

COMPETITIVE DIFFERENTIATION STRATEGY OF CEBU PACIFIC AIR TOWARDS PASSENGER LOYALTY

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Abstract. In a competitive market, Cebu Pacific Air aims to be the top choice of airline by utilizing differentiation strategy to reduce the pressure by other brands. The airline constantly improves its existing services through introducing new ones to tailor its offerings to the needs of its passengers in order to increase customer satisfaction and loyalty. In this study, the researchers utilized a qualitative case study to prove if Cebu Pacific Air's differentiation strategy applied in their services create impact on the brand loyalty of some of their target market through a set of structured interview questions, as services are seen as a key tool in an airline's attempt to differentiate itself from its competitors, while customer loyalty may contribute as a competitive advantage for an airline. The result of the interview revealed different factors that lead the passengers to repurchase the same services from the airline, and the impact of Cebu Pacific Air's services on the loyalty of their customers.

Keywords: *competitive advantage, differentiation strategy, cebu pacific, customer loyalty*

Introduction

Cebu Air Inc (Cebu Pacific Air) is the oldest low-cost carrier in Asia that is based in Lapu-Lapu City, Metro Cebu, Philippines, at Mactan-Cebu International Airport (Terminal 2). It began its operations on March 8, 1996, and known for its brand image as an airline with "Low Fare, Great Value" strategy, offering lower fares than traditional full-service airlines while providing passengers with an enjoyable travel experience and trustworthy services. They are the leader of the market not only because of their inexpensive fares but because of their innovation and originality. Cebu Pacific being the experienced brand with strong foothold, uses differentiation strategy to reduce the pressure by other brands. The airline constantly improves its existing services through introducing new ones in order to tailor its offers to the needs of its passengers in order to increase customer satisfaction and loyalty. In 2005, the company embraced the low-cost carrier (LCC) business model, providing clients with economical aviation services. Cebu Pacific must find another way to be the market leader given that other LCC competitors have the same low-cost strategy. Cebu Pacific demonstrates this by being the first local airline in the Philippines to offer bought excess luggage, e-ticketing, and seat selection. Guests have grown to expect a distinctively enjoyable flying experience with CEB, as it is the only domestic carrier that offers onboard games branded "Fun Flights" and an entertaining inflight magazine called Smile, which gives authoritative and impartial travel information on destinations. In an industry with tough competition, service differentiation has been a crucial predictor of an airline's growth.

Differentiation combined with customer loyalty, are considered important aspects of business because a company's success is primarily dependent on how effectively it maintains its customers through service (Monroe, 2012). Exceptional service quality is

expected to promote client happiness, which will boost loyalty and customer retention. According to previous research, through customer loyalty, it helps to instill an attitude in customers leading them to repurchase, increase spend, as well as advocate on the company's behalf. This goes beyond merely meeting client expectations, as it is accomplished through developing unique experiences and products that people value and prefer. This simply demonstrates that strong service quality leads to client happiness, which boosts a company's market competitiveness. Customer loyalty is critical since it indicates that the target market is satisfied with what the company is doing or providing. The customer happiness means a higher possibility for customer retention, higher lifetime value, passenger trust and satisfaction, which are all determinants of passenger loyalty which will lead to a stronger company reputation. Low customer satisfaction rates, on the other hand, are taken into account. They can disclose client annoyances and offer data-backed recommendations for how to improve the company's product, service, and overall customer experience (Franklin, 2023). Additionally, services should have the ability to adapt to increasing consumer numbers and increased satisfaction demands. Varied consumers have different expectations about the services provided, and if the firm is to maintain a consistent customer base and profitability rate, it must meet the expectations of the majority of them, in order for them to remain loyal.

On today's competitive environment, organizations must earn the customer's trust by consistently meeting or exceeding expectations. Smoak (2016) has laid a simplified explanation of the way how a company manages and sustain its activities, as services are considered an important tool for a firm to differentiate itself from its competitors. Although competitive advantage can be divided into two categories: cost leadership, which means a company sets out to be the low-cost producer, and differentiation which strives to be distinctive in its industry, the effectiveness of the strategies will depend on the range of the company. According to previous researcher, given that Cebu Pacific is a low-cost carrier, their cost leadership strategy alone cannot be considered as a consistent competitive advantage because they follow the LCC Business Model, which is known as "no-frills" and "budget airline". Despite the flaws and limitations of the said strategies, the concept has been frequently used in major corporations such as Cebu Pacific Air. The airline adopted the other strategy, which is differentiation, to position its product offerings in a way it can stand out and be different from the available alternatives. According to the past research, products are tangible in nature but could be easily differentiated on the basis of features, form, quality and delivery of service. Service differentiation can be quite challenging as the management will be needing a lot of out of the box thinking. It is a matter of asking the question, "How can you differentiate your services?" and the answer will depend on the needs of the target market. It is critical to identify and comprehend the market's niches or segmentation since knowing the demands of potential customers aids the organization in developing new ideas based on the customer's wants and specifications. The target market of Cebu Pacific Air is leisure and corporate clients who desire less comfort and more travel. They appear to be financially savvy and content with a low-cost, safe and enjoyable airline service. Cebu Pacific Air's target market includes both business and leisure travelers, men and women, BCD social class, single and married. CEB's target market includes price-conscious, internet-savvy professional people and leisure travelers who would like to travel locally.

As CEB wants to clearly communicate the unique proposition they want to offer to their passengers, the success of Cebu Pacific's differentiation strategy will be determined by passengers' attention to one or more significant features of the brand that make it a wiser option than comparable brands. Hence, the need for the researchers to determine if focusing on a certain market and using differentiation strategy have a significant impact on the passenger loyalty at Cebu Pacific. Furthermore, the differentiation strategy should be able to demonstrate that even though the services or products have all the features of competing choices, there must be exclusive benefits or a unique feature that no one else offer, also known as the key differentiator. Moreover, customer loyalty should be the proof as it manifests the willingness of a customer to engage with the company and repeatedly purchase its key differentiators than its competitors. The thought is very simple here, the definition of loyalty in this study will be the byproduct of a customer's positive experience with the company, and if the airline can keep customers, they worked so hard to acquire through providing great experiences, it will help them to obtain competitive advantage. There are key differentiators which are the source of Cebu Pacific's differentiation strategy to have a distinct and unique value that sets itself apart from its competitors within the market. The researchers would like to know if these unique services create brand loyalty towards Cebu Pacific or have a significant impact on the loyalty of their passengers. Some of their unique services which are famously known about them is their entertainment system, such as fun flight games and smile magazine. Others are ceb flexi, web check-in, simple fare structure, claim on time flights, most number of domestic destinations, most number of routes per day and many more.

