



Aviation Products and Services



Understanding the Airline Products

Introduction



- The airline industry has long been the backbone of global travel and commerce.
- From Wright Brothers' first powered flight in 1903 - today's cutting-edge jumbo jets – Aviation industry offering has changed drastically.
- But when we buy an airline ticket, what are we actually buying?
- you're buying an airline product—a combination of services, experiences, and tangible goods that transport you from one location to another. Let's delve into understanding the airline product in depth.

What is a product?



- *Defined By” Kotler, Wong, Saunders, Armstrong*

“Anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organizations and ideas”.

Characteristics of a Product

- **Utility**
- **Features**
- **Quality**
- **Brand**
- **Packaging**
- **Price**
- **Availability**
- **Design**
- **Design**



SEC classification of goods and services

- Search → Experience → Credence (SEC) classification of goods and services.
- *Search goods*: are those which possess attributes that can be evaluated prior to purchase or consumption.
 - e.g. clothing, office stationery, home furnishings
- *Experience goods*: are goods or services that can be accurately evaluated only after the product has been purchased and experienced.
 - e.g. restaurant, hairdresser, beauty salon, theme park, travel, holiday
- *Credence claims*: are goods or services that are difficult or impossible to evaluate even after consumption has occurred.
 - e.g. accountant, legal services, medical diagnosis/treatment, cosmetic surgery

Products and Services



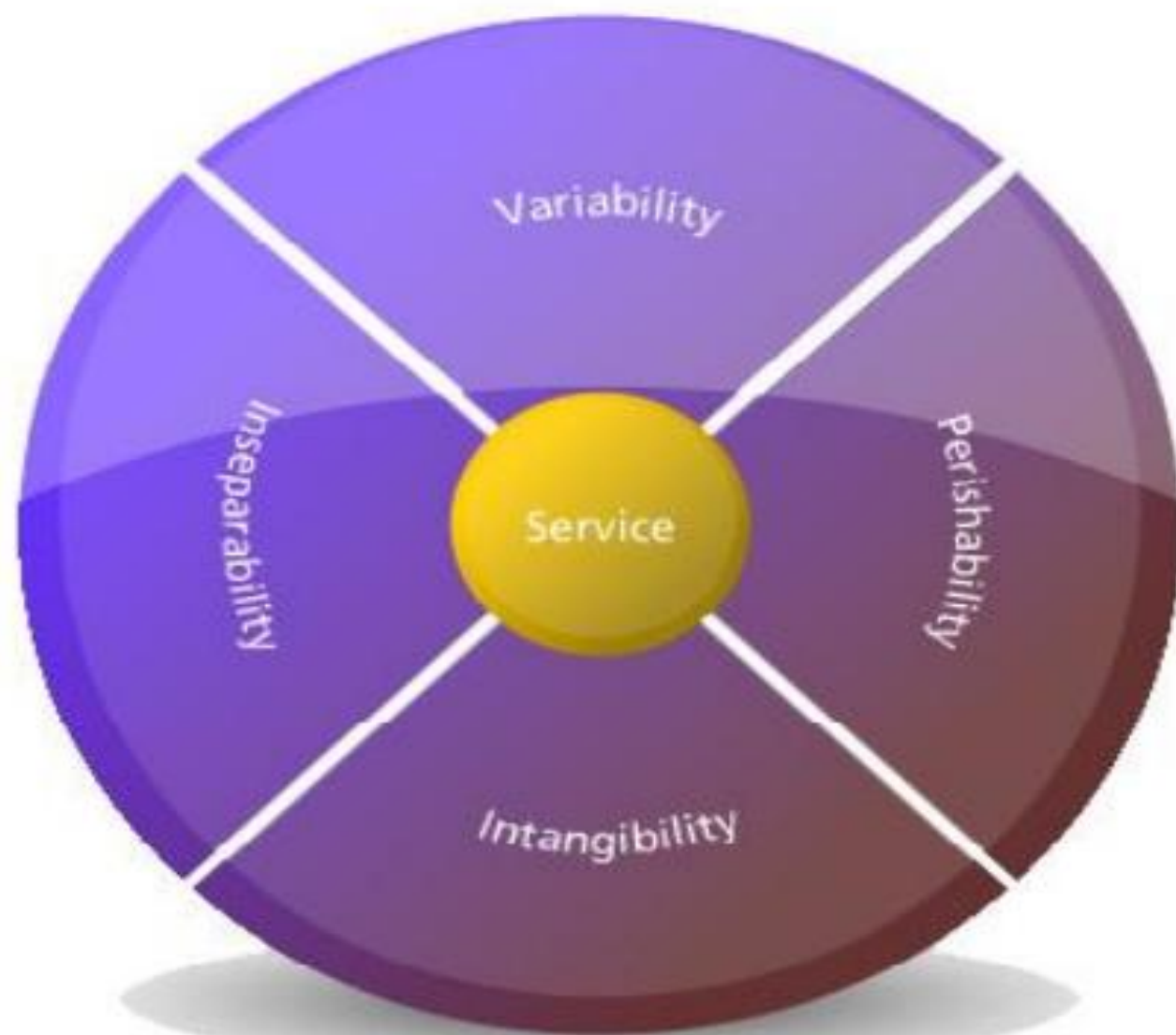
- Tangible Item
 - Quality assessment is easy
 - Since most products are countable, touchable, and visible, a consumer can assess its durability by examining it.
- Intangible
 - Quality assessment is difficult
 - A service is not something that one can feel or try out before paying for it

