Airline Business Marketing Environment & Strategies

Presented by

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What is that an airline sells?

01 Airline Marketing Mix

02 Marketing Process

03 Marketing Environment

04 PESTE Analysis

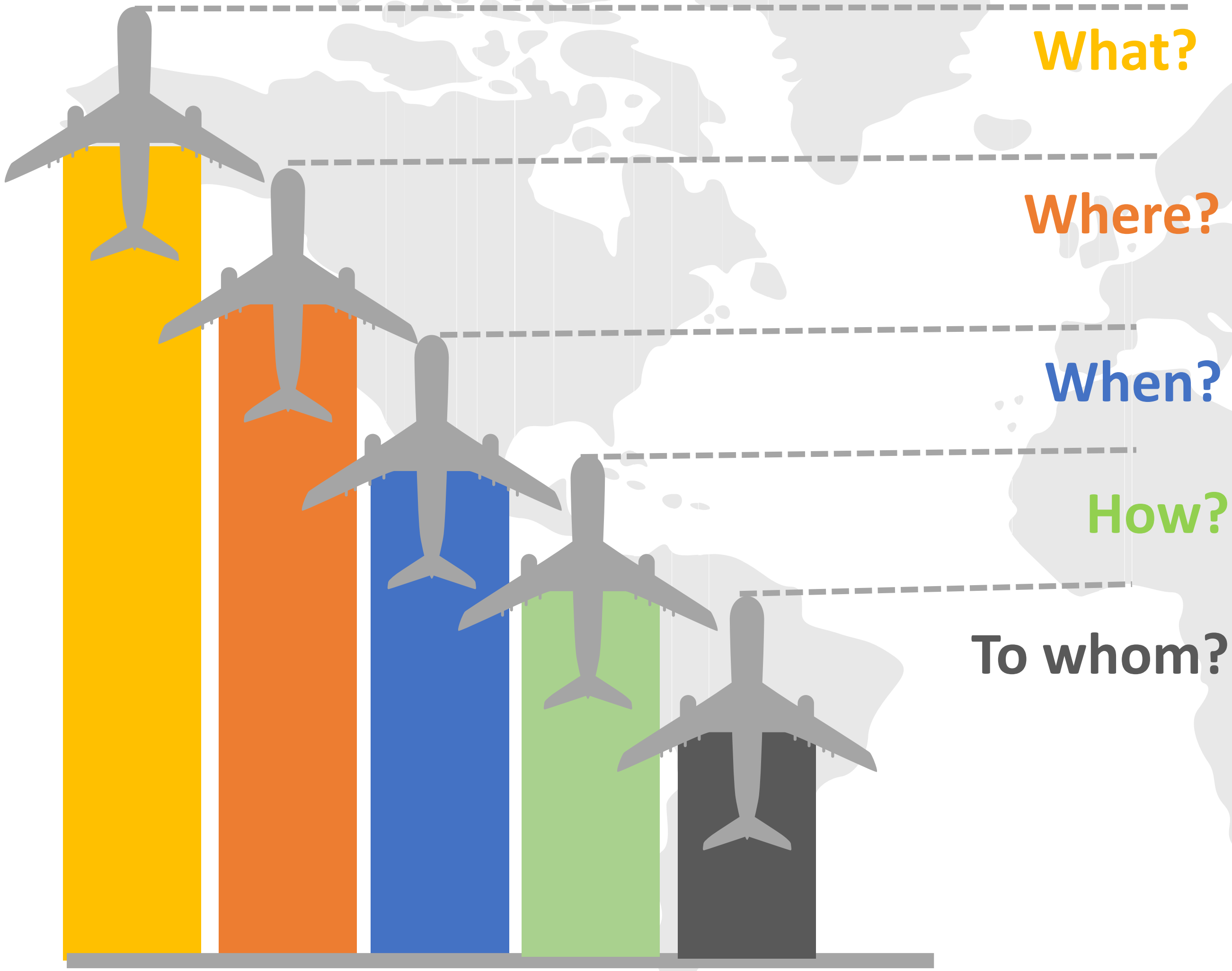
05 Porter’s 5 Force Model

06 Marketing Strategies

07 Marketing Trends and Future of Airline Marketing

08 Brain Storming

Airline Business



- Creating right product.
- Right touch and at right time.
- Sales technique and attractive content.
- Contextualization and personalization.