The study's scope will be limited to Cebu Pacific's identified distinctive offerings, as well as the notion of differentiation strategy and its impact on customer loyalty. There is a limitation on the study as it only seeks to understand if differentiation strategy has any effect in creating brand loyalty on passengers; when there may be other pertinent aspects that may be perceived as important by the passengers of Cebu Pacific. The researchers chose this topic because they want to learn how Cebu Pacific's differentiation strategy, which is used to remain competitive in the airline industry, affects customer loyalty. Cebu Pacific's strategy goal is to persuade its market that there is a distinct difference between the quality of its services and that of other airlines. Having the knowledge about the effect of differentiation on customer loyalty can help to determine the effectiveness of the Cebu Pacific's unique business practices. Moreover, according to the researchers' initial study of related literature, no further study has been conducted about having customer loyalty through differentiation strategy under Cebu Pacific Air, as well as achieving a consistent above-average performance on the quality of their services through implementing differentiation strategy. This research is significant since it will show readers how a differentiation strategy can influence the passengers' choice of airline, and how focusing on certain markets works to achieve passenger loyalty. Additionally, it will provide some insights into the service differentiation of Cebu Pacific. The said respondents of this study will be passengers who are under the four distinct segments of an airline, in which there are distinct needs, evaluation and purchase approaches such as frequent flyer, business travelers, leisure travelers and budget conscious travelers of Cebu Pacific because they are familiar with the services, thus the reason why they continuously fly with Cebu Pacific. This study is exclusively applicable to Cebu Pacific, customer loyalty, differentiation strategy and

key differentiators. It does not include the other type of Porter's Generic Strategies, as well as the implementation of the said strategy and customer loyalty on other airlines.

Problem statement and the objective of study

The goal of researchers is to determine if Cebu Pacific Air's differentiation strategy applied in their services create an impact on the brand loyalty of their target market, as services are seen as a key tool in an airline's attempt to differentiate itself from its competitors, while customer loyalty may contribute as a competitive advantage for an airline. The specific objective of study are include: (1) to identify the unique services of Cebu Pacific, in relation to the concept of differentiation strategy; (2) to determine in differentiation strategy have an impact on the loyalty of passengers at Cebu Pacific; and (3) to identify market segment important in differentiation strategy and in achieving passenger loyalty.

Theoretical framework

Porters' generic competitive strategies

An airline can have one of two types of competitive advantages: cost-leadership and differentiation, and the application of the strategies on a broader or a narrower market segment. Porter's two generic strategies are methods for achieving above average performance in the industry. The researchers will use Differentiation Strategy from Porter's Generic Competitive Strategies as the study's research framework. According to Smoak (2016), if the product or service is unique, the Differentiation Strategy can provide high customer loyalty. *Figure 1* shows the conceptualization of customer loyalty and its interactive points. Customer loyalty is a complex, ever-changing target that is influenced by a multitude of circumstances. The researchers have constructed the conceptual framework on *Figure 1*, to better understand if Differentiation Strategy has any underlying factors behind passenger loyalty at Cebu Pacific. The figure shows the concept of Differentiation Strategy (including its segments) and its connection to the concept of passenger or customer loyalty.

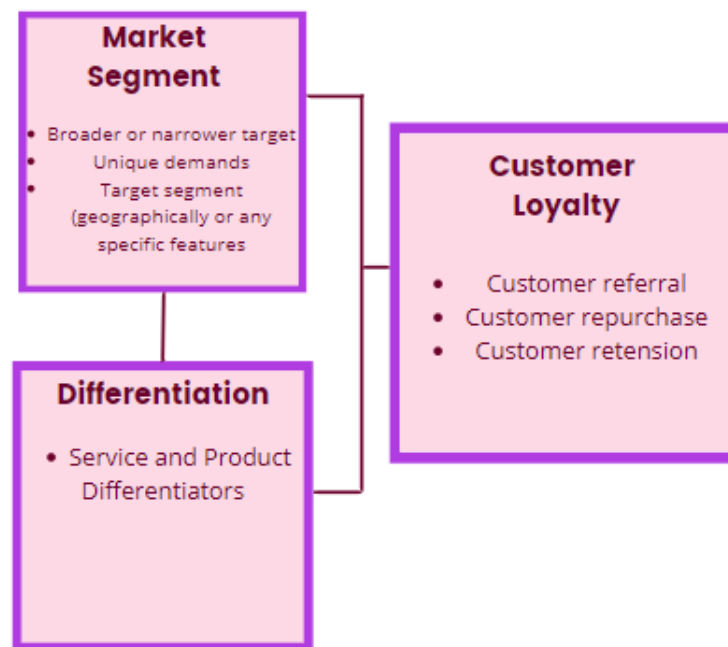


Figure 1. Framework explanation.

Market segment

In the case of market segment, a business tries to stand out in its intended audience. According to Porter's Generic Strategies, it can be a broader or a narrower target. Buyers with distinctive needs should be found in the segments or the manufacturing and administration strategy that finest meets the needs of the target market. This implies that it should be distinct from those of other industries. Differentiation emphasizes the unique demands of customers in certain segments. The differentiation strategy must meet the demands of air travel market segments such as urgent travelers, business travelers, budget conscious travelers and frequent flyers. Accordingly, the target segment might be defined geographically or by particular features that are only appealing to segment elements. This is based on the idea that concentrating on a particular market segment would allow the organization to best represent that market. This frequently results in customer loyalty, preventing competitors from entering the market. Due to the lack of near substitutes, the firm may be able to pass on greater costs to its customers through the differentiation emphasis approach.