Product and Service Comparison

- Production vs. Interaction
- Perishable vs. Imperishable



Figure 1.1: Service Characteristics

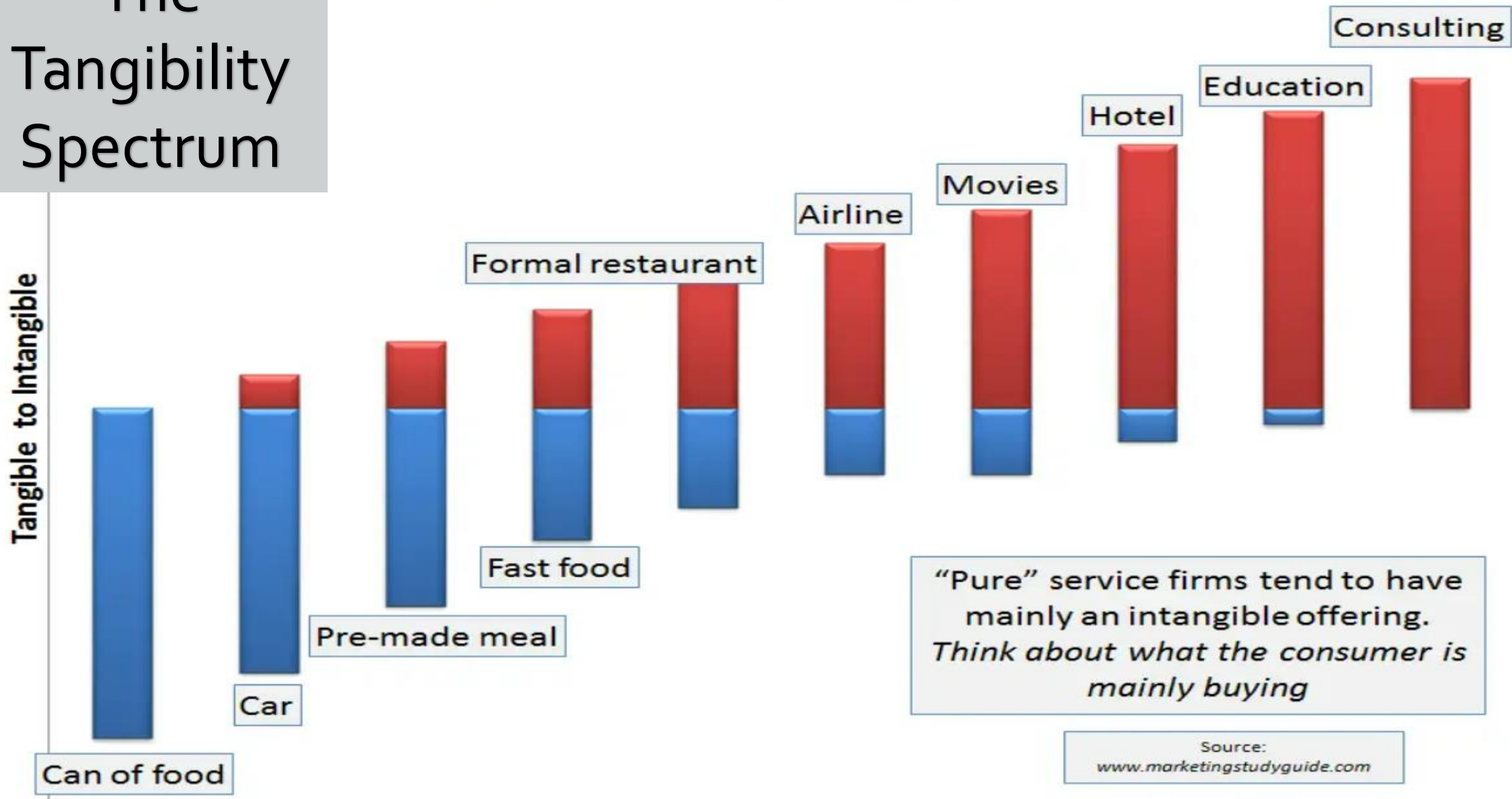


Service Characteristics

- **Intangibility** means that unlike goods, services can't be seen, touched and felt, tasted or smelled or even heard before they are purchased.
- **Inseparability** suggests that services are produced, distributed, and consumed simultaneously.
- **Heterogeneity** means that services delivered generally vary in quality, time consumed in delivery, and the extent of service provided
- **Perishability** means that services can't be STORED

