

Airline Marketing: An Overview

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- Definition of Marketing
- Realities of the Market Place
- Realities of Airline Market
- Marketing Strategies
- The Challenges

Definition of Marketing

- Marketing is the role of that part of organisation function concerned with finding out customers' need, specifying the product, its price, telling the customer about it and co-ordinating its delivery while ensuring that corporate objectives are met
- Marketing is merely a civilised form of warfare in which most battles are won with words, ideas and discipline thinking
- Marketing is a process involving the complete company, every department and all staff

Airline Marketing is difficult as it is a service

- Perishable
- Intangible
- Variability of service provision
- Customers involved in the production
 - Need to train/educate customers about production/delivery of service
- Other people maybe involved in part of the product experience
- Difficult for customers to evaluate the value created by the service

Marketing-Mix Elements

Goods

Product

Price

Promotion

Place

Services

Physical Evidence

People

Process



Contemporary

Customer skills

Customer service

Employee satisfaction

Shareholders values

Realities of the Market Place

- ◆ Globalization
 - a growth of global trade and international competition
- ◆ Technological evolution
 - the internet has provided the world with a global communication platform
- ◆ Individualism
 - the means of accessing all types of information
 - the ability to do their own research
 - the ability to completely bypass the intermediaries
 - price sensitive during recession and time sensitive during economic recovery
- ◆ Transparency
 - market places have become easily accessible and transparent for everyone to do business, and have led to fierce competition among companies

Realities of Airline Markets

- Airline tend to have soft brand equity
- Very difficult to balance supply and demand
- Short product life cycles
- Customers high expectations and changing travel behaviour
- Competitors have access to complete and instantaneous price and service information
- Yields are under pressure, pressure on costs - Margins are low
- The airline industry is strongly influenced by economic cycles & major events

Marketing Strategies

- Market intelligence/research to identify customers, and their values and expectations
- Delivering the correct product at a competitive price
 - how to achieve premiums in a revenue management environment for added value products when these products cannot be stored?
- Creating an identifiable and sustainable competitive advantage
- Distribution strategy
- Promotion strategy

Fall in demand for air travel in business class due to:

- High business fares
- Increase in fare transparency
- Internal corporate pressure to reduce costs
- Changes in corporate structures with fewer middle and upper management - the prime target of business flights
- Becoming more price sensitive and less service sensitive, especially on short haul routes

- **Greater use of low cost airlines**
 - 53% of SMEs are using these airlines (Amex, 2003)
- **Greater use of non-refundable tickets**
 - from 51% in 2000 to 58% in 2003 in the USA (BTC)
- **Greater use of different distribution channels**
 - Tend to book simple point-to-point trips directly with the airline, more complex itineraries via an agent
- **Self-booking tools are increasingly embraced**
 - the Travel Managers are frustrated at the technology shortfalls, assurance of comprehensive inventories including integrating low cost airlines not listed the GDSs that power these online agency booking tools.

- Growth stimulated by low fares
- More short breaks
- Increase in independent holidays
- Less reliant on intermediaries
- Prepared to change destination and give up flexibility and service frills for good deal
- Expectation of low fares
- Perception that network carriers are more expensive than LCCs

