemic, Lufthansa's focus laid primarily on business travelers. These also make up the largest share of status holders of Lufthansa's frequent flyer program (FFP) Miles & More (Koenen, 2021). However, business travel in particular has declined significantly as a result of the Corona pandemic, with meetings being held primarily online. This raises the question whether FFPs such as Miles & More will still be relevant post-pandemic, as the industry suspect that business travel will not return to pre-crisis levels after the pandemic. Lufthansa CEO Carsten Spohr expects 10-20% fewer frequent flyers in the long term. This might turn into an issue for the airline group as around 30% of Lufthansa's passengers were premium customers i.e., mostly people who had a status with Miles & More before April 2020 (Frequent Traveller, Senator, or HON Circle) (Koenen, 2021). With the number of business travelers declining, the question arises whether Miles & More will be an asset both to the airline and its customers. This thesis examines the expectations of Miles & More members on the outlook of the program, questioning the FFPs' relevance after the Corona pandemic.

1.1.RESEARCH OBJECTIVE AND RESEARCH QUESTION

The underling objective of this thesis is to analyze the relationship between aviationbased customer loyalty programs, i.e., Miles & More and the Corona pandemic. In order to reach the research objective, the main research question (MRQ) is formulated as follows:

 MRQ: What are the expectations of Miles & More members regarding the outlook of the FFP after the Corona pandemic?

Two sub-questions (SRQ) have been developed that are key to answer the main research question:

- SRQ1: How does Miles & More compensate its customers for the reduction in air travel and therefore the related loss in award and status miles?
- SRQ2: Are FFPs still as relevant for customers since April 2020 than they were before?

The literature review will summarize the current academic research on the topics of the economic effects of Corona pandemic, customer loyalty programs and customer relationship management (CRM). This will serve as the basis for the thesis as FFPs are a special kind of customer loyalty programs. The second part of the literature review will discuss the notion of FFPs.

2. THEORY

2.1. LITERATURE REVIEW

2.1.1. CORONA PANDEMIC AND ITS ECONOMIC INFLUENCE

On March 11, 2020, the World Health Organization (WHO) declared the SARS-CoV-2 outbreak a global pandemic. Two and a half months earlier, it had declared it an international public health emergency as more and more individual cases became known around the world. Governments of all countries were urged by the WHO to take action to contain the spread of the virus. Despite many measures, the spread could not be prevented (Hiscott et al., 2020). Only a few small islands have been spared from the virus so far. Thus, according to Johns Hopkins University & Medicine (2021), there have been 196,414,175 (as of 29/07/21) reported cases worldwide to date, including more than 4 million deaths.

In many countries, including Germany, very tough measures have been taken to keep the virus under control. Several scholars such as Abodunrin, Oloye, Adesola (2020) and Hiscott et al. (2020) underline the fact that in Germany, the first lockdown took place in mid-March 2020 and lasted for around two months. As part of the lockdown measures the retail sector, apart from essential stores such as supermarkets, drugstores, and pharmacies had to close completely. Events were no longer allowed to take place and schools were closed. In addition, companies were asked to let their employees work from home if possible. It is clear that these measures are not without economic consequences. In response to the economic consequences of the first lockdown, the German government introduced short-time working benefits, which are still in place to this day. In addition, the self-employed in particular received emergency financial assistance. Companies that were particularly hard hit by the crisis were able to obtain tax deferrals or guarantees. Other countries also took similar measures. Many countries closed their borders for people from abroad in order to contain the spread of the virus (Agentur für Arbeit, n.d.).

Due to the travel restrictions and border closures, travel was and still is the most affected sector by the Corona pandemic. Airlines in particular had to cancel almost all flights as a result. After the U.S. issued a complete travel ban for all European Union (EU)-citizens in mid-March 2020, the EU followed suit and closed its borders for 30 days to all travelers from non-EU countries. As a result, major airlines such as Emirates, LOT and Brussels Airlines had a flight suspension rate of 100% since the end of March 2020, while Lufthansa had a rate of 95% (Koptyug, 2020). A look at Lufthansa's passenger numbers also clearly shows the consequences of the Corona measures. From March 2020 to April 2020, there was an extreme decrease in passenger numbers from just under 4 million passengers in March to just under 240,000 in April (Figure 1).



Figure 1: Number of passengers of Lufthansa from 3/20 to 3/21 (Koptyug, 2021)

The consequences of the pandemic are unquestionably visible. In comparison to the financial crisis in 2008, where the stock markets collapsed by 50% within three years, countless bankruptcies had been filed and unemployment rates rose sharply, the Corona pandemic delivered these effects in record time (Abodunrin et al., 2020;

Roubini, 2020). Macroeconomic and financial consequences were already visible after only two weeks: The U.S. stock market reacted with a decline of around 20% compared to its previous peak. According to Abodunrin et al. (2020), the markets had already fallen by 35% by March 2020. Renowned U.S financial firms such as JP Morgan and Goldman Sachs predicted that the U.S. American GDP would decline at an annual rate of 6% in the first quarter of 2020. The forecasts for the second quarter looked even worse, with a decline of 24% to 30%.

In addition to financial macroeconomic losses, such an economic crisis also entails losses to socioeconomic status: for example, the labor market loses qualified workers. An increased unemployment rate results in an increase in poverty within the population. Furthermore, productivity decreased due to the lack of labor, which in turn has negative effects on economic growth. The Organization for Economic Cooperation and Development (OECD) also gave an assessment of the economic situation and forecast global economic growth of just 2.4% in 2020, a figure that was last this low in 2009 (Abodunrin et al., 2020). For 2021, the OECD (2021) is more optimistic and expects growth of 5.8%. This figure for the current year has already been revised upwards from 4.2%. Among the reasons given for this were the global vaccination campaigns and fiscal stimulus from the Biden administration in the USA. However, the OECD continues to expect very uneven growth in the individual countries (OECD, 2021).

2.1.2. CUSTOMER LOYALTY PROGRAMS AND CRM

Globalization is driving customer loyalty ever further. Loyalty programs now follow us through everyday life and are present in numerous industries such as grocery, car rental, aviation, insurance, and cross-industry programs (Terblanche, 2005). In Germany, various studies show that every citizen owns about 4.5 bonus or loyalty cards. A study from 2016 among 1,515 persons questioned showed that 80% of women in Germany are a member in a loyalty program, whereas around 75% of men surveyed indicated that they have a membership in a loyalty program (Statista Research Department, 2016a). The same people were also asked to name loyalty programs in Germany. As Figure 2 shows, the top three programs are Payback (77.6%), DeutschlandCard (45.5%) and Miles & More (18.3%).



Figure 2: Prominence of loyalty programs in Germany (Statista Research Department, 2016b)

Many authors agree that loyalty programs generally include both offline and online customer loyalty instruments in the form of customer memberships and associated cards (Braun et al., 2017; Nagengast 2012; Rudolf & Nagengast, 2013). Customer loyalty is a wide field of social research and cannot be easily defined. According to Bowen & Chen (2001) customer loyalty can be conceptualized by looking at behavioral, attitudinal, and composite measurements. Behavioral measurements deal with regular, redundant purchase behavior as a possible sign of loyalty. Attitudinal measurements consider the emotional and psychological connections implicit to loyalty, and composite measurement of loyalty is the combination of the behavioral and attitudinal, measuring loyalty by customers' product choices, inclination of brand-replacement, repetitiveness of purchase, novelty of purchase and commonness of purchase (Bowen & Chen, 2001). By looking at these three approaches, companies can establish a loyalty program to retain its customers by holding favorable attitudes in place, bringing its customers to repurchase the product or service (Oliver, 1999) as well as to recommend the product or service to others.

Bowen & Chen (2001) and Oliver (1999) identify that loyalty programs are used to positively influence customer attitudes and purchasing behavior and thus strengthen customer loyalty. Verhoef (2003) and Dittrich (2000) highlight the fact that loyalty programs serve as a tool for customer retention and consequently as an instrument of CRM. The relationship between loyalty programs and CRM have been widely analyzed in academia. Academics underline the fact that "loyalty programs serve as an important component of a company's relationship management strategy and also offer several advantages to suppliers such as a means to soften price competition" (Terblanche, 2005, p.200). However, there are several definitions of loyalty programs.

Braun et al. (2017, p. 379) define them as "continuous incentive programs offered by a manufacturer, retailer or service provider". Customer retention is designed to reward purchases and motivate repeat purchases. Other authors, such as Nagengast (2012) and Bijmolt et al. (2010) define other characteristics that are important components of effective customer retention. Loyalty programs are used to promote customer loyalty towards a company in order to bolster its customer share (Bijmolt et al., 2010). It is argued by several scholars that loyalty programs are from a company point of view driven towards long-term-initiatives. With the aim of customer retention, as in effective CRM, loyalty programs are designed for the long term from a company's point of view. However, Braun et al. (2017) argue that, compared to other sales promotion tools, they are not primarily intended to achieve a short-term increase in sales. The aim is rather to increase customer retention throughout the program services and to the brand by accumulating long-term investments. From the customer's point of view investments become necessary to receive the most benefits out of the program (Braun et al., 2017; Nagengast, 2012).

According to Tomczak et al. (2010) customer loyalty programs fulfill different functions that depend heavily on the specific implementation. Four central objectives of customer loyalty programs have been identified which have a positive impact on customer loyalty and the company's growth, profit, and security targets. First, customer selection and the intended target group is very important to establish an effective loyalty program. Second, an improvement in customer knowledge by gathering information about characteristics and preferences. Third, stimulating intensive communication and strengthening customer involvement by improving the company's image, as well as achieving greater identification of members with the company and its range of services (Tomzcak & Dittrich, 1997; Tomzcak et al., 2010). It is widely believed that customer loyalty has a positive relationship with a company's profitability. Many authors have studied its relationship and have found that a 5%

increase in customer retention generates 25% of additional profit (Bowen & Chen, 2001; Reichheld & Sasser, 1990; Reichheld & Teal, 1996).

It is widely known that it is a lot of work for a company to establish effective customer loyalty in the service sector. There are so-called 'defects' that make the road to success difficult, as the authors Reichheld & Sasser (1990) have studied.

To retain customers sufficiently the company must focus on various weak spots, which include spotting customers who leave and immediately analyze the pattern of information they provide. According to Reichheld & Sasser (1990) it becomes essential for the company to manage the defects by identifying customers with the potential of ending their relationship with the company. To prevent customers from leaving, it becomes critical for a business to gather information about its customers. This includes having names and addresses, telephone numbers, information of purchasing histories and potential spending behavior at their disposal. Especially for a service-oriented firm, organizing this data is the basis for effective customer retention, because if a company notices a customer leaves, trying to win him back would be still possible, but a customer who already left becomes very challenging in a nowadays so competitive world (Reichheld & Sasser, 1990). The following part will discuss frequent flyer programs further.

2.1.3. FREQUENT FLYER PROGRAMS

Frequent flyer programs (FFPs) are loyalty programs in the airline sector. There is no general definition of FFPs, however several scholars focus on different aspects when defining the term. Chin (2002, p.53) defines them as "one such innovation introduced to induce and capture loyalty of travelers" and Suzuki (2003, p. 289) highlights them as "how travelers accumulate and redeem their frequent flyer miles in the program and determines the number of benefits travelers can receive from the program."

As the global airline market continuously grows, competition in terms of the brand, fares, frequency of services, and partnerships arrangements accelerate. FFPs have the potential to offer frequent flyers free travel and upgrades, as well as incentivize travel on a particular airline. Suzuki (2003) underlines the fact that FFPs serve as marketing tools to attract and retain travelers. Terblache (2015) describes the functioning of a FFP as rather simplistic.