Differentiation

There are two competitive strategies originally created, which are cost leadership and differentiation. These strategies create a defensible position against the competitors, giving the company an advantage. He claims that pursuing a single generic strategy is the best way to go, and that pursuing multiple generic strategies at the same time will result in a negative outcome. He further claims that enterprises who do not follow one of these strategies become "stuck-in-the-middle" and weak that will have a negative impact on profit. According to Kataria (2021), although the terms "cost leadership" and "price leadership" are commonly used similarly, they are not equivalent. Even if a company is a lowest-cost manufacturer, it may not provide the lowest-cost service or product, resulting in the rival businesses' higher profits. Given that Cebu Pacific Air is a

type of Low Cost Carrier, which clearly emphasize Kataria's claims about lowest-cost manufacturer, the strategy can only work if it is different from the strategies that other competitors are using. Hence, the need to have a full product/service differentiation strategy, as great technology, innovation, excellence, and quality customer care are some of the most important aspects of the airline's brand (Roll, 2021).

Dismissing the scale, competitive strategy is made up of only one component: uniqueness. As a result, the concern is not about whether to distinguish, but what to do. First, make consumer perception of quality the cornerstone of strategic plan since it is more crucial than any other component in long-term success. Second, it should aim for the working class by contending in the mid-price market and providing superior quality at a higher price than competitors. This is the right path to market share leadership, which would be a sustainable long-term approach. A strategy distinguishes an organization's actions from those of its competitors, and critical competencies permit the adoption of distinctiveness and variety, giving the organization a competitive edge. Furthermore, the more varied a buyer's preferences are, the more flexibility differentiators have to pursue various techniques to improving their offerings. The key to a long-term viability of competitive edge should be aligned with perceived consumer expectations, consistently changing expectations and continuous improvement to improve customer satisfaction.

Customer loyalty

In modern marketing and customer behavior analysis, customer happiness is one of the most important factors. Customers are more likely to use the services again if they are satisfied with the items or services offered. Also, happy consumers are more likely to spread the word. This will lead to positive advertising if people are passionate about their purchases or use of a certain service. Dissatisfied clients, on the other hand, will most likely transfer to a different brand, resulting in bad advertising. In today's highly competitive airline sector, customer happiness has long been considered the key to success. According to García and Caro (2008), customers may desert in one of 2 purposes: their need for a service or product has decreased, or the service or product they are purchasing has fallen short of their expectations in certain way. This indicates that in today's highly competitive market, being good is not enough when others are willing to go to any length to win and keep the company. It's necessary to emphasize that the high value of the work and service given is among the most important factors in developing loyalty.

Relationship of the 3 factors (market segment, differentiation and customer loyalty)

According to Rodriguez (2022), customers are unique individuals with distinct demands or concern. Approaching people as individuals would help marketing efforts while also building client loyalty. However, from outside specialized client service scenarios, it is not always workable to contact consumers one-on-one, which is why categorization can help a company form group of clients with similar characteristics and adapt its communication systems to appeal to repeat customers of various groups. A customer does not want to be treated as "just a number" by a business. Segmentation aids in the creation of a tailored plan that gives customers the impression that you understand their wants. Customers will feel appreciated as a result of this, partially because they will believe that you know them well enough to make them suitable

options that aren't a complete waste of time. The capacity to address clients on a more personal level is segmentation based on customer loyalty. Instead of them thinking you're attempting to sell them something, it will be a huge help while delivering customer service. As a result, customers will begin to perceive your company's general image or brand as though you are attempting to assist them rather than just thinking about your profits. Additionally, buyers with distinctive needs must be found in the target segments or the manufacturing and distribution strategy that best meets the needs of the target market. This implies that it should be distinct from those of other industries. Differentiation emphasizes the unique demands of customers in certain segments. According to previous research, sellers make up the industry; sellers give the goods or services, while customers provide the cash. Because not every consumer has the same features or purchasing abilities, sellers cannot sell identical products or services to all clients. This has an impact on their likes and preferences. As a result, they'll need to know about market segmentation, target markets, and market positioning. Recognizing these allows suppliers to create better products and services that matches their needs, culminating in more cost-effective and efficient approaches.

Literature review

Cost leadership and differentiation, according to Porter's detractors, are not a separate, but rather part of a broad range. Several scholars have presented theoretical reasons to support the idea that cost leading, and uniqueness can be employed in tandem to achieve an edge. Empirical evidence suggests that some firms succeed at both differentiation and cheap cost. One illustration is the global television set business, where Japanese companies were able to achieve both improved quality and lower costs. According to his research, firms in his research were able to attain a mixture of differentiation and cost leadership strategies while experiencing no negative financial performance impact. Both cost leadership and differentiation strategies can be used to outperform the competition. However, a cost leadership strategy is less advantageous than a diversification strategy based on superior quality in comparison to competitors. It has the ability to rocket a firm to market share leadership, and thus low-cost leadership. Porter affirms that the cost leadership and differentiating tactics he describes are not merely parts that may be combined to construct a plan. Rather, each technique necessitates its own society and philosophy. Despite this, research suggests that differentiation and cost leadership may coexist. Porter's cost leadership strategy, according to past research, should be named "price differentiation" because it is based on a lower price than competitors. In addition, he says that business plans are divided into two parts: scope and differentiation. Aside from scope, there is just one component to competitive strategy: differentiation. Originally, the cost leadership plan is a low-price diversification strategy rather than a low-cost strategy. As a result, the only two aspects of company strategy are uniqueness and scope. Leaders in market share compete on differentiation instead of low price. A differentiation strategy may result in economic share leadership, which can contribute to cost savings. Furthermore, because the two are founded on a qualitatively distinct organizational issue that influences, Porter's cost leadership method cannot be combined with a differentiation strategy. Academics must widen Porter's narrow concept of differentiation, which emphasizes distinctness and expensive price. Lastly, the research teams proposed an alternative competitive structure aimed at achieving market share leadership through (a) comprehending the distinction

between segmenting the market and distinctions (b) differentiation at moderate prices, (c) importance of positioning, and (d) the significance of "outpacing".