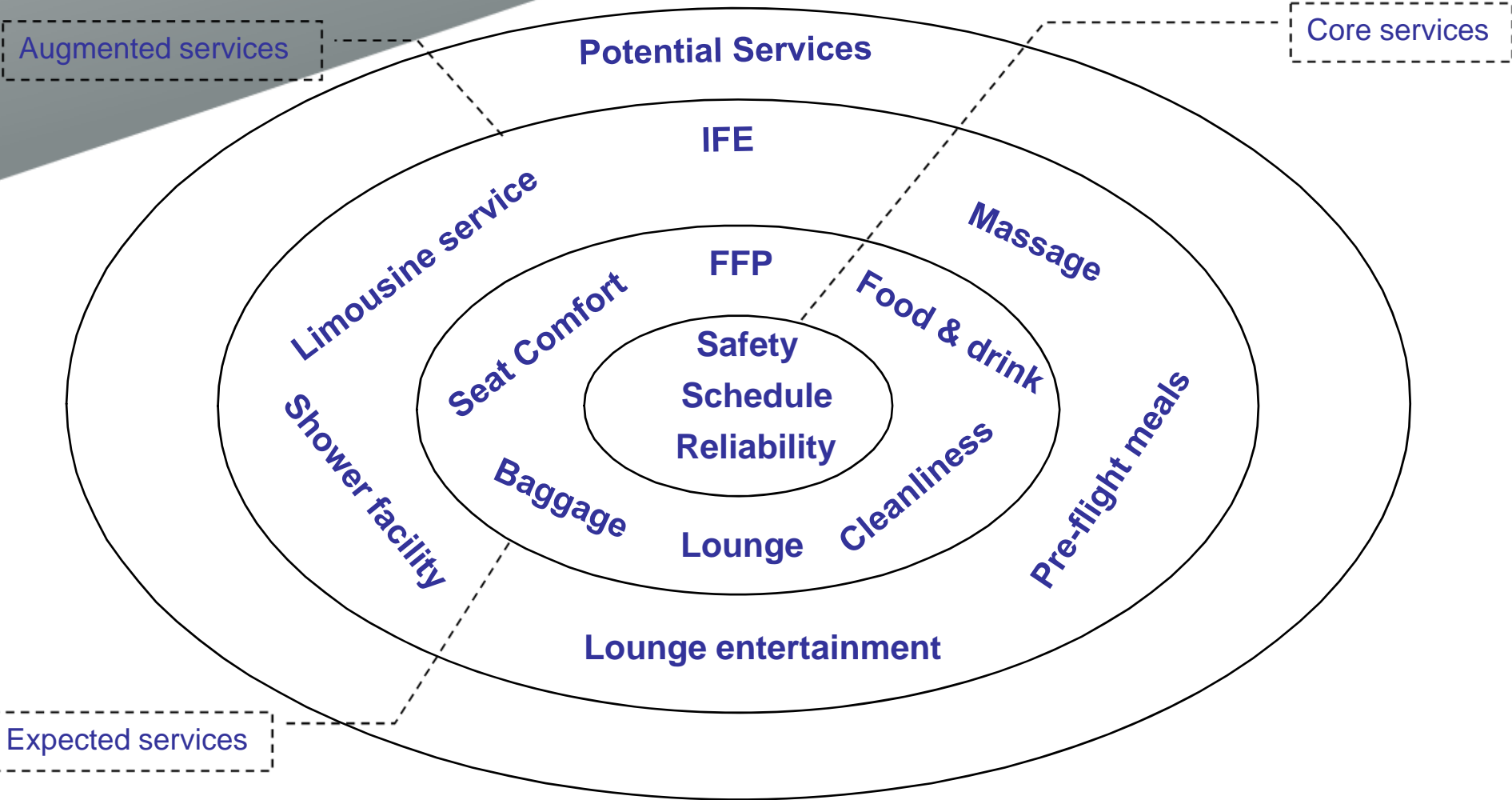
21st Century Customer Characteristics

- Informed/empowered
- Demand service excellence
- Value-conscious
- Internet savvy
- Time-conscious/speed
- Demand individual service
- Demand flexibility
- Low loyalty
- Spoiled
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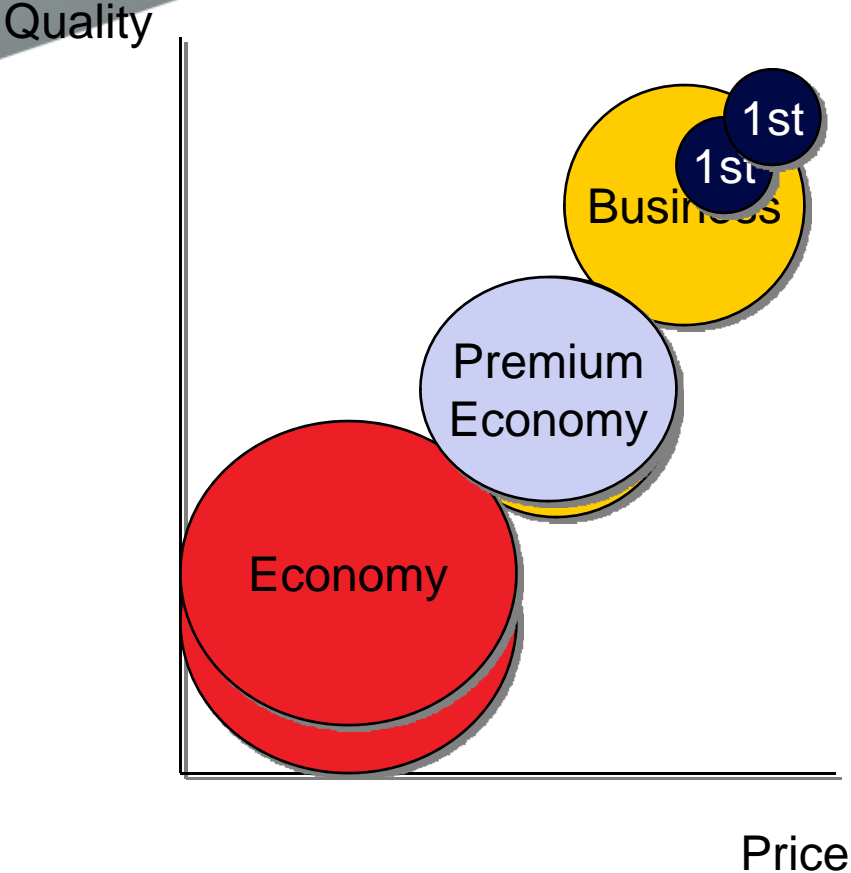
Product Planning

- Which segment of the market?
- Which routes?
- Inflight products - no. of cabins, size of cabins, seat configurations, interior design, IFE, food, toiletry bags,.....
- Loyalty programme/ Frequent Flyer Programme
- Ground related products - access to and from airport, lounges, check-in, fast track, baggage handling,...
- Branding and differentiation
- Harmonisation of products with partners
-

Business Passengers' Map of Airline Product



Product expectations move over time



Market Segmentation

Dividing the market into groups of customers with similar product needs and preferences

- How should we segment the market?
 - By value?
 - By frequency of travel?
 - By journey purpose?
 - By cabin class?
 - By length of journey?
 - By gender?
 - By nationality?
 - By.....?

Pricing

- Improving yields through revenue management
- Effective differential pricing
- Simplifying pricing
- Value for money
- Competition from network carriers and low costs
- Costs of service
- Market acceptance/ elasticity
- Innovative pricing
- Brand value and pricing
 - is pricing a function of brand or competitive realities?
-

- Will return to consider in another session

Defining a distinct market presence and image that is easily communicable to consumers - corporate or tactical advertising

Who is the target?

- Travel agents
- Travel organiser
- Families (wife)
- Secretaries (business travellers)
- Travellers themselves

Advertising objective

- Project the corporate image
- Influence customers
- Motivate staff
- Influence policy makers
- Influence trade

Which methods of Promotion?