FFP members are compensated for their loyalty by collecting credits, mainly in form of miles, after flying with the respective airline or its partners. The miles collected are usually calculated on the class of travel and, in most cases, the distance flown.

A 2017 German Statista survey (Figure 3) found that there is a correlation between the frequency of flights per year and participation in FFPs. Thus, 27% of respondents who flew several times a year in the last five years (second bar) said they were members of several FFPs (blue) and 23% said they collected miles with at least one airline (dark blue). Among respondents who flew about once a year (third bar), the number of those who collect miles with multiple airlines dropped to 7% (blue) and those who are members of one FFP dropped to 16% (dark blue). These numbers dropped even lower among those who had flown less frequently than once a year in the past five years (fourth bar). On average (first bar), 13% of respondents reported collecting miles with multiple airlines and 17% with one airline.



Figure 3: Survey on participation in airline bonus programs in Germany 2017 (Kunst, 2019)

Lately, airlines have added numerous products and services where FFP members can earn miles. Miles can be earned, aside from flying with a particular airline and its various global partners, by spending at car rentals, hotels, lifestyle centers, resorts, retail stores and banks. The use of co-branded credit and debit cards has become a major source of miles for members of FFPs. Credit card companies are cooperating with airline loyalty programs to offer even more travel incentives. In such arrangements, the rewards become very attractive as airlines offer good incentives through airline mileage cards to encourage customer loyalty and more frequent travel with the redeemed miles. Accumulated miles can be redeemed for free air travel, other goods, or services, or for increased benefits such as travel class upgrades. Typical benefits for members of FFPs include free upgrades, preferred seating, airport lounge access, free luggage and much more. These benefits are essentially a summary of the various forms of preferential treatment that status members of FFPs receive. The status of a member as well as the benefits to which a member is entitled are mostly determined by miles flown in a calendar year, but miles earned through travel may expire after a few years or never. In many frequent flyer programs, miles expire 36 months after they are earned. (Terblache, 2015)

Several authors emphasize the fact that FFPs are the most popular and successful marketing strategy in effective customer retention (Chin, 2002; Kearney, 1989; Stephenson & Fox, 1987). The design of FFPs is discussed by Chin (2002) with the purpose to "achieve a high degree of brand loyalty particularly among business travelers, attract primary demand, effectively discourage new carrier competition, and give airlines direct and efficient communication links with their best individual customers" (Chin, 2002, p.54). Terblanche (2015) argues that a FFP has a lot of potential and is a powerful tool among marketers to positively influence the company, and at the same time, its main task using their information to retain them.

On the one hand, according to Stephenson & Fox (1987) retaining customers effectively, FFPs can push the airlines business by 20 to 35 percent, if traffic volumes increase. However, it is argued that traffic volumes can only accelerate, if the total airline industry business increases (Chin, 2002). Regarding that, Chin (2002) underlines a strong relationship of the profits generated by a FFP and an increase in corporate air travel. On the other hand, for FFPs to achieve 20 to 35 percent business growth, much more revenue must be generated via corporate air travel. Therefore, unnecessary air travel is needed to positively influence the airlines growth. "Unnecessary business trips can happen when a business traveler is a FFP member who gets to choose the airline and redeem the mileage earned on business trips for his or her private use while the company pays the fare" (Chin, 2002, p. 54). Regarding the fact, a business opportunity for a FFP is to make their customers stay with an airline in terms of having the customer use earned business miles to save on probable private flights and receive benefits, such as hard cash and even upgrades.

Even though FFPs have received much consideration by academia, little attention has been paid to the outlook of a FFP, especially by looking at the current circumstances in pandemic times.

The next part of the literature review outlines general information about the German airline Lufthansa.

2.2. DEUTSCHE LUFTHANSA AG

The Lufthansa Group is the most successful aviation group in Europe operating globally with around 110,000 employees. It is headquartered in Frankfurt am Main, Germany. In 2020, the fully private group had around 565,000 shareholders and generated a revenue of EUR 13,589 million. Since May 2014, Carsten Spohr has been Chairman of the Executive Board and CEO of Deutsche Lufthansa AG (Lufthansa Group, 2020a; Lufthansa Group, 2020b; Lufthansa Group, 2020c). With its performance data, it takes top positions in the International Air Transport Association (IATA)¹ ranking (IATA, 2021). Through its global positioning with a worldwide route network, Lufthansa currently operates to more than 273 destinations in 86 countries. Lufthansa uses the airports in Frankfurt, Munich, Zurich, and Vienna as central hubs for its route network. The main target markets in Europe (including Germany), North America and Asia/Pacific are operated via these hubs. Other important markets are located in Africa, South America and the Middle East (Star Alliance Press Office, 2019).

Furthermore, Lufthansa is also a member of the Star Alliance. As a founding member, together with United Airlines, SAS, Thai Airways International and Air Canada, Lufthansa established the first multilateral alliance in global air transport in 1997. Gradually, the alliance grew steadily. Apart from Lufthansa, the Star Alliance currently unites a total of 25 airlines (see Appendix I and Figure 4). In 2019, all Star Alliance members offered more than 19,000 daily departures. Their mixed fleet of over 5,000 airplanes flies to more than 1,300 destinations in 195 countries worldwide, being the leader as global airline alliance (Star Alliance, 2021).

¹ IATA is the trade association for airlines worldwide. It represents 290 airlines, which make up 82% of total air traffic, on a variety of areas. The association reinforces aviation with global standards for airline safety, security, efficiency, and sustainability (IATA, 2021).



Figure 4: Overview of Star Alliance Members (Lufthansa Group, n.d.)

The following chapter explains Lufthansa's FFP Miles & More and explains in detail how the program is structured. In addition, the methods for collecting status and award miles are explained using examples, and the topic of status miles and status is explained in more detail.

2.3. THE FFP: MILES & MORE

Lufthansa's FFP Miles & More was introduced on January 1, 1993. In an increasingly competitive environment, Lufthansa needed an instrument/a tool that would enable it to win, identify or rather know, develop, and commit its customers much more efficiently than before. This took place against the background of an industry in which, on the one hand, customer brand loyalty was declining and continuing to decline and, on the other hand, the core product – the flight or transport from one place to another – was becoming increasingly interchangeable. For example, a customer who lives in Bremen and wants to go to Las Vegas has the opportunity to choose between several providers both low-cost and premium airlines. The customer can fly to the destination with Lufthansa, Lufthansa's low-cost subsidiary Eurowings, Air France or with the Dutch KLM, to name just a few options.

In order to be able to continue to enforce a price premium in such a competitive environment, it is becoming more important to generate differentiated customer benefits that go beyond the pure core product. In addition, the tailoring of individualized services requires precise knowledge of the customer, which leads to the stimulation of sales and thus to additional revenues. The already prevailing competition within the airline industry accelerated the introduction of Miles & More at that time. Numerous competitors had already established their own FFPs in the years before. In particular, American Airlines (AA) and Delta Airlines launched their FFP programs in 1981 called AAdvantage and SkyMiles respectively (Winship, 2011; Delta Airlines, 2021).

In the year of its foundation, around 800,000 members enrolled in the Miles & More program and currently has over 30 million members (Miles & More, 2017). However, on its website, Miles & More (n.d.h) indicates that the program has over 20 million member. As this information is not dated, it might be just an outdated number. Furthermore, Miles & More (2017) underlines the fact that 10 million out of the 30 million members use the FFP actively and about 50,000 members enroll monthly. These numbers indicate that Miles & More is by far the largest FFP in Europe.

Miles & More is a wholly owned subsidiary of the Lufthansa Group and headquartered in Frankfurt am Main, Germany. As mentioned in the introduction, Miles & More is Lufthansa's FFP (Lufthansa Group, 2020). It is possible for customers to earn miles with all 26 Star Alliance member airlines, although this does not apply to all routes operated by Star Alliance members. The founding of Star Alliance made Miles & More a global program.

Miles & More's target group is frequent flyers, business travelers and households with above-average incomes, for whom the airplane is a 'normal' means of transportation (Wermke, 2019; Koenen, 2021). A more detailed description of the Miles & More statuses is enclosed in one of the following chapters.

In all other relevant markets, Miles & More is represented by a partner, where members can collect award miles. Currently, half of the members are not from Germany and a quarter of the members live overseas. Lufthansa's status customers are recognized as Star Silver (Frequent Travellers) or as Star Gold customers (Senators) by all Star Alliance partners and receive the corresponding service. For example, Lufthansa Senators have access to airport lounges of Star Alliance partners. Conversely, Lufthansa also recognizes the status customers of the Star Alliance partners and treats them accordingly. According to Miles & More (n.d.) the profitability of the program is essentially based on three pillars (Figure 5):

- The direct customer loyalty effect based on the system's inherent incentive discount and status features/functions.
- (2) The revenues generated by the sale of customer loyalty services primarily in the form of miles, to the partners.
- (3) The additional revenues generated by efficient and individualized direct marketing, the target customer management.



Figure 5: Miles & More Goals

Furthermore, Miles & More is based on five main program components:

- Collecting award miles (Miles & More, n.d.k),
- Redeeming award miles (Miles & More, n.d.k),
- Partner portfolio (n.d.m),
- Status logic (Miles & More, n.d.c; Miles & More, n.d.d) and
- Program communication.

2.3.1. COLLECTING AND REDEEMING AWARD MILES

As soon as a customer has become a Miles & More member, they can start collecting award miles. These are credited to their personal Miles & More account. The award miles represent the discount granted by Lufthansa or one of its partners for the use of its service(s). After reaching a certain mileage limit, the customer can exchange these award miles for awards of their choice.

Miles & More members have access via the Miles & More website to collect award miles with almost 40 airlines, about 100 hotel chains, 21 car rental partners, 13 partners from the financial and insurance sector as well as 12 magazines and/or publishing companies, 10 partners from the entertainment and communication services and more than 450 online shops. In addition, members with the Lufthansa Miles & More Credit Card can collect even more award miles with each purchase made at more than 35 million different acceptance locations worldwide (Wiesner, 2019; Miles & More, n.d.f). Members can redeem award miles at almost all partners where they can also earn award miles. Each award can be redeemed for the equivalent of a certain number of miles.

In addition, award miles can be redeemed for flights. For instance, an award flight in Economy Class from Hamburg to Lisbon and back, members must redeem 35,000 award miles. An award flight from Milan via Frankfurt to New York 'costs' 60,000 award miles in Economy Class, 80,000 in Premium Economy Class, 112,000 award miles in Business Class and 182,000 award miles in First Class. An award flight around the world in Economy Class 'costs' 180,000 award miles, in Business Class 335,000 and in First Class 500,000 award miles (Appendix III).

Award and status miles are awarded differently depending on whether the airline belongs to the Lufthansa Hub or not. Lufthansa Hub Airlines (Lufthansa, Austrian, Swiss, Brussels and Eurowings) calculate the two types of miles as follows: Award miles are revenue-based i.e., they are calculated based on the ticket price including airfare and surcharges levied directly by the airline but excluding government taxes and charges levied by the airport or air traffic control. Status miles, however, are distance-based. They are calculated according to the actual distance flown and the booking class. For all other Star Alliance members both award and status miles are calculated in the same way as the Lufthansa Hub status miles calculation² (Miles & More, n.d.e). It is also taken into account, whether a passenger flies domestic,

² An exception is the calculation of award and status miles for corporate fares. These are still calculated according to the 'old' system, where the award and status miles are calculated on the basis of the booking class, the class of service booked (First Class, Business Class, Premium Economy Class and Economy Class) and the flight distance (Miles & More, n.d.e).

international European or worldwide between non-European destinations (Appendix IV).