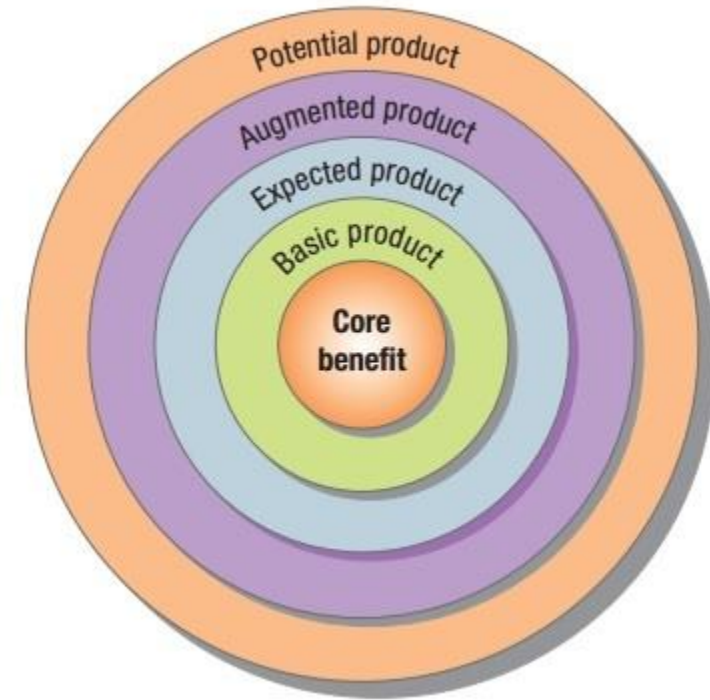
The Tangibility Spectrum

Mix of Service and Non-service Elements



Three levels of a product/service

- Three levels
 - Core Product
 - Actual Product
 - Augmented Product
- Each product level means adding more value



Core Product



- Physical object.
- Problem-solving benefits satisfy the consumer's needs. Examples of products with core benefits
 - Lululemon deals in yoga clothes,
 - Revlon combines chemicals to produce lipstick, and
 - Coca-Cola uses chemicals to produce Coke Drink.
- What are these products actually selling us?
 - Revlon is not selling cosmetics but Beauty and Hope
 - Coca-Cola fulfills consumers' thirst
 - Medicine gives a cure and healthy life

Actual Product



- The marketers must convert the core benefits into a physical or actual product that has the attributes to satisfy customer needs and wants.
- It must have combined five attributes name, parts, packaging, features, and style.

Augmented product

- Includes after sales service installation, and warranty
- Augmented Product is used to create differentiation from the other alternate brands.
- Brands struggle to position their product in the cluttered markets differently by offering unique benefits.



Defining the Airline Product

The airline product can be viewed from two angles:

The tangible

The intangible





Tangible Components:

- 1. Aircraft:** This is the most obvious component. Airlines invest billions in acquiring and maintaining their fleet.
- 2. Seats:** Ranging from economy class to first class, seats in different parts of the aircraft offer varying levels of comfort and amenities.
- 3. Onboard Amenities:** These include meals, in-flight entertainment systems, Wi-Fi, and other facilities such as USB charging ports.
- 4. Lounge Access:** Premium passengers often get access to lounges where they can relax, eat, and even shower.



Intangible Components:

- 1. Brand Reputation:** Trust in an airline's safety record, punctuality, and service plays a significant role.
- 2. Customer Service:** From booking tickets to addressing grievances, good customer service can differentiate one airline from another.
- 3. Flight Frequency and Network:** A wider network and frequent flights make an airline more attractive to frequent flyers.
- 4. Loyalty Programs:** Points or miles that can be redeemed for future travel or other benefits.