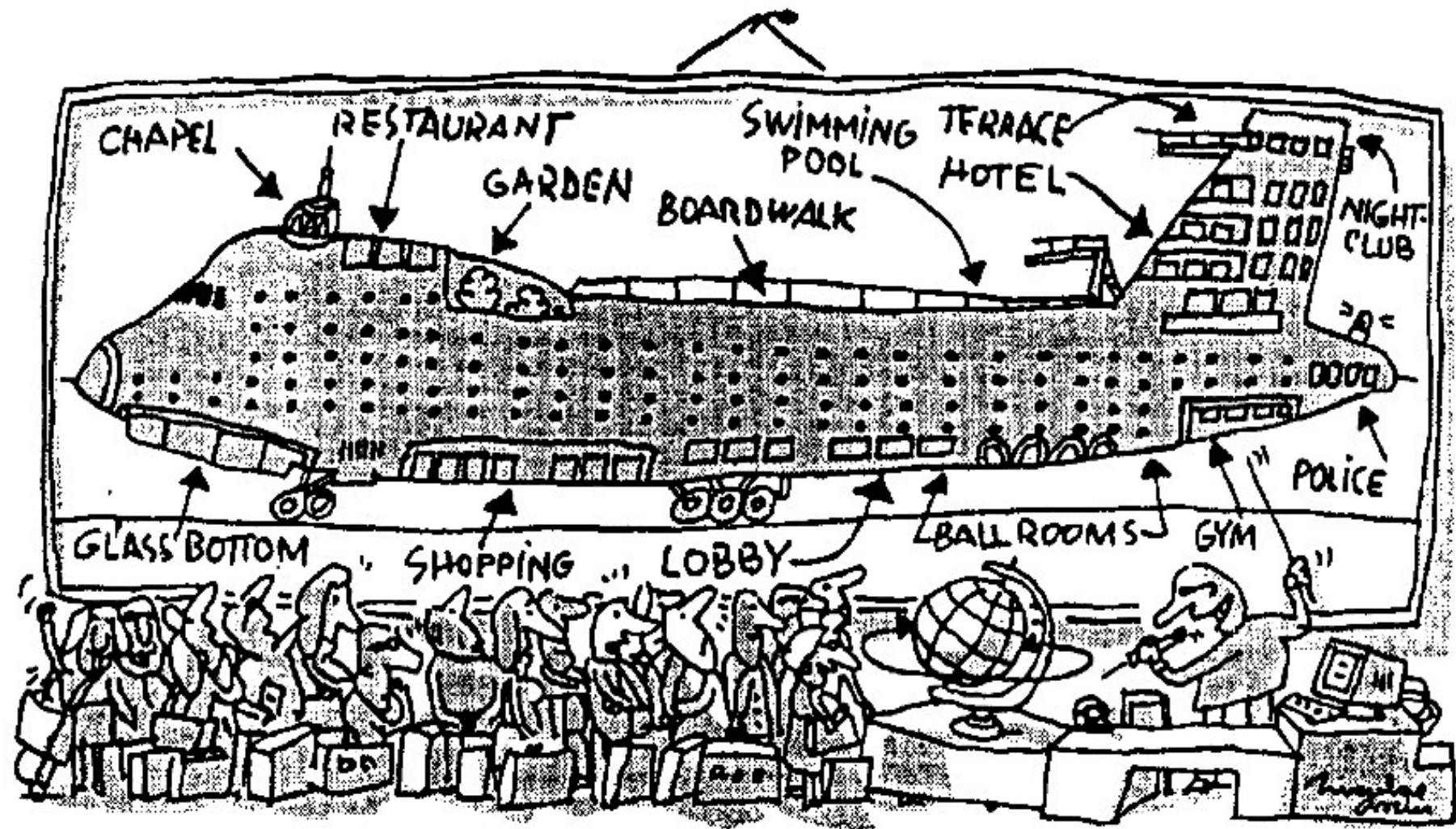
- Direct representation-online
- Press and public relation
- Promotion and sponsorship
- Direct mail
- Advertising (display/media)

Challenges in Airline Marketing- 1

- How to anticipate customers' future purchasing behaviour and requirements?
- How to develop a strong brand and position in the market?
- To what extent personalisation of travel needs by database management is needed/capable?
- How to improve the speed and quality of ground related product for business passengers (e.g. access to the airports, lounges, faster check-in and immigration processes)?
- How not to lose sight of core products

- What is the optimum level of on board services - level of seat comfort, In flight entertainment and communication technology?
- What is the optimum number of cabin class?
- How to avoid differentiation at any cost?
- How to simplify pricing?
- How to sell more on-line?
- How to reconcile alliance partnership with the airline brand?

The future



Nicolas Azzim/THT