The following example (Table 1) will illustrate the calculation of Miles & More status miles in various booking classes. For the example a round-trip from Frankfurt to Singapore has been selected with an estimated flight distance of 6,387 miles:

CLASS	BOOKING CLASS	BOOKING CLASS CALCULATION FACTOR	TOTAL OF AWARD MILES
ECONOMY CLASS	Q , S , V , W Rebooking possible, no refunds	0.5	0.5 * 6,387 * 2 = 6,387
PREMIUM ECONOMY CLASS	N Rebooking possible, refunds with retention	1.0	1.0 * 6,387 * 2 = 12,774
BUSINESS CLASS	Z Rebooking possible, Full refunds	2.0	1.5 * 6,387 * 2 = 19,161
First Class	A, F Rebooking possible, Full refunds (if Flex) and refunds with retention (if Basic Plus)	3.0	3.0 * 6,387 * 2 = 38,322

 Table 1: Calculation example status miles

The purchase of high-value tickets is thus more strongly incentivized than the purchase of the lower-priced tickets; this principle applies particularly in Economy Class.

The following example (Table 2) illustrates the mechanism behind Miles & More: A member flies in Business Class from Frankfurt to Singapore and back in July 2021. They stays overnight there at the Miles & More partner Hyatt Place Hotel. The member pays all bills with the Lufthansa Miles & More Credit Card in order to earn award miles (Miles & More, n.d.k):

SERVICES	AWARD/STATUS MILES
	EARNED
Flight Frankfurt-Singapore (Business Class)	9,580.5 status miles
Ticket price: 1,760 €	3,570 award miles
Flight Singapore-Frankfurt (Business Class)	9,580.5 status miles
Ticket price: 1,760 €	3,570 award miles
Overnight stay at Hyatt Place Hotel	500 award miles
Payments for shopping with the Lufthansa Miles &	
More Credit Card (approx. 1,000 €)	500 award miles
	8,040 award miles
Total	19,161 status miles

Table 2: Calculation example of award and status miles earned

Up to this point, Miles & More works like a classic bonus program: Customers save up a discount and redeem it when they reach a certain value. Cash payments are not possible. The flight awards described above are replenished by numerous attractive partner awards. In addition, Lufthansa can offer the flight awards at marginal costs, as they can only be booked on the respective flight if there is sufficient availability, meaning that the seat could not have been sold without the award booking.

2.3.2. STATUS MILES AND STATUS

Central difference to classic bonus programs such as Payback is the 'status logic', based on the so-called status miles. The actual differentiation of customers only takes place on the basis of status miles. This differentiation is based purely on the value of the customer, which again is based on the number of status miles collected within a year.

All miles earned on flights with Lufthansa or Star Alliance partners are also status miles. In the above example, the miles from the round-trip from Frankfurt to Singapore count as status miles (19,161 status miles). The miles earned with the partner Hyatt Place Hotel and the turnover made with the Lufthansa Miles & More Credit Card do not count as status miles but as award miles, as there is no direct revenue associated with them via Lufthansa or Star Alliance tickets.

Customers, who for example have collected at least 35,000 status miles or 30 flight segments within one year, receive the status of Frequent Traveller, if they have

collected more than 100,000 status miles, they receive the status of Senator (Miles & More, n.d.c; Miles & More, n.d.d). These statuses enable Lufthansa to recognize its most important customers along the entire service chain and to treat them in a differentiated manner – according to customer value. For example, a Senator can make the desired flight booking via a dedicated telephone number; even if the desired flight is fully booked, the Senator still receives a booking via the so-called booking guarantee for Senators. The member pays the corresponding bill with the free Lufthansa Miles & More Credit Card. At the airport, the Senator can check in at the exclusive First-Class counter, even if only a Business Class or Economy Class booking has been made. Up to a certain limit, the excess baggage is carried free of charge. On the way to departure, the member can rest in the exclusive Senator Lounge and Star Alliance Gold Lounge. Another benefit for Senators is the 'Companion Award': If a Senator wants to take a companion with him/her on an award flight, the member only has to 'pay' half the miles for the companion (Miles & More, n.d.d; Miles & More, n.d.g).

The highest and rarest status a customer can receive is the HON Circle Member. In order to become a member, customers have to collect a minimum of 600,000 HON Circle miles within two consecutive years. Hon Circle miles can only be earned on flights in Business Class or First Class. Being an HON Circle Member comes with even more benefits and privileges than the two lower statuses. These privileged customers gain access to the First-Class Lounges and the First-Class Terminal (the latter only refers to Frankfurt airport) and will be driven to the aircraft with a limousine (Miles & More, n.d.i).

Furthermore, the so-called Executive Bonus is worth mentioning Status customers receive an additional 25% in status miles and up to 50% more award miles on all flights with Lufthansa or a selection of Star Alliance partners. This, too, serves the purpose of differentiation and targeted incentivization of frequent flyers (Miles & More, n.d.a). A summary of the most important benefits for all three statuses can be found in Appendix II.

2.4. CONCEPTUAL FRAMEWORK

The goal of this study is to examine the expectations of Miles & More members after the Corona pandemic. Figure 6 shows the rationale of this study on how the significance level of the FFP can be answered. To achieve this, the first step is to analyze and evaluate the measures that both Lufthansa and Miles & More have

24

introduced as a result of the Corona pandemic. Based on this, the next step is to examine how these measures have influenced their own FFP. Finally, the knowledge gained in the previous two steps can be used to evaluate the significance of the Miles & More FFP.

The Corona-specific components are identified by means of a content analysis and serve as the basis for the questionnaire. This questionnaire is designed to find out, as part of a survey of Miles & More participants, whether they are satisfied with the program and what impact the Corona pandemic has had and will have on their participation.



Figure 6: Visual Presentation of the Conceptual Framework

To reach the MRQ, two SRQs have been formulated. As Figure 6 demonstrates Lufthansa's Corona measures need to be analyzed to answer the first research question "How does Miles & More compensate its customers for the reduction in air travel and therefore the related loss in award and status miles?". Second, the concept of customer loyalty needs to be assessed regarding the FFP to answer the research question "Are FFPs still as relevant for customers since April 2020 than they were before?". Third, to answer whether the FFP Miles & More is still as significant after the Corona pandemic the results of the questionnaire will be analyzed in terms of the MRQ "What are the expectations of Miles & More members regarding the outlook of the FFP after the Corona pandemic?".

3. METHODOLOGY

The following chapter deals with the methodology used for this thesis. The strategy and design of this thesis is outlined as well as the data collection methods that are used. At the end of the chapter, a data analysis is carried out.

3.1. STRATEGY AND DESIGN

A mixed-methods approach (Denscombe, 2008) was used for this exploratory research on Miles & More participants' expectations, as well as Corona measures, regarding the future of the FFP. Both quantitative and qualitative methods were used for data analysis (Bulsara, 2015). A literature review on the concepts of the Corona pandemic, customer loyalty, CRM, FFPs and especially Lufthansa's Miles & More program revealed that no studies have addressed the future of a FFP during or after a crisis. The aim of this thesis is to analyze the expectations of Miles & More participants during and after the Corona crisis.

For this reason, a content analysis of publicly accessible data about the entire Lufthansa Group is conducted and an online questionnaire is distributed. The content analysis is used to present and analyze the relevant Corona measures of the company and to anchor specific questions within the questionnaire. The online questionnaire is then used to analyze the expectations of Miles & More participants. The collected data is analyzed with a qualitative approach, for both the content analysis and the online questionnaire. Due to the design of the online questionnaire a qualitative approach instead of a quantitative approach is used (Bruner, 1991). This is mainly due to the fact, that the questionnaire is designed to explore members' expectations on Miles & Mores outlook.

3.2. DATA COLLECTION

The main source of data collection will be a quantitative questionnaire. In order to be able to formulate well-founded and fact-based questions, information about Lufthansa as well as Miles & More is analyzed with a qualitative content analysis. The results of the qualitative content analysis regarding Lufthansa's and Miles & More's response to the Corona pandemic serve as the basis for the questionnaire. The content analysis is carried out by analyzing and evaluating published reports and other documents from

both Lufthansa and Miles & More. Furthermore, certain questions are formulated based on the facts collected by the content analysis.

3.2.1. CONTENT ANALYSIS

The aim of the content analysis is to find out how publicly available media is reporting on the measures taken by Deutsche Lufthansa AG and the FFP Miles & More in relation to the Corona pandemic and what measures the company is using to retain its customers in pandemic times. The content analysis consists mainly of media articles from mainly German publishers, as well as the Lufthansa Group Annual Report from 2020, in English and German. In relation to media articles, also data statistics from the data platform Statista have been analyzed.

As part of the content analysis, a Google literature search (Google.de and Google.com) took place in March 2021. Thus, the researched Corona measures were analyzed using a content analysis in order to subsequently include them in the questionnaire. Google search was used to obtain the most up-to-date information possible on the topics of the Corona pandemic, FFPs, and Lufthansa's Miles & More. Therefore, only German and English language literature was considered and no scientific literature. Accordingly, the 2020 Annual Report was analyzed to obtain internal company data on how the Lufthansa Group deals with its customers in pandemic times.

According to several scholars, content analysis can be used as a qualitative approach in the research literature and provides social reality in a scientific way (Hsieh & Shannon, 2005). Several academic researchers deal with the topic of content analysis such as Elo & Kyngäs (2008) and Mayring (2004) who use qualitative content analysis as an important method to evaluate documents and articles. Furthermore, the authors Hsieh & Shannon (2005, p. 1277) state that "[c]ontent analysis is a widely used technique in qualitative research."

Moreover, other variants of qualitative content analysis have already been explored, such as media content analysis (Macnamara, 2005). The researcher Lasswell (1927) introduced the media content analysis as a systematic method studying media in order to analyze their relevance. Researchers agree that this type of content analysis is also used as a method to analyze texts (Neuman, 1997; Weber, 1990). Furthermore, Berelson (1952) summarized key reasons for content analysis. One of the most important reasons is that content analysis describes the characteristics of news content and texts (Newbold et al., 2002), and explains the relationship between texts and meaning (Macnamara, 2005).

3.2.2. QUESTIONNAIRE

In this thesis, an online survey is applied as a quantitative survey method, which is the subject of empirical social research. According to Glaser and Laudel (2010), the term empirical social research is used to characterize investigations that observe a specific section of the social world in order to use these observations to contribute to the further development of theories. Experience is collected about a section of reality and documented in such a way that it is theoretically possible for anyone to repeat the procedure at any time (Brosius, Haas & Koschel, 2016). In empirical social research, qualitative and quantitative social research are distinguished and referred to as different types of research (Glaser & Laudel, 2010). In this context, only a few selected characteristics are considered in quantitative procedures. There is also a distinction between two empirical procedures: the research design and the data collection. In this thesis, the procedure of data collection is used. This can be done, among other things, by means of a survey. According to the scholars Brosius et al. (2016), a survey is used as a method for collecting opinions and attitudes.

Since the opinions of the population on the subject of FFPs are to be empirically surveyed in order to answer the research question, the survey method is considered suitable for this paper. The survey is a partial census, because it is not possible to examine the opinions of all characteristic carriers. According to the academic literature, surveys are supposed to interview a small part of the population, which, if possible, should infer the population's population (Brosius et al., 2016; Adler & Clark, 2014). However, this is not necessary in this case because only a very specific part of the population has the characteristic 'member of the Miles & More program'.

Random sampling is considered a reliable selection of characteristic carriers. Using this type of sampling ensures that there is a high probability of representing the true distribution of characteristics of a population in a sample (Adler & Clark, 2014). Thus, it should be given that the respondents represent the composition of the population. In addition to random sampling, there is also arbitrary selection. With this type of method, the sampled population is selected according to their availability without any particular system. This type of selection includes, for example, street surveys. The pool of potential respondents is not representative, because not everyone gets the same chance – for instance, there is the possibility that a person is interviewed several times (Brosius et al., 2016).