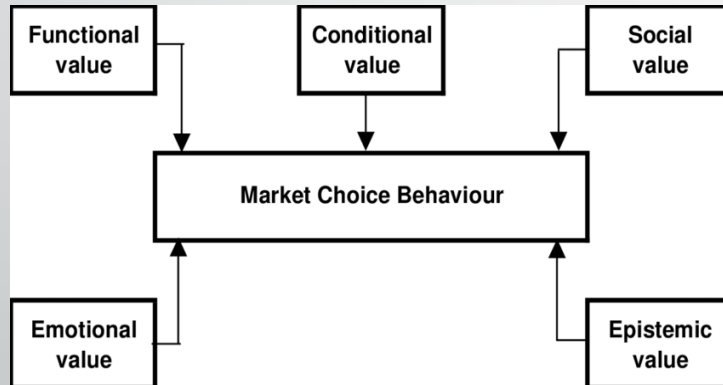


Understanding the Value Chain

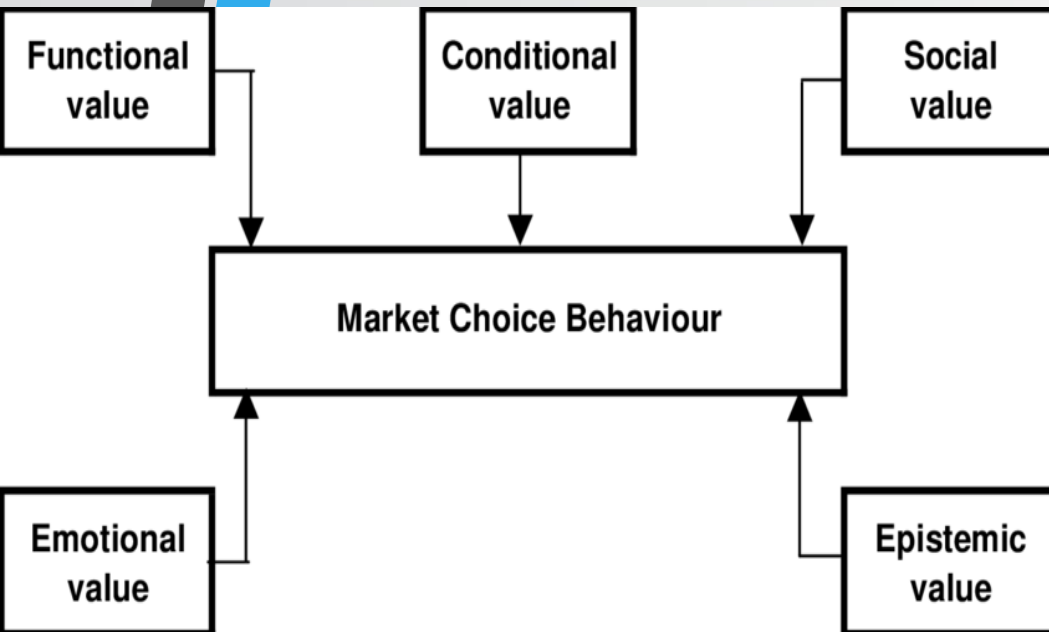
The value chain in the airline industry begins much before the passenger boards the plane and continues after they disembark. It consists of:

- 1.Pre-flight:** Booking tickets, choosing seats, online check-in, and baggage policies.
- 2.During the flight:** Comfort of the seats, quality of meals, and entertainment options.
- 3.Post-flight:** Baggage claim, feedback, and grievance redressal mechanisms.

Product/Service Value



- **Functional Value:**
 - The perceived utility acquired from an alternative's capacity for functional, utilitarian, or physical performance.
 - Acquired through the possession of salient functional, utilitarian, or physical attributes.
 - Functional value is measured on a profile of choice attributes.
- **Social value**
 - The perceived utility acquired from association with one or more specific social groups.
 - An alternative acquires social value through association with positively or negatively stereotyped demographic, socioeconomic, and cultural-ethnic groups.



- **Emotional value:**

- The perceived utility acquired from an alternative's capacity to arouse feelings or affective states.
- Emotional value is acquired when associated with specific feelings
- Measured based on the feelings associated with the product/service chosen

- **Epistemic value:**

- Capacity to arouse curiosity, provide novelty, and/or satisfy a desire for knowledge.

- **Conditional value:**

- the presence of antecedent physical or social contingencies that enhance its functional or social value.