From the point of view of Shrotriya (2019), a product or service differentiation strategy is utilized when a marketer makes a product that is distinct from the rest of the products on the market in some way in order to fulfill the needs of certain customers. This method is beneficial in a variety of ways, as the researchers try to understand the concept of differentiation. To begin with, it offers the product a distinct identity and focuses the consumer's attention to it. The marketing efforts are considerably more targeted because the unique product is target based, and it also aids in further need identification of that particular customer target group. The product differentiation approach aids in the development of a niche for a particular product. This method might help a company to create client loyalty and perhaps gain a competitive edge. In the opinion of consumers, a differentiated product speaks for itself and wins the fight of perception. It comes up with its own unique selling offer. For marketing success, however, caution is required when implementing a product differentiation approach. The goods should not be overpriced, as this would cause people to lose interest. This technique would be more beneficial in the near term, or until a competitor joins the market with a lower-cost product. As a result, the marketer must be constantly aware of market changes and trends.

As cited by Andaleeb (2016), When compared to competitors, SA has been able to grow by focusing on short-haul, point-to-point, large city flights, while their competitors have suffered. The airline was able to better understand what their target consumer genuinely valued because they focused on certain groups. To name a few advantages, there is comfort, low price, and flights and arrivals on time. After the client categories have been defined as well as characterized, the marketing company must choose which market segment to focus on. Customers will have differing expectations. Customers may place a higher value on a unique, premium service, while other people may be more budget conscious. Given this, not all companies have the assets to provide outstanding service to every consumer. Attempting to satisfy the wants of the overall market could be disastrous. Market segmentation's overall goal is to find high-yielding sectors. These are virtually probably the most lucrative customer segments, and there may be space for growth. As a result, the far more profitable industries are frequently transformed into target markets.

As claimed by Mwabu and Munyoki (2021) in contrast with the concept of Customer Loyalty, the Brand loyalty is more of a critical factor in any organization's success since without it, a consistent, appropriate, or reliable stream of income is jeopardized, especially in today's competitive economic market. Brand loyalty develops when customers' expectations are met by the purchases they make, resulting in frequent or at least regular repurchases from the same brand. The primary distinction between these two types of loyalty is that customer loyalty is based on consumer spending, whereas brand loyalty is based on customer perception. Customer loyalty may be built by offering lower rates than competitors, as well as superior discounts and incentive programs. Pricing isn't as important when it comes to brand loyalty because shoppers believe your brand is trustworthy and high-quality in comparison to the others. Customers who are devoted to a brand are more willing to try other products from the same brand, whether they are more expensive or not. As a result, brand loyalty is a key contributor to a company's financial stability and sustainability. As the market grows more competitive with substitute products and services, the study of Brand Loyalty and

Customer Loyalty will become more important. In order to compete with rivals, producers must understand customer behavior. Consumers may be illogical individuals who make decisions that are not based on reasonable considerations. There will always be a gap in knowing how a decision-making unit makes a decision in a market with many options.

As mentioned in past research, because leisure passengers were price sensitive, ticket price had a substantial effect on customer loyalty. The authors suggested that if they did not get the price they wanted, other customers would be less likely to be using the same airline on their future trip. Furthermore, the findings of their study imply that as business travelers' travelling frequency grows, so will their loyalty. Participation in an airline's FFP did not result in greater client retention with either leisure or business travel. When analyzing the factors that influence consumer satisfaction and loyalty, it's important to recognize between business and leisure travelers because they clearly have distinct differences in terms of cost and service quality. For example, price of tickets had a positive and significant impact on passenger satisfaction and, as a result, increased customer loyalty among leisure travelers, but had no impact on satisfaction or loyalty amongst business travelers. Gender, wealth, and occupation, for example, are statistically significant demographic variables. One set of passengers was predicted by the profit models, whereas another was not. To enhance client loyalty, a variety of tactics should be used to target different market segments.

Islami et al. (2020) stated that it is impossible for a corporation to pursue both a differentiation and a low-cost strategy at the same time. Both techniques have organizational needs that are fundamentally incompatible. A low-cost strategy necessitates simple reporting links, whereas product diversification necessitates cross-divisional/cross-functional collaborative links. Companies that do not take this method (middle pricing, intermediate market share) or try to combine the two strategies, they claim, will fail. Opposing strategic components cannot be maintained at the same time in the Porter strategy barter paradigm without causing inefficiency in the company's value chain. This is because position in the market, such as differentiation and low cost, requires mutually exclusive activity and resource allocation. Scheraga and Caster (2012), said that due to the dynamic and evolutionary nature of competition, business strategies are constantly changing. Porter's warning about the hazards or vulnerabilities of the cost leadership strategy serves as an illustration of this idea. Competitors might copy the low-cost strategy or make investments in cutting edge facilities to learn how to apply it. Accordingly, this has happened to Southwest Airlines as the company's competitive edge has been diminished by rival LCCs such as JetBlue Airways. The advantages that had acquired to the low-cost leader through past technological advancements could be eliminated by such adjustments or improvements. The low-cost leader could become so focused on price that important adjustments to the product and marketing are missed. The price-recovery component, which had a favorable impact on operating earnings, placed JetBlue Airways second. A product differentiator can charge higher prices to more than recover the higher cost of inputs associated with such strategy.

Rahim (2016) stated that service quality has an impact on both customer perception and airline loyalty. According to the statistics, passenger happiness has a major impact on customer loyalty in the Nigerian airline business, and it moderates the relationship between quality service and customer loyalty to some extent. As a result, CEOs must understand that enhancing service quality is critical to achieving or maintaining

corporate economic growth and prosperity. According to the findings of this study, high service quality boosts passenger satisfaction, encouraging them to use the same supplier again in the future. As a result, an airline's ability to deliver better service through knowing customer expectations assists its growth and survival in the sector. Improving service quality, in example, has an impact on the ability to provide usually error-free, customer-satisfying service, which has the potential to preserve customer loyalty, expand market share, and, as a result, increase company profitability. Simply put, in order to boost client loyalty, airline operators must provide excellent service that meets or exceeds passenger expectations, and they must look for specific attributes when separating or segmenting markets. Researchers should concentrate on shared characteristics such as similar demands, hobbies, habits, and even demographic characteristics (Andaleeb, 2016).