In online surveys, a distinction is also made between active and passive recruitment. Active recruitment requires having e-mail addresses, recruiting an online panel, or resorting to the so-called snowball system. However, the results of the snowball system, in which the link to the online questionnaire is sent to a certain number of acquaintances with the request to forward the link to a certain number of people, cannot be generalized (Brosius et al., 2016).

Passive recruitment is carried out by posting calls on social networks such as Facebook, in forums or on websites. This method counts as random selection. It is claimed that only people who have an interest in the topic participate in such a survey. Therefore, these results usually do not have a representative character (Brosius et al., 2016). However, this effect should be rather small in this survey, as the topic of the survey specifically addresses one group of people – namely Miles & More members.

The online questionnaire serves as the survey method in this thesis, since interview errors can be excluded (such errors can occur in telephone interviews), it is inexpensive, and no additional interviewers are needed. Since neither pictures nor videos are integrated in the questionnaire, there is no risk of restriction because participants cannot access these types of media (Brosius et al., 2016).

The market research tool Qualtrics has been used to build the online questionnaire as well as for analyzing the responses. According to the California State University (2020) Qualtrics is a web-based survey tool to conduct survey research and evaluate various data collection methods.

First of all, the aim of the questionnaire is to find out if the Miles & More FFP, including the Corona measures, is as relevant as it was before April 2020 and thus before the pandemic. Furthermore, the second goal of the questionnaire is then to analyze the expectations of Miles & More members particularly in order to be able to make a prediction about the future of the FFP. The data collection for the questionnaire took place on 17 days from 01/07/2021 to 17/07/2021. After the 17th day, the survey was terminated, because the collection of the answers decreased, and no new respondents were found.

Due to a lack of available resources, it is not possible to either draw on a list of e-mail addresses or recruit an online panel, therefore a link for the questionnaire was distributed on social media platforms via Facebook, Instagram, and LinkedIn. A distribution of the questionnaire via social media served to increase the radius for potential participants. A post with the link to the survey was published twice via a personal LinkedIn profile with 180 contacts. Additionally, the link was posted twice on a public personal Facebook profile with 374 contacts and shared via a personal Instagram story with 109 followers. However, it turned out that probably only a few participants were reached via Instagram, as there is no possibility to click directly on the link. This feature is only enabled by Instagram if the number of followers exceeds 10,000 (Möckel, 2021). Moreover, friends and family were contacted via WhatsApp to participate in the survey.

Unlike other social or marketing research, for this survey only Miles & More members are relevant as it tries to examine the FFP Miles & More in pandemic times. Therefore, no special attention was paid to ensure a heterogenous group constellation among the participants. In addition, explicit reference was made to the topic of the survey in the social media post in order to achieve a selection of participants in advance, which should actually be avoided in other cases (Brosius et al., 2016). The evaluation of the online survey as well as its interpretation are presented in chapter 3.3.2.

3.2.2.1. QUESTIONNAIRE DESIGN

"Every empirical research process begins by formulating a research question" (Gläser & Laudel, 2010, p. 26). This research question was already formulated in the introduction: "What are the expectations of Miles & More members regarding the outlook of the FFP after the Corona pandemic." In order to show the current prevailing opinion of Miles & More members, an online survey was designed. As mentioned in chapter '2.3 The FFP: Miles & More', half of the program members are from Germany. Therefore, the decision was made to offer German as a survey language in addition to English. It can be assumed that a bilingual survey would generate more participation by eliminating the language barrier.

Different measurement and scale levels are used for surveying. In general, the respondents are regarded as characteristic carriers with different characteristic values. For example, the characteristic value of the characteristic 'age' is different for each characteristic carrier (Brosius et al., 2016). In the questionnaire, nominal scaling is

mainly used, both as dichotomy (two expressions) and as polytomous expression (more than two expressions). In addition, there are also questions that are metrically scaled by using 'stars' (Brosius et al., 2016). The decision was made to refrain from asking open-ended questions with text fields, because this way of asking questions lengthens the survey and thus reduces the probability that the questionnaire will be answered until the end.

In Appendix V the questionnaire is presented. There was a predefined target group for the survey, which was limited to members of the Miles & More FFP. Thus, if a respondent selects the answer option 'No' for the first question in the questionnaire "Are you a member of Miles & More?", they will be redirected directly to the end of the survey. Furthermore, the questionnaire is designed in such a way that it is not possible to jump to the next question without answering it. Moreover, the survey consists of a total of 18 questions and was roughly divided into three parts:

Questions one to nine deal with basic questions regarding the Miles & More program. These include the length of a membership, if the participant obtains a status (Frequent Traveller, Senator, HON), if miles were actively collected, the flight frequency and why the participant chooses to fly with Lufthansa or other Star Alliance airlines.

The questions ten to 15 ask regarding the Corona pandemic such as if the own flight behavior changed since March 2020, what the participant thinks about air travel frequency post-pandemic, program changes and the current goodwill measure. The third part, question 16 to 18 simply asks for demographics such as age, gender, and educational background.

The survey questions (see Appendix Chapter V) are considered reasonable based on the theoretical foundations compiled in order to depict the current opinion of Miles & More members about the program as well as to be able to answer the research question.

3.2.2.2. SAMPLE

Out of the 105 participants who answered the first question of the survey, 65 (61.9%) stated that they were members of the Miles & More program. However, of these 65 participants, only 59 (90.77%) completed the survey. When asked about their gender, 26 (44.07%) respondents indicated they were female and 33 (59.93%) were male



(Figure 7). No respondents answered that they identified as non-binary/divers or did not specify their gender.

Figure 7: Distribution of gender among respondents

The majority of participants are between 25 to 34 years old (33.9%), followed by 45-59 years old (23.73%), then 18-24 years old (16.95%), 35-44 years old (13.56%). Only 10.17% of the participants were 60 years and older and 1.69% were under 18 years old (Figure 8).



Figure 8: Distribution of Age among respondents

When asked about their highest educational qualification, around 44% said they obtain a master's degree followed by almost 36% with a bachelor's degree. A little more than 10% indicated they had completed an apprenticeship and around 5% have a PhD. More than 3% answered they had a qualification that was not listed and almost 2% only had a high school diploma. None of the 59 respondents did not have a degree (Figure 9).



Figure 9: Distribution of Educational Qualification among respondents

3.3. DATA ANALYSIS

In this chapter, the results of the collected data are analyzed and evaluated.

3.3.1. RESULTS AND EVALUATION CONTENT ANALYSIS

This section will underline the relevance of Lufthansa's FFP responding to current, and future changes affected by the Corona pandemic. Accordingly, the FFP needs to adapt its internal mechanisms and program structure to maintain its customers.

The company Miles & More announced last year that it was going to change the threshold for receiving either one of the three statuses. However, due to the pandemic and the resulting crisis in the aviation industry, the launch of the new FFP has been postponed from 2021 to 2022. Despite, Miles & More has informed its program members in a letter, stating that this date is also no longer valid. If, and when, the new program will be launched is currently not known (Koenen, 2020). Miles & More issued the following message on its website (Figure 10):

The new frequent flyer programme will not be starting in 2022 The current terms and conditions of the programme will remain valid.



Instead of a new program structure, there is now a goodwill measure in place for members. As mentioned in the previous section, the process of obtaining the Senator status is exceptionally challenging. A member has to collect over 100,000 status miles, which is difficult to achieve for a non-business traveler (Demircan et al., 2021). Therefore, the Corona pandemic has made it even more challenging for loyal customers to achieve these status miles. According to Demircan et al. (2021), Lufthansa took several measures in keeping their customers, which include:

- Assurance to prolong the current status for an extra year without any status mileage accumulation in 2020,
- Collecting double status miles on all flights in 2021,
- Postponing the launch of the changed frequent flyer program twice: First from January 1, 2021 to January 1, 2022 and then to an indefinite period (Figure 10).

On the one hand, these measures should align customers interests with those from Lufthansa. They indicate that Lufthansa wants to keep their Frequent Travellers, but however, it is very much likely that there will be a significant shift or even decline of members with a status in the current year (Koenen, 2020b). On the other hand, other airlines, like Emirates and Singapore Airlines, promised their loyal customers also for the year 2021 a renewal of the current status without any status mileage accumulation (Demircan et al., 2021). Accordingly, a status comes with several benefits a loyal customer can enjoy, for instance the 'Fast Lane' security access or Lounge access, is very useful for Frequent Travellers, but due to the Corona pandemic these amenities are useless, and the question rises whether the future of the FFPs still holds.

According to the Lufthansa Group Report from 2020, severe losses in revenue and further internal consequences due to the Corona pandemic were the result (Lufthansa Group, 2020b). Lufthansa's internal financial department reported in August 2020 a decline of the adjusted EBITA to minus EUR 1.7 billion in the second quarter despite cost reductions. Further internal measures included an employee cut by over 8000, a post-pandemic outlook is not feasible before 2024 the earliest. Therefore, Lufthansa's internal mechanism accomplished a comprehensive 'ReNew'-restructuring program in order to stay competitive after pandemic times. According to the Lufthansa Group (2020d) "the collapse in demand for air travel due to the Corona pandemic led to an 80 percent drop in revenue for the Lufthansa Group in the second quarter to EUR 1.9 billion (previous year: EUR 9.6 billion)." Therefore, Lufthansa's redesigning mechanism, namely 'ReNew', should aim on the global competitiveness and future viability of the entire company.

According to the Annual Group Report, 'ReNew' – a groupwide restructuring and transformation program is put in place to support the company's future viability (Lufthansa Group, 2020b). The entire Group steers towards being smaller, leaner, and more efficient after the Corona crisis. The program is established among various factors supporting effective crisis management as well as strategy implementation. Because of the Corona crisis, 'ReNew' has become one of the most important agenda items in the Lufthansa Annual Group Report (Lufthansa Group, 2020b). The program contains valuable measures that underline the future strategic development of the company by merging all the restructuring programs of the Group's airlines and service improving profitability and cash flows, the refinance and repay of the funds from the governmental support package in a timely manner, and the achievement of strategic goals. Therefore, the 'ReNew' program steers and coordinates all restructuring items within the entire Group based on 4 modules:

- 1. 'ReStructure'
- 2. 'ReOrg'
- 3. 'ReFocus'
- 4. 'RePay'

First, 'ReStructure' merges all restructuring programs of the airlines and aviation services. The overall focus is to stay globally competitive with other leading airlines in terms of profitability. All Group companies' priorities rely on an implementation of much smaller and more efficient production structures consisting of a strict reduction of the operating fleet by 150 aircrafts and cutting around 27,000 full-time positions, which cannot be utilized on a permanent basis due to the Corona crisis. (Lufthansa Group, 2020b)

Second, 'ReOrg' considers a highly overall efficient organizational structure of the entire Lufthansa Group. The module includes a cutting of around 1,000 fulltime administrative positions within the Group as well as a reduction in managerial positions by 20%. The Executive Board will also be affected by these measures, as the Corona pandemic did acknowledge a reduction in the size on the whole Group compared to the Annual Group report in 2019. (Lufthansa Group, 2020b)

Third, 'ReFocus' targets the focus on the core airline business by the entire Lufthansa Group. Hence, the business segment portfolio should exclusively be composed within cooperative units. In addition, sales of non-airline companies are being assessed. (Lufthansa Group, 2020b)

Fourth, 'RePay' aims to plan, coordinate, and implement the refinancing and timely repayment of all financial resources from the governmental support package as well as existing financial liabilities on the best possible terms. The evaluation of suitable financing instruments becomes crucial for the entire company. In addition to this, other possible measures will be considered to support a strong balance sheet and optimize the debt-equity ratio. (Lufthansa Group, 2020b)

These modules underline the fact that managing them is highly crucial for the company's future wellbeing as well as critical for the success of the entire group. According to the Lufthansa Group (2020b) the strategic goal is to "continually align its services, business models and organizational structures with the complex and dynamic market environment (Lufthansa Group, 2020b, p.18)." In this way, the opportunities arising from trends and market changes are consistently exploited. Accordingly, the focus on customer needs, a pronounced cost focus and sustainable business practices are the key drivers to success. The Lufthansa Group (2020b) acknowledges that a more dynamic market steers towards the importance of flexibility and adaptability.

