Airline Marketing: An Overview

Dr Keith Mason
Director Business Travel Research Centre
www.businesstravelresearch.com

Dept of Air Transport
K.Mason@cranfield.ac.uk
Outline

- 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.
Leisure Market Trends

• 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
- ................
- ............
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

Potential Services

IFE
- Limousine service
- Seat Comfort
- Baggage
- Lounge entertainment

FFP
- Safety
- Schedule
- Reliability

Food & drink
- Lounge
- Cleanliness
- Pre-flight meals

Massage

Core services

Augmented services

Expected services

Cranfield UNIVERSITY

BTRC
Business Travel Research Centre
Product expectations move over time

Quality

Price

Economy

Premium Economy

Business

1st

1st

1st
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
Challenges in Airline Markets:

- 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