According to previous study, to maintain their competitive advantage, airlines must always look for methods to differentiate themselves from the competition. The majority of the literature on the topic focuses on two variables: service customer satisfaction happiness. Few sources focus on excellence hunters as a client group and their role in changing the relationship amongst customer satisfaction and loyalty, a research gap that has been identified. This research is significant because it aims to address this void and contributes to a better knowledge of how to attract and maintain this segment of the airline industry's customers. It is defined as a measurement of customer satisfaction in terms of a company's ability to meet their requirements and wishes. Seeking a competitive edge is critical for a company in an industry like air transportation, which is rife with rival enterprises. It assists the company in standing out from the crowd and attracting customers because they realize what they will receive is greater than what other organizations provide. The aviation industry is a cutthroat one. As a result, the customer expectation is very crucial, because satisfied consumers become repeat customers. In this study, quality of service is the independent factor, while customer happiness is the dependent variable. Client happiness is directly related to the quality of services provided, as per research in this field. It is so critical that airline companies understand their customers' needs in order to best meet those needs and achieve the maximum customer satisfaction. All services provided to consumers during their flight are referred to as in-flight services. Airline passengers often spend the majority of their time in touch with the carrier aboard the plane. As a result, the caliber of in-flight services is critical in determining consumer happiness. In-flight customer happiness is measured using characteristics such as cabin crew attitude and conduct, food quality, entertainment venues, and security. However, the sample size of this research study is only limited for Malaysian airlines and only limited to the people who traveled in Asia.

Segmentation is pointing key distinguishing characteristics that will divide customers into targetable categories. Customer demographics (sex, maturity level, religious practice, race, number of dependents, revenue, educational achievement, geological (where they reside and work), demography (socioeconomic status, lifestyle, and individual traits), and psychosocial (budget, consumption, utilization, and expectations) inclinations are all considered when businesses decide on customer segmentation. The customer subdivision can also help with customer loyalty by improving customer service. Promotional materials put out via customer profiling are more highly rewarded by the customers who receive them because they are tailored, as opposed to impersonal brand communications that ignore purchase history or any form of client relationship. Staying ahead of competition in various market categories, recognizing new items that

current or prospective customers may be interested in, and improving products to meet customer expectations are all advantages of consumer classification (Melnic, 2016).

Even if clients appear to be pleased with the products or services, gaining satisfied consumers is challenging. Customers' attitudes and behaviors toward specific products are, in reality, the most essential aspect. Consumer loyalty is divided into two types depending on behavioral and emotional attachment to goods and services. The behavioral dimension is a customer's inclination to shop at a single retailer on a regular basis, whereas the emotional commitment is a customer's worry for specific merchants based on previous shopping experiences and attitudes. In this emotional and behavioral commitment paradigm, increased satisfaction should increase consumer loyalty. Customers who are dissatisfied with a company might take their grievances to a competitor. Service quality, product quality, price strategy, and store amenities all influence customer loyalty. Service is one of the most challenging variables to control because it does not exist until it is used. In order to improve service management, it's vital to understand what customers want or how they assess services. Customers demand high-quality service from stores, so service providers must investigate how customers assess the performance of the "features" defined in the quality and service model (Khadka and Maharjan, 2017).

In the opinion of Akpoyomare et al. (2016), the link between service quality and differentiation is considerable and has a beneficial impact on client loyalty. In this regard, the service quality factors influence customers' perceptions and evaluations of the service quality provided by airlines. The importance of knowing the expectations and desires of air passengers is emphasized in this study as a foundation for developing capabilities to keep consumers loyal. The study's findings also suggest that initiatives aimed at enhancing airline service quality should start by measuring consumer wants and preferences, and then adjust service quality methods and delivery accordingly. To put it another way, as consumer preferences change, airlines should develop proactive measures to keep their service commitments. This study emphasizes the necessity of understanding the expectations and wishes of air passengers as a foundation for establishing capabilities to keep them loyal. The findings of the study also imply that programs aiming at improving service quality and customer satisfaction should start by determining what customers want and prefer, and then change service quality techniques and delivery accordingly. To put it differently, airlines should adopt proactive procedures to uphold their service pledges when consumer tastes evolve.

As stated by Hossain et al. (2017), proper market segmentation is the foundation of every customer loyalty program's success. Air Berlin handled the situation expertly. They created the service structure with the intended customer in mind. Its business concept is aimed towards business customers, individuals, and vacation package organizers. Pricing and convenience have proved beneficial in drawing clients. Air Berlin has managed to keep the pricing difference between full-service and low-cost airlines. Increasing its global competitiveness by creating high profits from loyal customers by providing high-value services and maintaining low-cost carriers with limited service. Because repeat customers do not require promotion or marketing, having a very high regularity of repeat customers is always the greatest source of profit for the business. Client loyalty and providing repeat service to clients have contributed to lower operational expenses at Air Berlin. Reduced operating costs result in enhanced capacity to provide better service, enhancing their competitive advantage.

From the point of view of Avram (2019) companies can use data-driven segmentation to increase marketing effectiveness, expand their client base, get a market advantage, which means more sales, and create customer loyalty. Because the aviation sector is so dynamic, true segmentation strategies have only helped to increase customer loyalty and maximize passenger engagement via various social networks. In fact, some airline companies, such as Delta Airlines, developed the Economy Plus product, which addressed this "Affluent Couples" one of DAs' five distinct segments-with a branded pricing or a package of added amenities provided by DA. In this context, personalization entails understanding what the sector wants and what appeals to individuals, as well as successfully marketing it utilizing the sector's fares, medium, and price. Effective segmentation allows firms to target each segment with individualized marketing, which helps airlines boost revenue. Apart from that, airlines are concentrating on the personalization approach, which generates more money and customer loyalty by offering each passenger a unique experience. Because the objective is definitely to become somewhat more customer-centric, airlines should define consumers as separate individuals or as members of a structured group who are accessible and identifiable based on their demands and behaviors. Marketers may begin segmenting travelers based on customer experience engagement if statistics are more publicly available than in any other business. This means that airlines may gain new customers by analyzing how consistently they connect with the airline after purchasing tickets-how frequently they interact with the airline via apps, blogs, and media platforms, indicating their level of commitment.

According to Chenet et al. (2010), a company that pursues a differentiation strategy can produce "concepts" that are distinct from the upgraded product. Because good relationships lead to increased customer loyalty and retention, which leads to increased sales, market share, and profitability, organizations frequently pursue uniqueness as a key business goal. Service companies should focus on distinguishing themselves and keeping on the "cutting edge" of their industry. Clients are more likely to stick with a company if they feel their service is unique and different to what other suppliers can offer. The fact that differentiation does indeed have a relatively large indirect influence on both contentment and word-of-mouth communication through commitment underscores the need of firms to differentiate their service offerings. Management has complete control over domain differentiation. Because a firm is organically diverse from its competition in order of clients, employees, systems and processes, and marketing strategy, distinction is a very practical approach. The conclusion that quality of service has a strong direct impact on development, in addition to the crucial role diversity plays in generating satisfaction and greater word-of-mouth, highlights the necessity for managers to concentrate on monitoring service quality and implementing initiatives to improve quality of service.