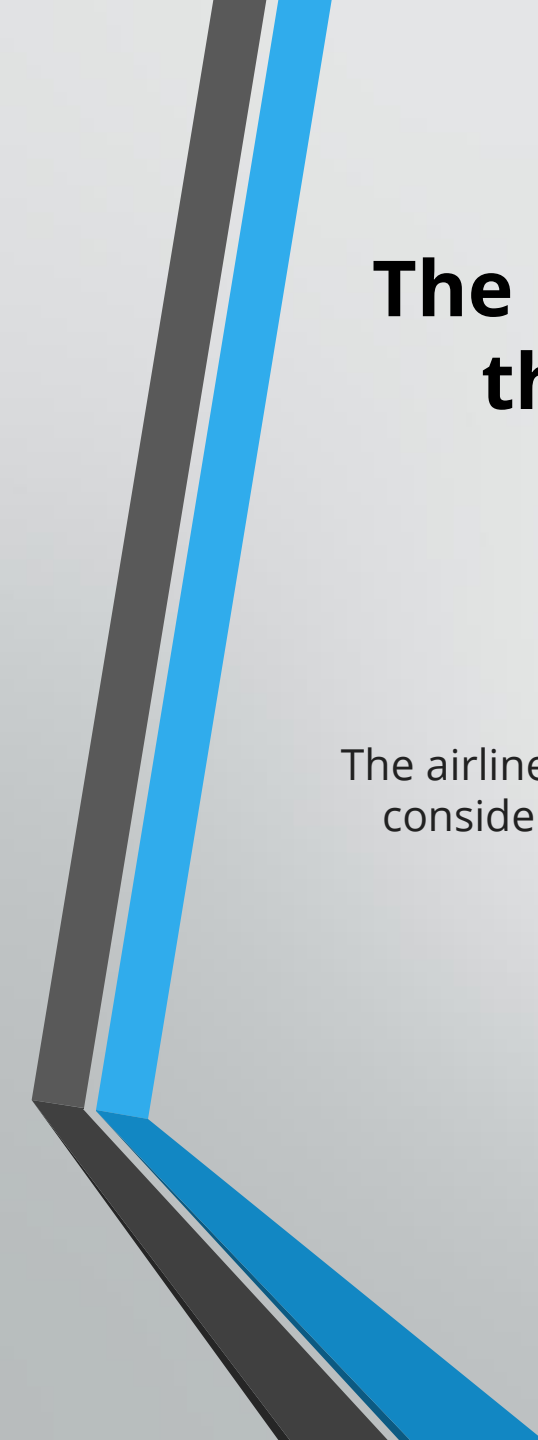
Sustainable or Green Value

- Green value is the overall value consumers gain by using green products and services.
- sum of the financial, environmental, social, information and functional benefits that a green product or service can provide to the consumers.
- Consumers evaluate offerings based on these benefits and form positive or negative attitudes.



Differentiation in the Airline Product

- 1. By Class:** Different classes offer varied levels of service.
 1. First and Business classes often have lie-flat beds,
 2. Gourmet meals, and
 3. Priority services.
 4. Premium Economy offers more legroom than the standard Economy.
- 2. Route Specific Products:** Some long-haul flights might offer amenities like pajamas or amenity kits not available on shorter routes.
- 3. Ancillaries:** Airlines earn a significant portion of their revenue from selling ancillary services like
 1. Baggage fees,
 2. Seat selection fees,
 3. Meals, or Travel insurance.



The Evolution of the Airline Product

The airline product has undergone considerable changes over the years:

- Jet Age
- Deregulation
- Rise of Low-Cost Carriers (LCCs)
- In-flight Connectivity



Challenges in Delivering the Airline Product

- 1. Operational Issues:** Delays, cancellations, or baggage losses can tarnish the airline's reputation.
- 2. Economic Factors:** Fluctuating oil prices can have a direct impact on airline costs and, subsequently, ticket prices.
- 3. Regulations:** Airlines operate in a heavily regulated environment, with safety, noise, and environmental concerns dictating many aspects of operations.
- 4. External Factors:** Weather disturbances, geopolitical tensions, or pandemics can have unforeseen impacts on airline operations.



The Future of the Airline Product

Technology

Environmental Concerns

Changing customer preferences

- **Sustainable Travel**
 - Climate Change related concerns
 - Fuel-efficient aircraft
 - Carbon offset programs
- **Personalization**
 - Tailored entertainment options
 - Customized meal preferences
- **New Age In-flight Entertainment**
 - Augmented Reality (AR) and Virtual Reality (VR) might redefine in-flight entertainment.
- **Health and Hygiene**
 - Touchless interfaces and
 - Advanced air filtration systems.

Developing and Launching New Airline Services





Introduction

- Fiercely Competitive Marketspace.
- Businesses need to stay innovative and stay relevant and cater to the evolving needs of their consumers.
- Product and Service development is completely different from each other



Benefits of Service Development:

- **Customer Retention:** Regularly updating and introducing new services keeps the customer engaged and loyal to the brand.
- **Competitive Advantage:** Unique service offerings or better service quality can set a business apart from its competitors.
- **Revenue Growth:** New services can tap into new customer segments or offer upselling opportunities.

The Service Development Process

- **Idea Generation:** This is the brainstorming phase. Ideas can come from various sources, including customer feedback, market research, and internal team insights.
- **Feasibility Analysis:** Once an idea is shortlisted, its feasibility in terms of technical capability, financial implications, and market demand is analyzed.
- **Service Design:** This involves crafting the customer journey, outlining the service blueprint, and determining the resources required.
- **Prototype & Testing:** A pilot version of the service is launched for a limited audience to gather feedback and make necessary adjustments.
- **Launch:** After refining the service based on feedback, it's launched for the broader audience.
- **Review & Iteration:** Post-launch, the service is reviewed periodically for improvements.