To answer the first SRQ, "How does Miles & More compensate its customers for the decline in air travel and the resulting loss of award and status miles?" a content analysis was conducted. The content analysis showed that both the Lufthansa Group and Miles & More have taken various measures to maintain their customer base.
Specifically, on the Miles & More side these measures include, for example,

- an extension of the frequent flyer status without flying at all,
- a double status miles promotion for all flights in 2021 that applies to all participants, and
- the possibility for status members to receive up to 30,000 status miles via the Lufthansa Miles & More Credit Card, which is usually not possible.

The Corona pandemic forced the entire program to change drastically. Across the Group, Lufthansa is struggling with the economic consequences of the pandemic. For this reason, a content analysis was applied to find out further measures from Lufthansa. The analysis clearly shows how strongly Lufthansa, but also the airline industry, is affected. For example, in the non-pandemic years from 2008 to 2019, a steady growth in the number of passengers transported by Lufthansa was visible. In 2020, an extraordinary decrease in passenger traffic due to the Corona pandemic was recorded. In 2020 alone, about 108.8 million fewer passengers flew with Lufthansa compared to the previous year (Figure 11).



Number of passengers transported by Lufthansa from 2008 to 2020 (in millions)

Figure 11: Number of passengers transported by Lufthansa from 2008-2020 (Mazareanu, 2021)

For this and other reasons, Lufthansa was forced to introduce internal structures and measures for economic survival. Billions in state aid were given to Lufthansa to survive the crisis, but these are being repaid as quickly as possible. This factor is also very relevant for the future. Forecasts for the future can only be made very vaguely. Even in the second Corona year 2021 Lufthansa will face a whopping loss for the company. What comes after that can only be guessed at. Nevertheless, the content analysis in Lufthansa's annual reports and archives has shown that internal structures will also be drastically changed, due to the pandemic. A complete restructuring program has been launched, which has not even been thought of in 2019.

3.3.2. RESULTS AND EVALUATION SURVEY

The Qualtrics survey tool was used for the data analysis of the questionnaire. As mentioned before, the link to the survey was distributed via the social media platforms Facebook, LinkedIn, and Instagram and the data collection period was carried out over 17 days. There was a total of 106 participants that started the survey within this time period, however, not all finished the questionnaire completely. All questions can be found in Appendix V.

At the beginning of the survey, respondents were asked to indicate whether they were Miles & More members or not. Any participant who answered 'No' to this question was taken directly to the end of the survey. This decision was made because only the opinion of Miles & More members is relevant for the data collection. Out of the 106 respondents 66 (62%) said they were indeed Miles & More members. Around 38% indicated that they do not participate in the FFP (Figure 12).



Figure 12: Distribution of Miles & More Members among respondents

Those who indicated that they were members of the FFP were then asked how long their membership had been in place. Just under 42% (26 participants) said they had only been members for less than five years. This was followed by around 24% (15 participants) who had been members for more than 15 years. Around 21% of the respondents (13 participants) answered that they had been a member for five to ten years and only around 13% (8 participants) indicated that their membership already lasts for ten to 15 years (Figure 13). This question was asked to find out whether Miles & More tends to have many long-time members or short-term members. Long-term members may have different expectations for the program than short-term members, as they have known the program longer and have already been through several program changes. As the diagram shows, there were more short-term members among the respondents.



Figure 13: Distribution of the length of the Miles & More membership among respondents

The third question asked whether the respondents had actively collected miles in the past ten years by flying with Star Alliance Airlines. Almost 92% (56 participants) answered that they indeed had collected miles by flying. Only around 8% (5 participants) indicated that they did not collect any miles by flying with any Star Alliance Airline (see Figure 14). The purpose of this question was to find out whether members were actively participating in the program. As the evaluation shows, almost all participants are active members. In addition, this question indicates the benefit of the program. As an FFP, this consists of using the program by collecting flight segments in order to collect award miles and status miles.



Figure 14: Distribution of Miles & More members having collected miles in the past 10 years among respondents

The next step was to find out if there were any status members among the respondents. Slightly more than 50% of the respondents stated that they had one of the three status. The remaining almost 48% did not have a status (Figure 15).

In order to be able to differentiate even more precisely, the respondents were asked to indicate whether they achieved their status through business travel or leisure travel. It is usually the case that most status members obtain their status through business travel since the frequency of air travel for vacation purposes is usually not sufficient to overcome the threshold for a status. Surprisingly, there were more Frequent Travellers among the respondents that achieved their status with leisure travel than with business travel. However, this might be explained with the fact that the threshold for becoming a Frequent Traveller is not extremely high.

Furthermore, this question was intended to filter out the group of interest: Status members. This type of members is the most valuable member group for Miles & More as they are extremely loyal to Lufthansa and other Star Alliance Airlines and therefore generate revenue for the airline.



Figure 15: Distribution of Status members among respondents

As Figure 16 shows, question five asked the respondents for the reasons choosing to fly with Lufthansa. Multiple answers were possible for this question. As expected, most respondents answered that they like the standards of the airline (25.41%) and want to collect award miles (28.69%) and status miles (25.41%). Another 15% of the responses fell into the answer option of getting a good deal on a ticket. A vanishingly small proportion (2.46%) indicated that they had no specific reason to fly with the airline.

The aim of this question was to identify the reasons why members fly with Lufthansa and whether this is a reason to participate in the FFP Miles & More. As the evaluation of the results show, both the airline itself and the program as such are decisive for the decision to fly with Lufthansa. It can be interpreted that Miles & More successfully retains its members to the airline.



Figure 16: Distribution of reasons to fly with Lufthansa among respondents

Question six (Figure 17) was intended to explore in more detail what members use their earned miles for or rather how the program is used. There were six possible answers to choose from, with multiple answers possible. The majority of responses (35.29%) were for upgrading to a higher booking class, followed by mileage bargains (28.57%) and Cash & Miles (17.65%). As expected, the miles collected are mainly used for flying, for example to make a trip more comfortable by upgrading to a higher booking class or to save the pure airfare by redeeming miles.



Figure 17: Distribution of usage of collected miles among respondents

The seventh question (Figure 18) asked whether the member flies mostly for business purposes or not. Almost 32% (19 participants) of the total respondents answered, 'Yes' and 68% (41 participants) answered, 'No'. This indicates that most of the respondents, in total 41, are no business travelers and 19 are business travelers.



Figure 18: Distribution of business flight frequency among respondents

In question eight (Figure 19), respondents were asked to indicate whether they had a Lufthansa Miles & More Credit card. This serves as the main tool for earning award miles, in addition to flying and buying from Miles & More partners. In addition, the card (depending on the version, from a credit of 1,500 award miles per year) protects against the expiration of the collected award miles. Just under 37% (22 participants) of respondents said they had such a credit card. The majority, namely around 63% (38 participants) do not have the Lufthansa Miles & More Credit Card. This outcome is actually quite surprising, keeping in mind that there are more than 52% of respondents who answered that they obtain one of the three status; meaning they are loyal to the airline and assuming that they want to collect as many miles as possible.



Figure 19: Distribution of Lufthansa Miles & More Credit Card owners among respondents

Those who indicated they had a Lufthansa Miles & More Credit Card in question eight were asked an additional question (Figure 20). This relates to the reasons why the respondents own the credit card. Respondents could give multiple answers here.

On the basis of this question, the loyalty is to be measured, whether frequent flyers want to secure their collected award miles or mainly use them as a means of payment for extra mileage collection. The question is used to find out how loyal Miles & More participants are when a credit card is available. The Lufthansa Miles & More Credit Card is mainly used to protect accumulated miles from expiration and to earn extra award miles when using the credit card. The latter method has a strong resemblance to customer loyalty programs. When using the credit card, the Miles & More participant is credited with award miles based on the turnover. The question was asked in such a way that several answer options could be selected. Most of the respondents own the credit card mainly to earn more award miles in everyday life and to protect the miles already earned from expiration. About 41% (34 participants) save collected award miles from expiring as well as around 39% (32 participants) use it to collect additional award miles. The question is mainly relevant for non-status members and FTLs, as a credit card must be actively applied for. Senators and Hon Circle members automatically receive a credit card upon reaching status. The distribution here refers to about 11% (9 participants).

Furthermore, there was the selection option 'Other'. Here, approximately 9% (7 participants) made the selection. Other reasons for a Lufthansa Miles & More credit card can be additional insurances such as rental car comprehensive insurance, or memberships in other partner programs.



Figure 20: Distribution of reasons for obtaining a Lufthansa Miles & More Credit Card among respondents

Question 10 (Figure 21) asked about the respondents' flight frequency since the start of the Corona lockdown measures in March 2020. As expected, almost 92% (55 participants) indicated that they flew less in the past year. A very small proportion of around 8% (5 participants) reported flying the same amount as before. The question was aimed at finding out how the pandemic has influenced the flight behavior of Miles & More members. As expected, the pandemic has (had) a very large impact on flight behavior, which is also visible in the drastic decline in passenger numbers over the past year.



Figure 21: Distribution of flight frequency among respondents since March 2020

Question 11 (Figure 22) was designed to determine the respondents' assessment of the development of air passenger traffic after the pandemic. With about 71% (42 participants), the vast majority of respondents indicated that they believe passenger numbers will recover but will not reach pre-pandemic levels. 15% of the respondents (9 participants) are more optimistic and believe that the pre-pandemic level will be reached again. Another 14% (8 participants) are of the opinion that passenger volume will not increase. This question is particularly interesting because respondents presumably estimate air passenger volume based on their own flight behavior.



Figure 22: Distribution of opinion about flight frequency after pandemic among respondents

Question 12 (Figure 23) dealt with the program change that was originally scheduled to be implemented on January 1, 2021 but was then postponed until the following year and is now on hold indefinitely. Respondents were asked to rate the program change compared to the status quo of the program on a scale of 1-5 stars. However, the question did not explicitly state what exactly the program change will be, to avoid unnecessarily lengthening of the question. It was merely pointed out that the changes had been criticized by the media.

The question was designed to determine how Miles & More members rate the program change content wise and how open Miles & More members are to changes in the program. The arithmetic mean of this assessment is 2.2. Around 34% of respondents (20 participants) gave the change only one star, 31% (18 participants) two stars and 22% (13 participants) even three stars. Only just under 7% (4 participants each) gave the program change four or five stars.

As the evaluation shows, the majority of the members assess the program change rather critically. This could be due to the fact that many fear disadvantages or a deterioration of the program. Such a deterioration has already occurred in the past. For example, up until a few years ago, members received 1 award mile for every \notin 1 they spent with the Lufthansa Miles & More Credit Card. Now, as a private individual, you only get 1 award mile for \notin 2 spent.



Figure 23: Distribution of given stars for program change among respondents

Question 13 (Figures 24-26) asked respondents to rate some of the previously described goodwill measures, that were introduced during the pandemic, on a scale of 1-5 stars.