BusinessEssay Official Portal (2022) claims that although all processes are employee-facilitated, the company's services are customer-driven. SA as an LCC airline, has an internal strategy that takes into account the employees' responsibility for achieving customer satisfaction. Southwest Airlines has differentiated itself as a result of this internal strategy. While high-end services and goods are often associated with differentiation, the low-cost airline company makes sure that it also applies to the airline sector. For its frequent fliers, Southwest Airlines offers Rapid Rewards. The program allows participants to redeem their collected points for free flights at any time and to any location, but not during blackout days. Additionally, if the consumer is a frequent

flier within 24 months, the accumulated points will not expire. Although other airline companies have similar loyalty programs and incentive structures, many offer complex structures that restrict rewards. Southwest Airlines, on the other hand, has concentrated on creating a flexible reward system for its customers. As a result, Southwest Airlines has been able to acquire new customers, generate revenues from existing customers, and develop effective partnerships through the reward program. Now, it has been able to exceed its growth targets and ensure continued growth, as it focuses on what customers want for differentiation.

According to Huhn (2022), customer loyalty estimates the readiness of a customer to repeat business with you. It can likewise be characterized as a customer's commitment to your items, administrations, or brand. It is the consequence of a degree of fulfillment with what you offer the customer; their experience while managing your image; and the worth of the labor and products you offer them. To drive customer dependability, your image should reliably meet and surpass your customer's assumptions. Customer reliability assists you with standing tall from your rivals. Assuming that all of you are offering a similar item or administration, customer dependability will assist you with winning. The premise of this is the trust that your customer has in you as a brand. customer unwaveringness diminishes the expense of advertising, through references. In this day and age, verbal exchange is a profoundly confided in advertising device. customer is almost certain to trust your business assuming their companions or families as of now trust your image. Thus, when alluded, these leads are handily changed over to customers. References are a practical approach to advertising your image, and steadfast customer are bound to allude their companions. Serving a reliable customer is savvier. The explanation being they are now acquainted with your items and your cycles. Thus, they are probably going to give and resolve their issues a shot their own from the information base assembled while working with them prior to mentioning your help.

Customer loyalty, according to Durga (2018), refers to a client who chooses one thing over another to meet his or her needs. It is the provider's goal to maintain a long-term relationship with the customer. The item's constancy could be unmistakable, and the organization's apparent. When a client buys the same item repeatedly, this is referred to be brand steadfastness, and when a customer buys a variety of things from the same producer, this is referred to as corporation explicit devotion. Clients that are steadfast often regard their supplier in any case, even if they have a few troubles, and prefer to stick with the same service over other options. Faithful clients generally think their provider furnishes them with the best and most advantageous items than others. As we probably are aware client devotion is exceptionally crucial for each business. The clients are the core of a business and it is vital to continue to exist clients as well as get new clients. Steadfast clients are important to extend the business by offering positive encounters to their family members and companions who might be new to the business so every business should put resources into client dedication. If your loyal clients believe they are receiving superior service from you, they are unlikely to seek assistance elsewhere. Therefore, your rivals don't be able to pursue. Faithful clients are the wellsprings of building great and solid connections between the clients and the organization as well as assisting the business with making financial benefits.

Porter emphasizes that the cost leadership and differentiation strategies he mentions are not just pieces that can be put together to form a plan. Each technique, on the other hand, demands its own culture and philosophy. However, research indicates that differentiation and cost leadership can coexist. Researchers believes that should be

called "price differentiation" because it is based on a lower price than competitors. Furthermore, he claims that company strategies are broken into two sections: scope and distinction. Aside from scope, competitive strategy has only one component: differentiation. Initially, the cost leadership strategy was intended to be a low-price diversification strategy rather than a low-cost strategy. In this study, we will examine whether differentiation strategy and market segmentation are related to the concept of passenger or customer loyalty. The target segment may be defined geographically or by specific features that appeal solely to segment elements. This is predicated on the premise that focusing on a certain market segment will allow the organization to better represent that market. Customers are typically loyal as a result, preventing competitors from entering the market. The ultimate purpose of market segmentation is to identify high-yielding areas. These are almost certainly the most profitable consumer groupings, and there may be room for expansion (Andaleeb, 2016). Differentiation stresses the distinct needs of clients in specific segments. When a marketer creates a product that is distinct from the rest of the items on the market in some way in order to meet the demands of certain clients, he or she is employing a product or service differentiation strategy. The product differentiation strategy aids in the creation of a niche for a specific product. This strategy could assist a corporation build client loyalty and acquire a competitive advantage. A differentiated product, in the eyes of consumers, speaks for itself and wins the battle of perception. It develops its own selling proposition (Shrotriya, 2019). The relationship between quality of service and distinction is significant, and it has a positive effect on client loyalty. In this regard, service quality parameters influence customers' impressions and ratings of airline service quality (Akpoymare et al., 2016). Customer Loyalty measures a customer's willingness to do business with you again. It can also be defined as a customer's devotion to your products, administrations, or brand. It is the result of a level of satisfaction with what you offer the consumer; their experience while preserving your image; and the value of the labor and goods you offer them. Companies can utilize data-driven segmentation to improve marketing effectiveness, expand their client base, get a competitive advantage, which implies more sales, and build customer loyalty (Avram, 2019). Because identifying your critical success factor enables you to devise strategies for gaining an advantage or edge over your competitors and becoming successful.

Materials and Methods

The study will utilize a qualitative case study as the research design. This research design will help in establishing an in-depth understanding of factors or concepts about the topic. Researchers will use this type of research design to analyze the responses of the respondents through interview questions. To gather information, the researchers will use structured interview questions as their data gathering tool. They will conduct an interview via Zoom, and it will be recorded with the respondents' consent. Interviews are employed in qualitative research to investigate the significance of major topics in the lives of their participants. The basic goal of an interview is to decipher the meaning of the words spoken by the interviewees. The researchers will use expert sampling, a form of non-probability sampling. This method is important as the respondents who will participate in this study should be knowledgeable about the topic and can contribute to the study with their experiences on a specific industry or field.