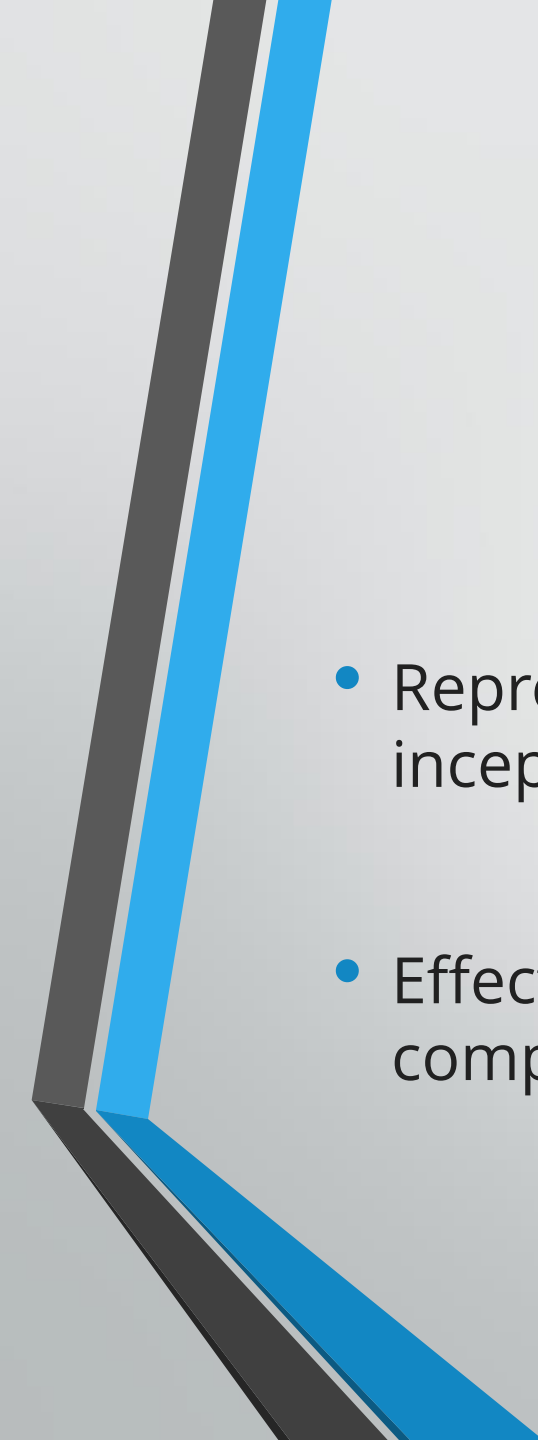
Key Considerations in Service Development



- **Customer-Centricity:** Always keep the end-user in mind. What pain points does the service address? Is there a genuine need for it?
- **Scalability:** Ensure that the service can be scaled up or adapted easily based on demand.
- **Training:** Your employees should be well-trained to deliver the service effectively.
- **Technology Integration:** In today's digital age, integrating technology can enhance service delivery and customer experience.
- **Cost Management:** While innovating, keep a close eye on the cost implications to ensure profitability.