The first goodwill measure to be evaluated was the assurance to prolong the current status for an extra year without mileage accumulation in 2020 (Figure 24). More than half of the respondents (52.54%, 31 participants) gave this measure five out of five possible stars. A quarter (25.42%, 15 participants) of respondents gave the measure four stars. The arithmetic mean is around 4.2 stars. This shows that this measure has been very well received by Miles & More members.



Figure 24: Distribution of given stars for goodwill measure 'prolong current status' among respondents

The second goodwill measure to be evaluated was the possibility to collect double status miles on all flights in 2021 (Figure 25). This measure was also rated very highly by the members surveyed. The arithmetic mean for this question was even 4.25 stars out of a possible five. More than 52% (31 participants) of the respondents awarded five out of five stars, almost 29% (17 participants) four stars and nearly 14% (8 participants) three stars.



Figure 25: Distribution of given stars for goodwill measure 'collecting double miles' among respondents

The third and final measure to be evaluated was the possibility for all Status members to earn up to 30,000 status miles via purchases with the Lufthansa Miles & More Credit Card (Figure 26). In this case, the majority, just under 34% (20 participants), of respondents gave four out of five possible stars. Around 27% (16 participants) gave three stars and more than 20% (12 participants) rated the measure with five stars. The arithmetic mean for this measure was 3.53 stars.

Compared to the other two measures, this one was rated the lowest. This can presumably be explained by the fact that around two-thirds of the respondents do not have a Lufthansa Miles & More Credit Card and this measure is therefore not relevant to them. In addition, only half of the respondents had a status that is necessary for this measure.



Figure 26: Distribution of given stars for goodwill measure 'earn status miles with credit card' among respondents

Similar to question 11, question 14 (Figure 27) was intended to assess the significance of the Miles & More Program after the pandemic. With around 44% (26 participants), the majority of respondents indicated that they believe Miles & More will be slightly significant after the pandemic. About 27% (16 participants) believe that Miles & More will be significant, 15% (9 participants) think the program will be rather significant and a little over 13% (8 participants) are of the opinion that Miles & More will not be significant whatsoever.

This question is particularly interesting because it can be used to measure whether members see a future for Miles & More or not. As the results show, the members surveyed are not particularly optimistic that Miles & More will have the same significance after the pandemic as it did before. This assessment should give Miles & More reason to think about further program development.



Figure 27: Distribution of respondents' opinion of how significant M&M will be after the pandemic

The final question regarding the Miles & More program asked the respondents for their expectations they have and what kind of changes should be made in the future (Figure 28). Question 15 was also as a multiple-answer-question. There was a total of four response options, three of which were set suggestions for the future and the fourth just said 'Other' if the respondent theoretically had more suggestions of their own in addition to the three suggestions given, or if the suggestions listed did not correspond to their own expectations. However, the respondents were not able to enter further wishes or expectations for the program itself in the answer option 'Other'. The decision was made to suggest answers as respondents oftentimes do not fill out open text fields. A more detailed reason for this decision can be found in chapter '4.1 Limitations'.

36% of the responses given were attributed to the lower threshold for becoming a Frequent Traveller. With 37% of the given answers, having no expiration of collected award miles even as a base member was even more popular among the respondents. Only 22% percent wanted that the goodwill measures are kept in place. 5% indicated that other measures that were not listed should be introduced in the future.



Figure 28: Distribution of expectations and changes of the program in the future among respondents

As already mentioned in chapter '3.2.2.2 Sample', the last three questions 16-18 were used to classify the demographics of the respondents. An evaluation of these questions can be found in the chapter just mentioned.

This questionnaire was used to answer the second SRQ, "Are FFPs still as relevant for customers since April 2020 than they were before?". The results of the questionnaire showed that the pandemic has had an impact on the respondents' flight behavior and that the majority believes that the crisis will impact the aviation industry and Miles & More negatively.

Especially, questions 10, 11 and 14 can be used to answer the second SRQ. The results of question 10 showed that more than 90% of the respondents have flown less since the beginning of Corona measures in March 2020. Furthermore, question 11 revealed that the majority (71.19%) of the respondents believe that the frequency of air travel will increase after the pandemic but will not reach the pre-pandemic level. Finally, most respondents are not particularly optimistic about Miles & More's significance after the pandemic: 44% of the respondents indicated that Miles & Miles will only be slightly significant. Therefore, it can be argued that FFPs will not be as relevant for customers since April 2020 than they were before as people fly less and think that the flight frequency will not reach the same level as before.

4. CONCLUSION

4.1. LIMITATIONS

As every study, this thesis also has its limitations. Some were already visible in the beginning and others unfolded themselves in the study process and evaluation of the data.

In order to reach the largest possible number of potential participants in a short time frame, the method of an online questionnaire was chosen. This data collection method has its advantages as the pool of participants is not geographically limited in advance as it might occur with individual, personal interviews, since anybody with internet access can theoretically access the survey. However, the survey method can be seen as a limitation itself. The reason will be outlined in this chapter.

The sample

The sample used in this study is rather small. Even though, 106 respondents started the survey, there are only 59 complete data sets. This is partly due to the fact that respondents were first asked whether they are members of Miles & More, as only members of the FFP are relevant to the survey. This selection already eliminated 40 participants. In the course of the survey, a further 7 participants did not complete the survey in full, which is why in the end only 59 complete data sets emerged from the survey. In relation to more than 30 million Miles & More members, 59 respondents may be considered not particularly representative.

The rather small number of participants can be explained with the fact that not all Miles & More members could be contacted due to a lack of resources. This would only have been possible with internal Miles & More e-mail lists. However, having internal customer information disclosed would have been difficult as it might violate data protection law or would have at least required extra approval by Miles & More, which would have taken time.

Regarding the demographics of the sample itself there also might be a distortion from the actual member cohort. The majority of participants indicated that they were male and between 25 and 34 years old. To what extent this sample reflects the actual membership structure of Miles & More is unfortunately not traceable, as Miles & More does not publicly disclose the gender and age of the average Miles & More member.

Data collection and analysis

First of all, one can never be sure of how accurate respondents filled out a survey. There is always the risk that people fill out the survey more than once, which cannot be traced by the IP address if they use various devices. Furthermore, in addition to multiple participation, it must be expected that some questions were answered intentionally or unintentionally dishonestly, for example, due to comprehension problems. The limitation due to a language barrier was minimized due to the given possibility to choose between English and German. However, there may be Miles & More members who speak neither German nor English.

Another limitation could be that surveys are more commonly used for quantitative data collection. However, the developed questionnaire is used as qualitative data collection and therefore rather deviates from the 'norm'. A survey with a questionnaire was deliberately chosen rather than individual interviews with a few Miles & More members, as it was hoped that a survey with many respondents would provide a better picture of the general expectations and wishes among members, which could be then projected onto all Miles & More members. In the case of individual interviews, such generalization would not have been possible because the number of respondents would have been far too small, with only selected members serving as study participants. In addition, this pre-selection of interview participants would have potentially led to a distortion of the general opinion picture, as it might have been possible to unconsciously select mainly participants who view the impact of the Corona pandemic on the Miles & More program as excessive and the future of the program as rather pessimistic.

However, this problem of prior bias in the results also exists in the survey conducted, as it was mainly disseminated through private social media channels. Here, there is a risk of falling into what is known in academia as the 'bubble effect', 'filter bubble' or 'identity bubble'. This phenomenon is particularly well known in connection with fake news. Social media channels such as Facebook or Instagram constantly collect data about users while they are using the platforms. By clicking, liking, and commenting on pictures, articles or videos, the interests and preferences of the users are recognized. The more a user is active on a platform, the better that platform knows the respective user. Based on the data collected, the user is then shown more content that matches the interest profile created (Kaakinen et al. 2020; Spohr, 2017; Hidayah, 2018). Since people tend to follow or subscribe to like-minded people on social media platforms, the subscribers are also more likely to be in the same bubble.

Questionnaire design

As mentioned in chapter '3.2.2.1 Questionnaire Design', it was decided not to ask open-ended questions with text fields in order to limit the length of the survey and to minimize the probability of dropouts. However, this decision is one of the biggest limitations of this survey, as it prescribes answer choices to respondents and does not allow them to express their own opinion. Due to the predefined answer options, there is a risk that the respondents will be steered in a certain direction by the questioner and that the result of the survey will be biased and thus no longer objective. This is the case in this paper for questions nine and 15 (Appendix V). In question nine, respondents were asked why they have a Lufthansa Miles & More Credit Card. The following options were available, with multiple answers possible:

- To save my collected award miles from expiring
- To collect award miles in addition to flying/shopping
- It comes with my status (Senator, HON Circle)
- Other reasons

The first three answer choices represent the actual main reasons for owning the credit card. However, there are other reasons depending on the type of credit card. For example, users of the golden Lufthansa Miles & More Credit Card have extensive insurance coverage, such as comprehensive rental car insurance or foreign travel health insurance, which would normally cost much more than the monthly card fee (Miles & More, n.d.l). The fact that respondents could only indicate 'Other reasons' means that it was not possible to find out what other reasons there are for having the credit card.

Question 15 asked respondents what they expect from the program in the future or what changes should be made. The following options were available, with multiple answers possible:

- Lower threshold for becoming a Frequent Traveller
- No expiration of collected award miles even as a Base member
- Keeping some of the current goodwill measures in place such as the possibility to earn status miles with the Lufthansa Miles & More Credit Card
- Other

Again, there is the issue of suggestion of answers. These are the suggestions of the questioner and may not reflect the suggestions of the respondents, were they given the opportunity to express themselves. This condition represents a limitation that would not have arisen from a classic interview setting where it would have been more feasible to specifically address and elaborate on individual questions. It might also be the case that respondents chose 'Other' in addition to the other suggestions because they thought there might be something else, they would like to add but would not be able to phrase their idea when asked in person. However, since only 5% of the respondents had also given the answer 'Other', it can be assumed that the outcome of this question corresponds to reality. The same is applicable for question nine, where only 8.54% of respondents also indicated 'Other reasons' for owning the credit card.

Another risk of bias in the results is connected to how a question is formulated and framed. A question can be phrased in a way to manipulate the respondents into giving the answer that is desirable. This can happen, for example, through certain formulations or by giving information in the question that unconsciously or consciously influences the respondent. This was the case for question 12, where respondents were told that a program change was announced in November 2019 that was to be implemented in 2021 but was put on hold indefinitely due to the pandemic. Regarding the content of the change, it was simply noted that, for example, the threshold to achieve one of the three status was to be changed. In addition, it was stated that the change had been criticized by the media. Subsequently, the respondents were to give a rating on a scale of 1-5 stars (1 = very bad, 5 = very good).

The problem lies in the fact that the respondents were informed that the program had been criticized in the media. With this reference to the negative public reaction to the change, it is reasonable to assume that respondents would likely give a more negative rating at this point. With an arithmetic mean of 2.2 stars, the rating of the program change was indeed rather negative. The reason that the information about the negative media reaction was given is that it was assumed that because the program changes were discussed so much in the media, the respondents might be more likely to remember the content of the change as a result and thus be better able to evaluate it. Thus, the reference served more for memory purposes than to influence respondents. However, it cannot be ruled out that the respondents were influenced, which is why it is questionable whether the results of this question are valid at all.

Question three could also be considered as vaguely formulated. Respondents were asked whether they had actively collected miles in the past ten years by flying with Lufthansa or another Star Alliance Airline. It could be argued that flying with Lufthansa and collecting miles does not necessarily show active interest in the FFP because someone who flies might just 'take' the miles anyway as the amount of collected award and status miles depends heavily on the booking class. Maybe someone simply got a cheap ticket in a low booking class and therefore flies with the airline, but not primarily because of the miles. Nevertheless, they have actively collected the miles at this point, but are perhaps not that interested in Miles & More.