To ensure that all relevant informations are provided and all questions are answered, the respondents will fall under the qualification criteria below. The researchers have selected the said respondents because they are qualified to give information due to their experiences on the services of Cebu Pacific. Therefore, the implementation of interview method ensures that there will be an understanding from the perspective of the respondents on the effects of differentiation strategy on customer loyalty. In this study, the researchers will consider the repeat purchase behavior of the passengers as a brand loyalty. Consumers can be termed loyal customers, according to Mary (2017), as they become dedicated to a company and make repetitive purchases. Consumer behavior influences this phenomenon, which is influenced by a person's preferences. Customers that are loyal to a brand will buy from them again and again.

Results and Discussion

Screening and criteria

The researchers initially contacted the respondents via messenger. Screening communication was carried out to ensure that they met the criteria of the study, which will indicate the factors that will prove the loyalty towards Cebu Pacific Air (*Table 1*). Once the respondents met the criteria, the researchers reiterated the aims of the research study, what it involves such as interview, scheduled time, and ethical considerations. The researchers created the interview questions, and the indications are based on the specific objectives. The researchers will ask fifteen (15) questions; five (5) unique services related questions, five (5) differentiation strategy effect on customer loyalty, and five (5) importance of market segment. The researchers were in charge of collection of information and recording of interview via Zoom. Internal validation was implied for these questions. Lastly, when the data collection was done, the researchers started the transcription or the process of documenting a conversation. Narrative analysis was used, since this technique requires reformulating narratives provided by respondents, it takes into consideration the background of each event as well as each participant's individual experiences. The researchers wrote their findings in a detailed manner, through an outline of where, who participated, the purpose, and the results obtained. The researchers were able to ask selected passengers on what they think about Cebu Pacific Air, in terms of unique services and reason for flying. The participants gave a wide variety of feedback. Interview transcripts were written up by one member of the research team and reviewed by the other team member. Further, the researchers have found out that based on these selected flyers, who have also tried other local airlines, airfare really plays a bigger role in their reason for flying with Cebu Pacific Air, compared to the services offered. Some customers place a higher value on a unique, premium service, while others are budget conscious.

Table 1. *Descriptive information of the passenger (respondents to these research).*

Age	Gender	Profession	Social class	Marital status & household type	Frequency traveling	Purpose traveling	LCC have flown
53	Male	Customer service supervisor	A	Married; 1 child	Monthly	Business matter	PAL AirAsia
53	Female	Housewife	C2	Married; 1 child	Annual	Leisure	CEB PAL CEB

23	Male	OFW construction worker	C2	Single	Annual	Work in Japan	PAL AirAsia
29	Female	Teacher	B	Married	Not much during pandemic	Leisure	CEB PAL AirAsia
29	Male	OFW teacher	B	Single	4 times a year before pandemic	Leisure	CEB PAL AirAsia
23	Male	Student	C2	Single	1-2 times a year before pandemic	Vacation	PAL AirAsia
54	Male	OFW engineer	C1	Married	3-4 times a year before pandemic	Vacation	CEB PAL CEB
34	Female	HR talent acquisition analyst	C1	Single	Twice a year abroad	Leisure	CEB AirAsia
32	Female	Housewife	C2	Married	Twice a year before pandemic	Leisure	PAL CEB AirAsia
39	Female	Cabin crew	B	Married	3 times a week	Work	PAL CEB AirAsia
22	Female	Student	B	Single	Twice a year	Leisure	CEB
38	Male	Technician	C2	Married	3 times a year	Work	PAL CEB AirAsia
59	Female	Sari-sari store owner	C2	Married; 5 children	Annual	Leisure	PAL CEB
23	Female	Sari-Sari store owner	C2	Single	Annual	Leisure	PAL CEB
31	Male	Pilot	B	Single	Weekly	Work	CEB PAL AirAsia

Impact of Cebu Pacific Air unique services towards loyalty of passengers

One of the respondents stated that although Cebu Pacific Air can certainly provide special services, this doesn't mean that is unique to the said airline. Other airlines are also well known for offering online check-in, online bookings and several apps that could help the passengers avail a more convenient service from their chosen airline:

“They do provide special services, but I don't believe they are truly unique because they are common services required by passengers, such as online check-in, managing bookings on the website or on their apps, and the go rewards app, which allows you to earn points when you fly or book a flight with them and shop at Robinsons supermarkets.”

“As I've mentioned, some of their services are cheaper in price and I think that is one of the advantages however the disadvantage that something I dislike about is the time frame of availing them.”

“I am a frequent leisure traveler, I get in touch with them because of their seasonal promos, and travel vouchers.”

Additionally, some respondents have also stated that due to their frequency of travel, they always choose to fly with Cebu Pacific because of their seasonal promos and loyalty programs. According to them, this can boost their interest at unique seasons every year, thus the reason why they visit the website and social media accounts of Cebu Pacific when they are planning for a trip. With this, from being a one-time customer, they turn into a loyal patron because of they are expecting more from the seasonal promos.

Impact of on-board food on passengers' satisfaction

Another comment was given by a respondent who frequently flies with Cebu Pacific Air domestically and the respondent believes that the food options of Cebu Pacific Air are fresh, tasty, and affordable. Besides airfare and convenience, in-flight meal is also an important aspect of an airline operation. It can attract leisure and business travelers, like the two respondents in this study, because any airline can draw more customers through a high-quality meal services. For some, flying should be affordable, even if it means packing their own food but for those who have the means to spend a lot of money, they expect a luxurious in-flight experience that begins with variety of meals offered:

“It really exceeded my expectations because the food taste fresh and it is quite affordable for airplane food.”

“The services that I experience is the food that is originated here in the Philippines and the halal food menu. So far, the food is good, and it is quite cheap than other airlines.”

Reason for flying with Cebu Pacific Air

“I never experienced any special services of Cebu Pacific. But based on my previous flights, I like how they maintain cleanliness and the staff are very approachable and friendly.”

“I like the manage booking tab since I always check my seat and change it.”