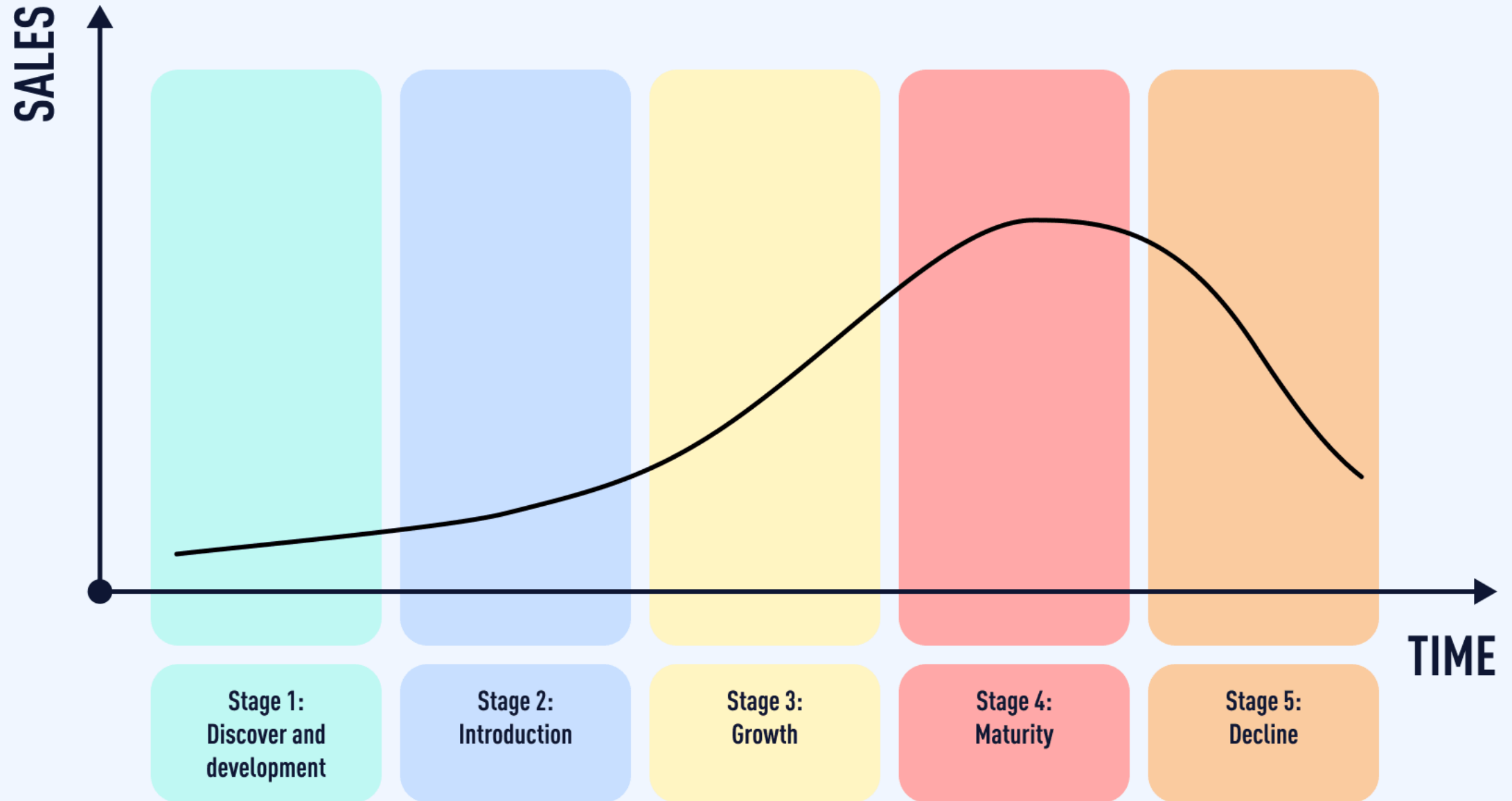
Managing Product Life Cycle



Managing Product Life Cycle:

- Represents the stages that a product goes through, from its inception to its decline and eventual removal from the market.
- Effective management of the PLC can have a profound impact on a company's success and profitability.

PRODUCT LIFE CYCLE

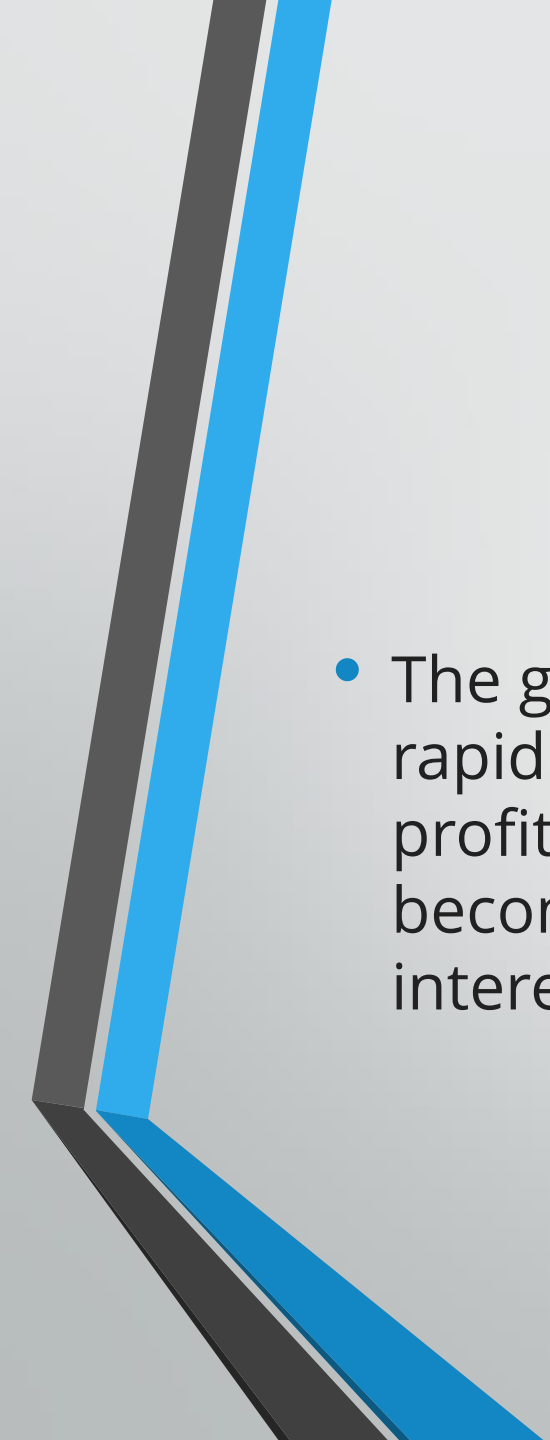


Introduction

- During the introduction phase, the product is new, and the market is typically unaware of its existence.
- **High Costs:**
- **Slow Sales Growth:**
- **Uncertain Profitability:**

Strategies for this phase:

Product Development
Education and Awareness
Pricing
Distribution



Growth

- The growth phase sees a rapid increase in sales and profits as more customers become aware and interested in the product.