As mentioned before, 106 people started the survey, 66 of whom indicated they were Miles & More members. However, only 59 respondents out of 66 respondents,

actually finished the survey. This means seven participants lost interest along the way. On the one hand, this may be due to the fact that the participant did not want to continue or that the answer options did not fit. Another limitation could have been that the participants were forced to give an answer, but there was not always the answer option 'Other' or 'I don't know' or an open text field, where participants would have been able to give a personal answer. However, this decision for mandatory answers was made deliberately in order to achieve the most meaningful result possible, since the options 'I don't know' or 'Other' can also be an easy way out for respondents who do not actually feel like answering the survey.

Lack of previous research studies on the topic

The last limitation or issue of this thesis is the fact that there is no academic research available that deals with FFPs during the Corona Pandemic, yet. Therefore, it was not possible to learn from existing academic literature or to further develop other researchers' ideas. A link between CRM, FFPs and the Corona pandemic had to be made based on the conceptual framework outlined in this thesis (see '2.4 Conceptual Framework').

4.2. SUGGESTIONS FOR FURTHER RESEARCH

Without any doubt, the Corona crisis poses a serious threat to the airline industry, and it will certainly take some time to repair the economic damage. The frequent flyer program Miles & More is an important part of the Lufthansa Group, which was hit particularly hard by the crisis, because how are frequent flyers supposed to collect status and award miles without being able to fly? Since this thesis uses a quantitative questionnaire as the main data collection tool, it would be important to conduct individual interviews with Miles & More participants in order to better understand their needs. It is very important for the FFP to keep their most loyal members.

Furthermore, attention must be paid to the further development of the Corona crisis. Since the incidences worldwide do not remain continuously the same, but fluctuate strongly, the governmental authorities may introduce regulations that may affect the aviation industry even further. In addition, more and more mutations of the virus are emerging, making it increasingly difficult to assess the situation. With each mutation, the risk increases that the vaccines currently on the market will not provide sufficient protection. This unpredictable situation has a damaging effect on the

economy and thus also on the frequent flyer program, depending on the length of the crisis.

As mentioned in the previous chapter '4.1. Limitations', the sample size of the survey is rather small in relation to the existing Miles & More members. With the help of internal e-mail lists of the FFP, a much more meaningful opinion of Miles & More members could be generated as to whether the FFP will still be relevant in the future. In addition to the current crisis, the low-cost segment of the airline industry is another factor limiting the Lufthansa Group's business. A combination of a survey of Miles & More members and further analysis in the field of low-cost airlines could reveal deeper insights into the relevance of Miles & More.

In addition, further research of the status customer portfolio over the next 5 years would be helpful to include the full impact of the Corona pandemic. The service of frequent flyer programs has an increasing impact on customer loyalty and needs to be widely included in future studies.

4.3. DISCUSSION AND CONCLUSION

The Corona pandemic has affected the entire global economy: some countries have implemented a complete lockdown and harsh measures to contain the virus that have or continue to threaten many livelihoods. One sector that has been particularly constrained by the measures is the airline industry. As described in the introduction, the air passenger volume has drastically decreased over the last year (Koptyug, 2021).

To examine the effects of the crisis on frequent flyer programs, Lufthansa's FFP Miles & More was examined in more detail. A questionnaire was used to conduct a survey among Miles & More members to find out what they expect from the program and what they think the post-crisis period will be like. In addition, a content analysis was conducted to examine the reactions and effects on the Lufthansa Group based on annual reports and journalistic articles. This analysis showed that Lufthansa was hit hard by the crisis. About 27,000 employees had to be gradually laid off as a result of the pandemic, salaries were cut, and the fleet was reduced by 150 aircraft (Lufthansa Group, 2020b).

The pandemic presented the Lufthansa Group with an unprecedented crisis. This has undoubtedly had an impact on the company's own frequent flyer program, Miles & More. This program thrives above all on its frequent flyers, who are divided into three status. With the crisis and the increase in online meetings, business trips by plane are moving further back in the agenda. In order to comfort its loyal and most valuable customers, Miles & More introduced several goodwill measures. This step is particularly important for the program, as it thrives on its loyal Status members, and it is in its interest that these members also remain loyal to Miles & More.

In order to answer the MRQ "What are the expectations of Miles & More members regarding the outlook of the FFP after the Corona pandemic?", a survey was conducted among Miles & More members. The questionnaire revealed that the members surveyed were not particularly optimistic about the future of the FFP. For example, the majority stated that they believe the program will only be slightly significant after the crisis. In addition, 70% of respondents believe that passenger volumes will not return to pre-pandemic levels. These are not good prospects for Europe's largest airline. Many respondents also want their award miles not to expire if they do not have a status and would like it to be easier for them to achieve the lowest status, Frequent Traveller. The latter would also be beneficial for Miles & More, as it would gain even more valuable Status members, who would tend to choose to fly with Lufthansa or another Star Alliance airline. This would be very important, as Lufthansa is not only struggling with the crisis, but also with the extremely low prices of lowcost airlines. However, as stated in the limitations, it is questionable how valid the results of the conducted survey are as answer options were prescribed to the respondents and therefore might have caused biased results.

In addition to the Corona crisis, the aviation industry is facing another threat for its revenue: climate change. Aircraft produce large amounts of the greenhouse gas, which is responsible for rising temperatures and weather changes around the world. This also increasingly influences the flight behavior of the population, especially since Fridays for Future. The initiative has triggered an increased climate awareness among the population, especially among the younger generation, who will experience the effects of the climate crisis even more clearly than the currently working part of the population. Many large corporations have set themselves the goal of becoming climate neutral by 2030, and that is not possible with business travel by air. Instead, employees are told to travel by train or hold meetings online. As long as the airline industry fails to bring more climate-friendly aircraft onto the market, this attitude will not change. Although there are already promising projects for e-aircraft, it will be years before they are ready for the market (Schuler, 2021).

The impact of the crisis on loyalty programs studied in this thesis is very specific as it relates to FFPs, which have been extremely limited in the current Corona pandemic, due to travel restrictions. Generalizing the results to other settings is therefore rather difficult. Other customer loyalty programs such as Payback or DeutschlandCard are not as dependent on tourism and mostly focus on program partners from the retail sector such as stores, supermarkets, or gas stations. During the lockdown many shops were closed. The closure might have had an impact on the customers of these programs. However, this is just an assumption as some programs also offer the possibility to collect points with online shopping. Therefore, the effect on these kind of loyalty programs is not that severe. In fact, Payback even benefitted from its biggest program partners like the supermarket chain Rewe or drugstore chain dm in the past year and the thriving e-commerce sector (Gillner, 2021). As the program structure of Miles & More shows, the program already tries to stand out from other FFPs as it offers its customers the possibility to collect award miles by shopping at program partners.

In conclusion, several factors have an impact on the decline in air passenger traffic. Currently, the biggest factor is the Corona pandemic, which has made travel extremely limited. Due to the pandemic, many people have been working from home for over a year. Many companies have realized that a large number of meetings can be held online, making business travel unnecessary. Another factor is the increasing climate awareness of the population. This is likely to increase once again following the floods in July 2021. In addition, more and more companies want to become climate-neutral and are prohibiting their employees from taking domestic flights and instead switching to trains.

5. APPENDICES

APPENDIX I

Timeline of Airlines joining Star Alliance



Own illustration (Star Alliance, 2019)

APPENDIX II

Summary of the most important benefits of FTL, Senator and HON Circle

The most important services	FREQUENT TRAVELLER	SENATOR	HON CIRCLE MEMBERS
card	The Local Data		Annual Annua
Qualification	35,000 status miles ¹ or 30 scheduled flights in one cal- endar year ¹⁸	100,000 status miles ¹ in the cal- endar year	600,000 HON Circle miles ² in two consecutive calendar years (current and previous)
Award mile validity	As long as you remain a sta- tus member, your miles do not expire	As long as you remain a status member, your miles do not ex- pire	As long as you remain a sta- tus member, your miles do not expire
Extra miles (Executive Bonus) ³	Up to 50% more award miles, 25% more Status, Select and HON Circle miles	Up to 50% more award miles, 25% more Status, Select and HON Circle miles	Up to 50% more award miles 25% more Status, Select and HON Circle miles
Fly one class higher (upgrade voucher)		Two eVouchers upon achieving status and at every status re- newal ⁴	Six eVouchers upon achievir status and at every status re newal ⁴
Booking guarantee		Up to 48 hours before departure in the booking classes of the highest value in Business Class, Premium Economy Class and Economy Class ⁵	Up to 24 hours before depa ture in the booking classes the highest value in Busines Class, Premium Economy Class and Economy Class ⁵
Vaiting list priority	Third highest waiting list priority ¹⁶	Second highest waiting list priority ¹⁶	Highest waiting list priority ¹⁷
Priority check-in	Business Class check-in with Miles & More airline part- ners ⁶	First Class check-in, Premium check-in	First Class check-in, check- at the First Class Terminal ir Frankfurt (Air Dolomiti, Aus- trian Airlines, Lufthansa, SWISS), Premium check-in
Total amount of ree baggage	Piece concept: 1 additional bag in Economy Class, a to- tal of 2 bags in Premium Economy Class and Busi- ness Class, 3 bags in First Class ¹²	Weight concept: additional 20 kg ^{7, 8} Piece concept: 2 or 3 bags on certain routes in Economy Class, 3 bags in Premium Economy Class and Business Class, 4 bags in First Class ^{13, 14}	Weight concept: additional 20 kg ^{7, 8} Piece concept: Economy Class 2 or 3 bags on certain routes, 3 bags in Premium Economy Class and Busines Class, 4 bags in First Class ¹ 14
D-1/1	One piece of golfing equip- ment within the permitted	Free carriage of an additional golf bag ^{7, 9}	Free carriage of an addition golf bag ^{7, 9}
Golf bags	free baggage allowance ¹⁹		

The most important services	FREQUENT TRAVELLER	SENATOR	HON CIRCLE MEMBERS
Lounge access	Business Lounge ¹⁰	Senator and Star Gold Lounges ¹¹	Lufthansa First Class, SWISS First and Austrian HON Circle Lounga ¹⁵ , First Class Termi- nal in Frankfurt
Access to the First Class Terminal	Only with First Class ticket (Lufthansa, SWISS flights)	Only with First Class ticket (Lufthansa, SWISS flights)	Regardless of your service class (Air Dolomiti, Austrian Airlines, Lufthansa, SWISS)
Limousine and transfer ser- vice			\checkmark
Personal assistance			Frankfurt and Lufthansa in- tercontinental branches worldwide
Increased flight award availability		Senator Premium Award (im- proved booking chances in re- turn for 1.5 times the miles)	Best flight award availability: HON member + 3 travelling companions up to 14 days before departure, if seats are still available in Business, Premium Economy and Econ- omy Class (for flights operat- ed by LH, OS, LO, LX, SN)
Companion Award (LH, OS, OU, LO, LX, LG, SN, 4U, EW)		\checkmark	\checkmark
Exclusive service hotline	\checkmark	\checkmark	We provide 24-hour service in selected markets. You can find the precise service open- ing hours under <u>Help and</u> <u>Contact</u> .
Senator partner card for spouse/life partner			\checkmark
Mileage advance		\checkmark	\checkmark
Senator Premium Award		\checkmark	\checkmark

⁽Miles & More, n.d.a)

Due to the length of this paper, the detailed footnotes displayed in the table are not included and can be found on the Miles & More website. Please refer to the corresponding reference.