It was clearly indicated that convenience can turn the passengers' heads and open their wallets happily. Delivering a smooth, professional experience can help airlines win consumers' long-term loyalty or lose them completely. Aside from offering a lower price than a rival, an attentive flight crew, adequate storage space, and quick baggage reclaim can affect the repeat purchase behavior of a passenger. Additionally, when asked if they will continue to fly with Cebu Pacific even if the other airlines can offer better alternatives or same services, one participant has responded that he will definitely choose Cebu Pacific all over again because of the sense of familiarity.

“I will definitely give it a try if they offer the same price and service but still at the end of the day, I will choose ceb pac because of the familiarity that I have with them.”

This clearly indicates that a great flying experience can build long lasting relationships between the airline and the passengers. Passengers who travel for leisure or business purposes have preferences that vary based on technology, data-based insights, word of mouth, and new things that they want to experience.

Cebu Pacifics' differentiation strategy plays an important role in earning the loyalty of the passengers

Aside from being known as a “budget airline”, there is an extreme level of convenience according to the respondents. This indicates that convenience, comfort, and their needs must be provided which can contribute a lot to the loyalty of passengers.

“I fly with Cebu Pacific because they have a 24/7 customer command center which is very important for us passengers to easily reach them.”

“They have a sense of patriotism because they tend to sell cheaper domestic flights so that Filipinos can travel their own countries first before travelling abroad.”

“The getgo rewards is such a lifesaver! You earn 1 point for every 5 pesos for the base fare and add-ons like the meals, seat selection and luggage. This can actually save you a little bit of money to add for your tour.”

A question was also asked about their views in the brand identification of Cebu Pacific Air as a low-cost carrier. It is very important to understand the needs and changing preferences of their passengers no matter how challenging it gets. It only shows their adaptability and creativity. Moreover, a great customer service works when you can show your customers that you care and you understand them.

“I would argue that their brand identity is quite successful because they continue to operate despite the epidemic. When the epidemic struck, they continued to develop new solutions for canceled flights. They have contingency plans in place to maintain their commitment to their clients, which keeps them loyal to them.”

“I follow their social media accounts and I receive price mark down in my emails so that I have the heads up if they have seat sale.”

“Also, how friendly the FA is when we boarded the plane. Once, there is a passenger, he is overweight and the seatbelt does not fit him, the flight attendant did not ask anything but instead helped him quietly so others will not notice.”

Important of identifying market segment in differentiation strategy and achieving passenger loyalty

“Flying to States to Philippines is pricey and flying to different parts of the Philippines is quite pricey, but when I discovered the Cebu Pacific offered low rates of flying within the Philippines I booked right away. It was cheap and fast.”

“They have a sense of patriotism because they tend to sell cheaper domestic flights so that Filipinos can travel their own countries first before travelling abroad.”

Cebu Pacific Airlines may identify budget-conscious travelers as their target market segment. They can then differentiate themselves from their competitors by offering low fares and a variety of ticket options that cater to this segment.

“The cheap airfare and the number of destinations. I don't need to find on another airlines the destinations because they mostly covered the whole Philippines, As a business man, I always want to get back the service that I paid money with.”

Cebu Pacific Airlines has an extensive route network that covers many destinations in the Philippines and throughout Asia. This makes them a convenient option for travelers looking to explore multiple destinations in the region. Market segmentation allows Cebu Pacific Air to create more specific offers for different consumers who travel for business, personal reasons, and those who frequently travels when visiting family or just for holidays. In this regard, some respondents are loyal to Cebu Pacific Air because they can travel wherever possible. The prime motivation for their strong loyalty is to accumulate loyalty or frequent flyer points, which they can generally redeem for future travels.

Conclusion

In traveling, there are many contributing factors that affect the passengers' choice of airline and chances of flying with a specific airline again. It can be based on their experiences, satisfaction, and dissatisfaction. Furthermore, the objective of a "differentiation strategy" is to be creative in developing products that meet customers' expectations, to be able to distribute them through any channels with any partners at the

same level of choice and transparency, to provide a high quality of service, ensuring that all products are available seamlessly across all travel partners, and to ensure that all products are available to any type of customer. This strategy becomes more relevant if the airline knows their customer, their value, and their ability to offer this value. For instance, local airlines in the Philippines have two main key differentiators which are pricing and special services. Cebu Pacific Air claims to be good at both aspects, as they claim that their goal is to provide passengers with reliable, safe, affordable, and fun-filled experience. Identifying the appropriate market segment is an important component of Cebu Pacific Air's differentiation strategy, as it helps them to focus on the specific needs and preferences of their target customers. By understanding their customers' needs and preferences, Cebu Pacific Air can tailor their products and services to meet those needs, which can lead to increased customer satisfaction and loyalty.

Now, if an airline can preserve the perceived quality of its products, effective differentiation can lead to client loyalty. Additionally, if an airline has good customer service from bag check-in to airplane crew, up to the in-flight services, customers will be more than happy to spend their money since they are after the quality. A differentiation strategy will be successful if it will not only focus on the unique features but more on communicating the value of these features, as most of the customers are not fully aware of their unique services. With that being said, it can boost customer satisfaction that leads to customer loyalty because customers will now begin associating your brand, logo, and social media presence to the people they know. The more that Cebu Pacific Air can narrow down its target customers, the better they can understand who is willing to purchase their products and services, and the reason behind it. In conclusion, it can be stated that Cebu Pacific Air, the low-cost carrier airline of the Philippines, has established a strong position in the regional aviation industry primarily due to its low-cost pricing strategy and extensive route. Despite of this, it can be argued that the company does not possess any other significant competitive advantage. While Cebu Pacific has been successful in minimizing operational costs and offering affordable airfare, it faces intense competition from other low-cost carriers in the region. Moreover, the company has faced criticisms regarding its customer service, punctuality, and overall passenger experience, which can negatively impact its reputation and customer loyalty. Therefore, it is important for Cebu Pacific Air to focus on enhancing its customer service quality and operational efficiency, which can be a better way to differentiate itself from rivals and sustain its position in the market. By doing so, the company can continue to leverage its extensive route network and low-cost pricing to attract more potential customers and to remain key player in the aviation industry.

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Conflict of interest

The authors confirm that there is no conflict of interest involve with any parties in this research study.

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