Strategies for this phase:

Quality Maintenance
Market Expansion
Competitive Analysis
Diversification



Maturity

- In the maturity phase, sales growth slows down, and the product faces stiff competition.

Strategies for this phase:

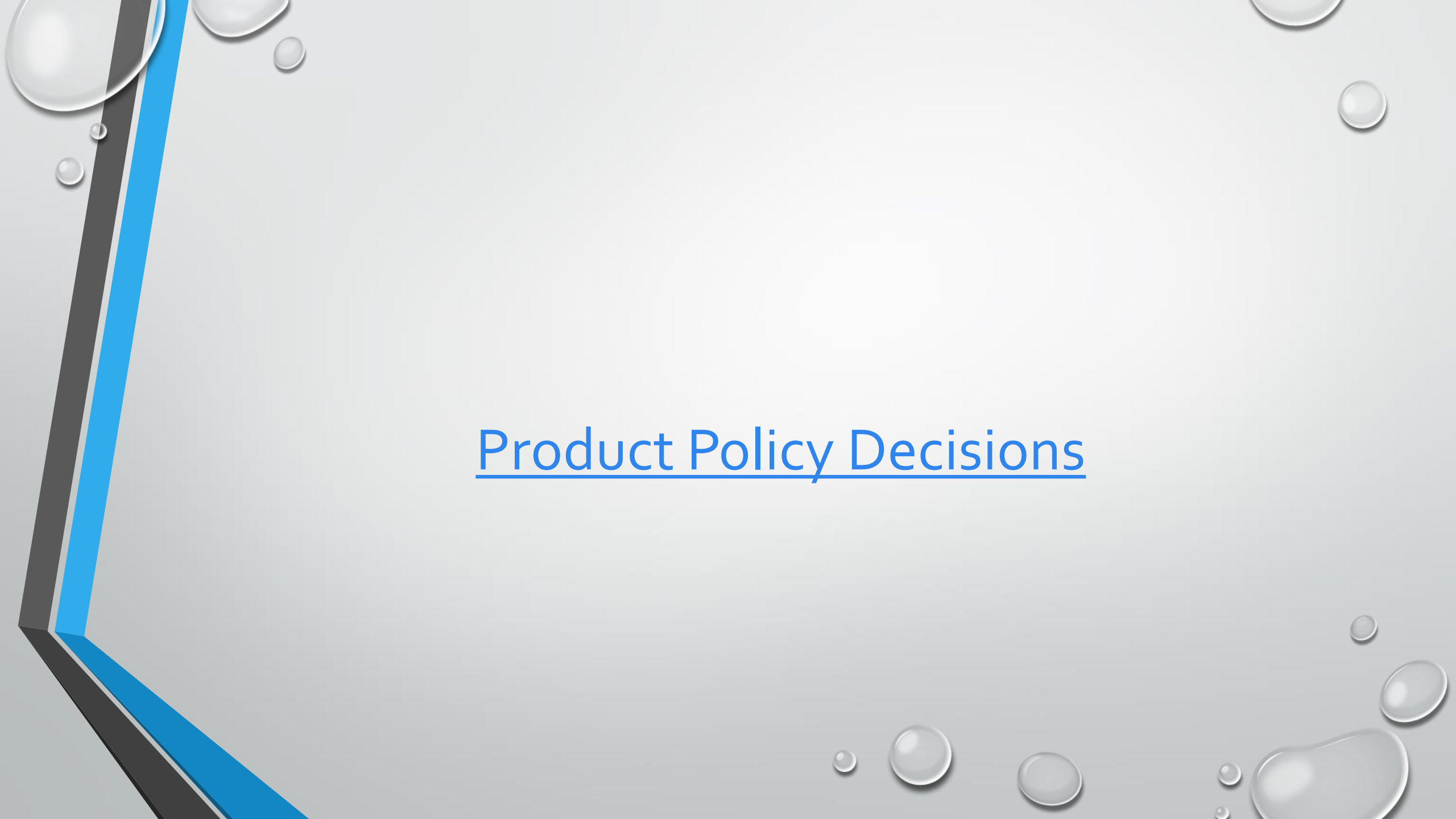
Product Improvements
Cost Reduction
Repositioning
Promotional Deals

Decline

- During the decline phase, sales and profitability decrease. This could be due to technological advancements, shifts in consumer preferences, or increased competition.

Strategies for this phase:

Phasing Out
Sell or License
Reinvention



Product Policy Decisions