APPENDIX III

Miles & More Flight award chart

From/To		Europe	North America	Hawaii	Central America & Caribbean	South America	Middle East/ Caucasus/ North & Central Africa ²	Southern Africa	India	Southeast Asia	Central Asia/ Far East	Australia/ New Zealand/ Oceania
	Economy	35,000	60,000 ³	100,000	70,000	80,000	40,000	60,000	60,000	80,000	80,000	100,000
	Premium Economy ^{5,6}		80,000		95,000	110,000	55,000	80,000	80,000	105,000	105,000	
Europe	Business	50,000	112,000	192,000	127,000	142,000	70,000	112,000	112,000	142,000	142,000	192,000
	First Class ⁷		182,000	302,000	202,000	222,000	130,000	182,000	182,000	222,000	222,000	302,000
	Economy		35,000	40,000	35,000	60,000	80,000	100,000	100,000	80,000	80,000	80,000
North America	Business		60,000	70,000	60,000	112,000	142,000	192,000	192,000	142,000	142,000	142,000
	First Class		80,000	130,000	90,000	182,000	222,000	302,000	302,000	222,000	222,000	222,000
	Economy			<u>-</u> 4	60,000	80,000	100,000	100,000	100,000	60,000	40,000	40,000
Hawaii	Business			-4	112,000	142,000	192,000	192,000	192,000	112,000	70,000	70,000
	First Class			_4	182,000	222,000	302,000	302,000	302,000	182,000	130,000	130,000
0	Economy				35,000	35,000	100,000	100,000	100,000	100,000	100,000	80,000
Central America &	Business				60,000	60,000	172,000	172,000	192,000	192,000	192,000	142,000
Caribbean	First Class				80,000	90,000	242,000	242,000	302,000	302,000	302,000	222,000
	Economy					35,000	100,000	60,000	100,000	100,000	100,000	80,000
South America	Business					60,000	192,000	112,000	192,000	192,000	192,000	142,000
	First Class					80,000	302,000	182,000	302,000	302,000	302,000	222,000
Middle East/	Economy						35,000	40,000	30,000	60,000	80,000	100,000
Caucasus/ North &	Business						60,000	70,000	60,000	112,000	142,000	192,000
Central Africa ²	First Class						80,0007	130,000	80,000	182,000	222,000	302,000
	Economy							35,000	60,000	80,000	100,000	100,000
Southern Africa	Business							60,000	112,000	142,000	192,000	192,000
	First Class							80,000	182,000	222,000	302,000	302,000
	Economy								35,000	40,000	40,000	80,000
India	Business								60,000	70,000	70,000	142,000
	First Class								80,000	130,000	130,000	222,000
	Economy									35,000	40,000	60,000
	Premium Economy ⁵									40,000		
Southeast Asia	Business									60,000	70,000	112,000
	First Class									80,000	130,000	182,000
	Economy										35,000	60,000
Central Asia/	Premium Economy ⁸											80,000
Far East	Business										60,000	112,000
	First Class										80,000	182,000
	Economy											35,000
Australia/ New Zealand/	Business											60,000
Oceania	First Class											80,000

Domestic (within Europe)		Domestic (outside Europe)		Three regions		Round th	ne World	
Economy	30,000	Economy	30,000	Economy	100,000	Economy	180,000	Information on Eurowings flight
				Premium Economy ⁵	140,000			awards can be found at miles-and-more.com/
Business	40,000	Business	40,000	Business	195,000	Business	335,000	ew-award
		First Class	55,000	First Class	310,000	First Class	500,000	

¹ Information provided is correct as of 1 September2020, The latest awards chart can be found at miles-and-more.com. Mileage levels apply to return flights. Any changes to the flight award chart that lead to an increase in the number of miles required will be announced in the Miles & More newsletter and online at miles-and-more.com three months in advance.² For members residing in Egypt, Algeria, Israel, Jordan, Lebanon, Libya, Morocco, Svria and Tunisia, the award levels for the Middle Best/Caucasus/North & Central Africa region apply to flight award bookings made since 9 May 2019. ³ For members residing in the USA, 60,000 miles instead of 50,000 miles apply to flight award bookings made afre? May 2019 if the journey starts in the USA. ⁴ Currently not serviced by Star Alliance. ⁵ Only on flights operated by Lufthansa, Austrian Airlines, Brussels Airlines and Eurowings.⁹ For flight awards with LOT Polish Airlines, the following award levels apply in LOT Premium Economy: 40,000 miles instead or 50,000 miles form Europe to North America and 100,000 miles from Europe to the Middle East, 75,000 miles form Europe to North America and 100,000 miles from Europe to the Niddle East, 75,000 miles form Europe to North America and 100,000 miles from Europe to the Far East.⁷ Flight awards for SWISS First Class are only available to HON Circle Members and Senators, subject to availability. ⁶ Only on flights operated by Cathay Pacific.

Note: In general, the mileage amounts specified in the Star Alliance flight award chart apply to flights operated by the Miles & More airline partners Air Astana (only on selected routes), Air Dolomiti, Air Malta, Cathay Pa-cific (only on selected routes), Condor, Eurowings, Luxair and Olympic.

On certain routes, special mileage amounts apply to flights operated by Austrian Airlines and Croatia Airlines.

The destinations and travel classes available in the relevant regions depend on the timetable operated by Lutthansa and its airline partners valid at the time of the reservation. Mileage amounts and connections shown here may not be covered by the current timetables of Lutthansa and its airline partners. The availability of awards may vary depending on date, season and destination, Individual awards may not be available at certain times. In addition, by claiming a flight award, you are liable for any applicable taxes and fees, any surcharges of the relevant airlines as well as any service charges that may apply. Mileage amounts shown here may not be applicable to the most favourable flight connection in your case.

More detailed information can be found at miles-and-more.com/contact; alternatively you can call the Miles & More Service Team on +49 - 69 - 20 97 77 777.

(Miles & More, 2020)

APPENDIX IV

Lufthansa booking classes

Domestic German / Domestic flights within European countries

Travel class	Booking class	Miles
Business Class	C, D, J	1,500
Business Class	Z	1,000
Business Class	Ρ	500
Economy Class	В, Ү	1,000
Economy Class	H, M, U	500
Economy Class	Q, S, V, W	250
Economy Class	K, L, T	125

International European flights

Travel class	Booking class	Miles
Business Class	C, D, J	2,000
Business Class	Z	1,250
Business Class	Ρ	750
Economy Class	B, M, Y	1,250
Economy Class	H, Q, U, V	750
Economy Class	S, W	500
Economy Class	K, L, T	125

Worldwide flights from / to / between non-European locations

Travel class	Booking class	Miles
First Class	A, F	3.0 x distance; min. 1,500 miles
Business Class	C, D, J	2.0 x distance; min. 1,000 miles
Business Class	Z	1.5 x distance; min. 750 miles
Business Class	Ρ	1.0 x distance; min. 500 miles
Premium Economy Class	E, G	1.5 x distance; min. 750 miles
Premium Economy Class	Ν	1.0 x distance; min. 500 miles
Economy Class	В, Ү	1.5 x distance; min. 750 miles
Economy Class	H, M, U	1.0 x distance; min. 500 miles
Economy Class	Q, S, V, W	0.5 x distance; min. 250 miles
Economy Class	K, L, T	0.25 x distance; min. 250 miles

(Miles & More, n.d.j)

APPENDIX V

Questionnaire

- 1. Are you a Miles & More member?
 - Yes
 - No³
- 2. How long have you been a Miles & More member?
 - Less than 5 years
 - 5-10 years
 - 10-15 years
 - 15 years or more
- 3. Have you actively collected miles in the past 10 years by flying with Lufthansa or another Star Alliance Airline?
 - Yes
 - No
- 4. Miles & More has three status for members who fly particularly often. Do you have any of the 3 status within the Miles & More program?
 - Frequent Traveller, due to business trips
 - Frequent Traveller, due to leisure trips
 - Senator, due to business trips
 - Senator, due to leisure trips
 - HON Circle, due to business trips
 - HON Circle, due to leisure trips
 - None (Base member)

³ If the participant denied being a Miles & More member, the survey was terminated directly, as membership is a prerequisite for participation

- 5. Why did you/do you chose to fly with Lufthansa (including subsidiaries likes Eurowings, SunExpress and Air Dolomiti) or other Star Alliance Airlines? Multiple answers are possible.
 - To collect award miles
 - To collect status miles in order to receive/maintain a status
 - I like the standards of these airlines (e.g., service on board, comfort, etc.)
 - I got a deal for a ticket (e.g., cheapest price, best connection etc.)
 - No specific reason
- 6. What do you use your collected award miles for? Multiple answers are possible.
 - Upgrades in a higher booking class (e.g., from Economy Class into Business Class)
 - Shopping/Leisure Travel (Lufthansa World Shop, other Miles & More partners)
 - Mileage Bargains (buy a flight with miles instead of money)
 - Pay for the Lufthansa Miles & More Credit Card fee
 - Donation of miles to aid organizations
 - Cash & Miles (Pay flight ticket with a specific amount in miles and the rest with money)
- 7. Do you mostly fly for business purposes?
 - Yes
 - No
- 8. Do you have a Lufthansa Miles & More Credit Card?
 - Yes
 - No
- Why do you have a Lufthansa Miles & More Credit Card? Multiple answers are possible.⁴
 - To save my collected award miles from expiring
 - To collect award miles in addition to flying/shopping
 - It comes with my status (Senator, HON Circle)
 - Other reasons

⁴ If the previous question was affirmed this additional question was asked.

- 10. Have you flown less since March 2020?
 - Yes
 - No
- 11. Online-meetings have significantly increased since the start of the pandemic in March 2020, meanwhile (business) air travel has almost come to a standstill. Do you think the frequency of (business) air travel will increase after the pandemic?
 - Yes, it will increase to the pre-pandemic level.
 - Yes, it will increase but not to the pre-pandemic level.
 - No, it won't increase.
- 12. In November 2019, Miles & More announced that it was going to make changes in the program like changing the threshold for receiving either one of the three status in 2021. The changes were criticized in the media. However, due to the pandemic the launch of the program is indefinitely put on hold. How many stars would you give the possible program change (1 = very bad, 5 = very good)?
 - Rating *****
- 13. Instead of the aforementioned change in the program a goodwill measure was introduced for members during the current pandemic. The following shows three of these measures. Please rate each measure with one to five stars (1 = completely useless, 5 = completely useful).
 - The assurance to prolong the current status (Frequent Traveller, Senator, HON) for an extra year without any status mileage accumulation in 2020 (e.g., the status is to expire in February 2021)
 - Collecting double status Miles on all flights in 2021

 - Status members are able to earn up to 30,000 status miles via sales with the Lufthansa Miles & More Credit Card in 2021

$\bigstar \bigstar \bigstar \bigstar \bigstar \bigstar$

- 14. Do you think Miles & More will have the same significance after the pandemic as it did before the pandemic?
 - Not significant whatsoever
 - Slightly significant
 - Significant
 - Rather significant

- Highly significant
- 15. What expectations do you have / changes should be made in the future? Multiple answers are possible.
 - Lower threshold for becoming a Frequent Traveller
 - No expiration of collected Award Miles even as a Base member
 - Keeping some of the current goodwill measures in place such as the possibility to earn status miles with the Lufthansa Miles & More Credit Card
 - Other

16. What is your gender?

- Female
- Male
- Non-binary/divers
- Not specified

17. How old are you?

- Under 18 years
- 18-24 years
- 25-34 years
- 35-44 years
- 45-59 years
- 60 years and older

18. What is your highest educational qualification?

- No degree
- High School Diploma (e.g., Abitur, A-levels, Realschul-/Hauptschulabschluss)
- Completed apprenticeship
- Bachelor (or equivalent)
- Master (or equivalent e.g., Diplom)
- PhD
- Other

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