Market Environment

- Scan the environment
- Travel market overview : mkt size (dom/intl, other modes, etc), major mkt segments, growths, forecasts, character
- Macro-economic environment : eco growth (GDP), eco recession, money supply, inflationary factors, foreign trade and investment, foreign currency trends and interest rates, stock mkt, national BOP
- Micro-economic environment : changes in consumer disposable income, changes in travel expenditures, price sensitivity, shifts in expenses trends, consumer credit

Market Environment

- Segmentation & Targeting
- Customer Relationship Management
- Sustainability & CSR
- International Strategies
- Crisis Management

The Marketing Mix

- Customer-focused set of activities directed at satisfying needs and wants
- Integrated/coordinated activities known as the Marketing Mix
- The 4 P's
  - Product- the tangible or intangible good to be interchange
  - Place- is the place where the buyer and seller will perform the transaction. It also refer to reaching the customer.
  - Price- establishing a fair and reasonable economic compensation for the good
  - Promotion- is the information transmitted through communication channel to possible buyers related to your product

The expanded marketing mix

3 Additional P's - related to service industry

- People- Any person coming into contact with customers
- Process- This is the process(es) involved in providing a service
- Physical Evidence- Unlike a product, a service cannot be experienced before it is delivered, which makes it intangible.

Demand Strategies

PRICE

PRODUCT

Create new products
e.g. fly and ski packages

PLACE

Providing more options to purchase tickets to increase convenience
e.g. airport self service

PROMOTION

Increase demand in low demand periods
e.g. advertising in newspapers, magazines, on radio and TV

Four P’s of Marketing

How can we influence Price?

Class Closure

RBD	FARE
Y	1,200
B	850
H	600
K	~~450~~

Fare Increase

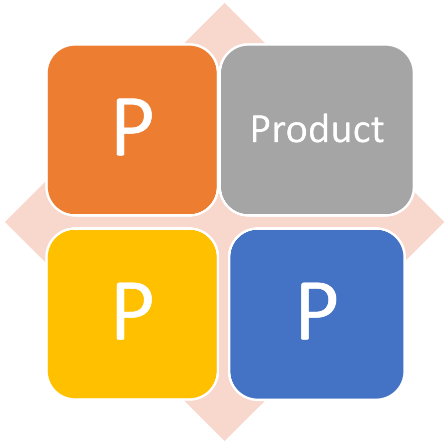
RBD	FARE
Y	1,400
B	1000
H	850
K	600

Four P’s of Marketing

How can we influence Product?

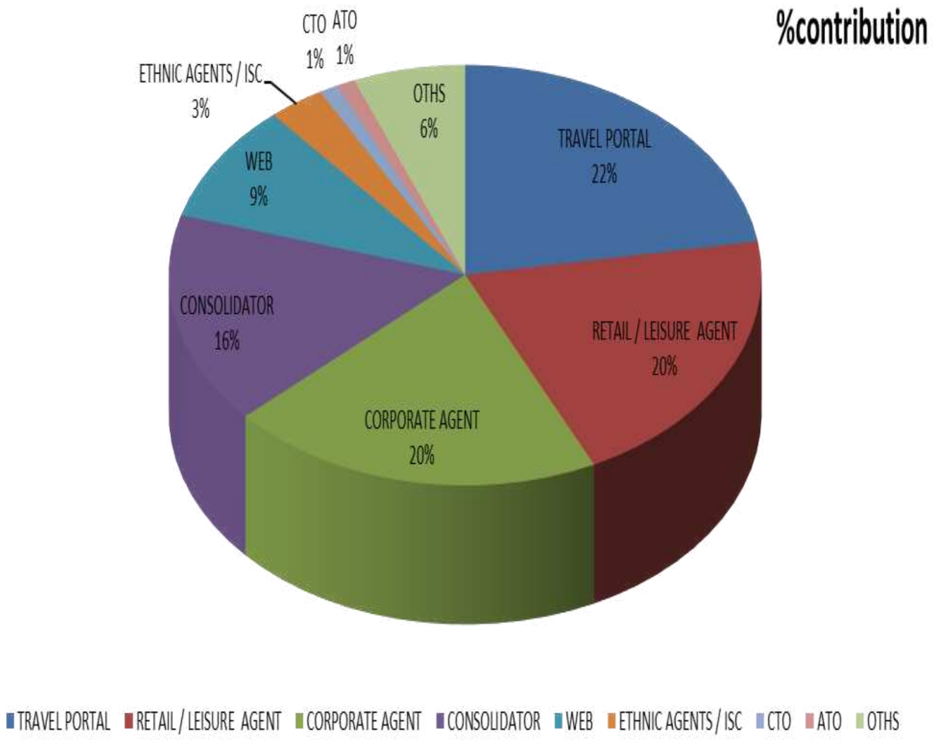
Special Fare Products such as:

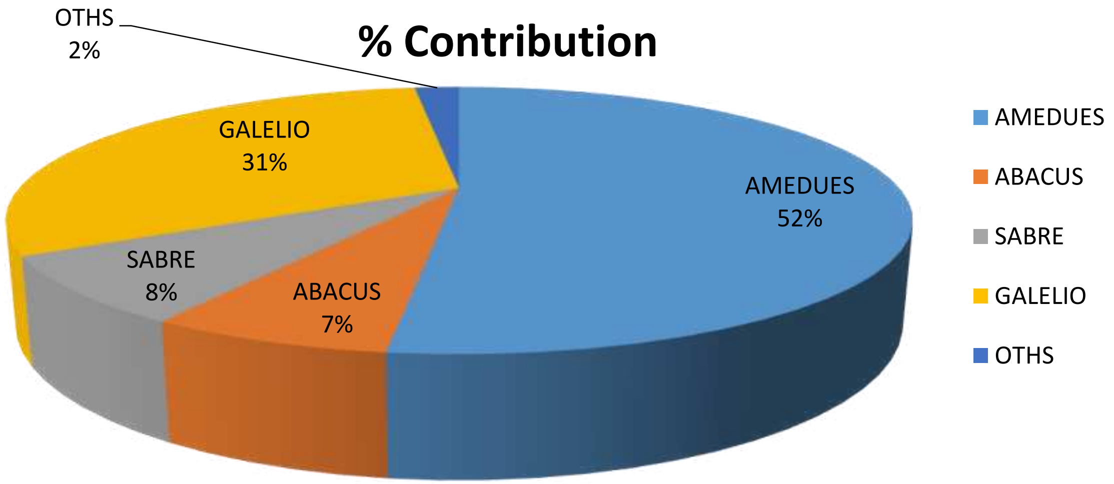
- Advance purchase
- Companion free
- VFR fares
- Private fares
- Ethinic agent fares
- Jet Escape packages
- Web fares
- TBF fares
- Corporate fares
- GV2



Four P's of Marketing

How can we influence Place?





Four P's of Marketing

How can we influence Place?

Equal Content Rules
- Prohibit us from providing fares to one GDS and not others
- Prohibit us from selling a fare online that is not made available to GDS

Closed User Groups
- A group like Frequent Flyers or others enrolled in a special promotion can be provided exclusive fares

Commercial Planning
- Uses complex diagnostics of travel agency booking data to help guide sales efforts in selling

Four P’s of Marketing

Type of Promotions

- Network Promotions
  - Airlines & their partners/ alliances
- Tactical Promotions
  - Fares
  - Discounts
- Thematic Based Promotions
  - New route launch

  - The above activity is done through
    - Billboards
    - Banners
    - TV Advertisements
    - Press releases etc

The Marketing Process

- Market information
- Market segmentation
- SWOT
- Objectives and strategies
- Develop and implement plans

  - Continuously review and correct

PESTE

- P- Political
- E- Economical
- S- Social
- T- Technological
- E- Environmental

Political

- This is a very highly political industry (the bilateral agreements/deregulation/opensky, etc.).
- Terrorism fear and political instability.
- Airport Slot = a pre-agreed time for a take-off of landing to take place at a particular airport.
- Slot Allocation: “Grandfather Rights” .
- Buy and Sell concept.

Economical

- Economic growth and the trade cycle.
- Macroeconomic system: – As the world economy grows so does the demand for air travel (hopefully).

– As a manager, will you be able to exploit this demand and opportunity? (see PESTE Environmental factors)

– Let's discuss what is happening now and the impact on labor, demand, costs, type of travelers, etc.

– What about manufacturers?

– What about new class of services?

Social

- Ageing Population (in developed countries): provisions/services for disabled pax, needing medical care and help at airport, etc. – New class of customer? – New type of ads?
- Changing Family Structures – Western Society: – Divorce involves one-parent families – More singles
- Change Tastes and Fashions in Holidays – Pursuing hobbies while on holidays – Various lengths of stay

Technological

- Video-conferencing
- The Internet – Biggest question: will it be THE distribution channel?
- Surface Transport Investment

Shaping the future traveller journey

As future traveller tribe purchasing habits evolve, travel providers need to respond and build a more rewarding and connected traveller journey, from 'inspiring to arriving home'.

Implementing appropriate solutions and services at each stage of the traveller journey will be crucial to success. The following chart provides examples and potential benefits of various strategies to **shape the future traveller journey**.

Inspire
- Context-aware emails
- Peer to peer
- Frequent flyer / Loyalty
- Big data (Market of one)
- Traveller affinity
- Rich media

Shop
- Multi-channel shopping behaviour
- Comparison shopping
- Information overload
- Fare families
- Bundled offers
- À la carte offers
- Multi-leg options
- Multi-currency pricings

Book
- Optimised user interface (UI)
- Cross-sell
- Complementary promotions
- Channel optimisation
- Payment security
- Mobile payments

24/48h after booking
- Time to think
- Data privacy
- Push notifications

48/24h before departure
- Door to departure
- Rebooking

Check-in
- Corporate traveller recognition
- Upsell
- Non-peak time offers
- Disruption management

Airport
- Passenger volume forecast
- Process automation
- Airport shopping
- Near Field Communication (NFC)
- Duty Free

On-trip
- In-flight
- Arrival to final destination
- Flight changes

Post-trip
- Reviews & ratings
- Customer Relationship Management (CRM)
- Customer Experience Management (CEM)
- Next trip...?

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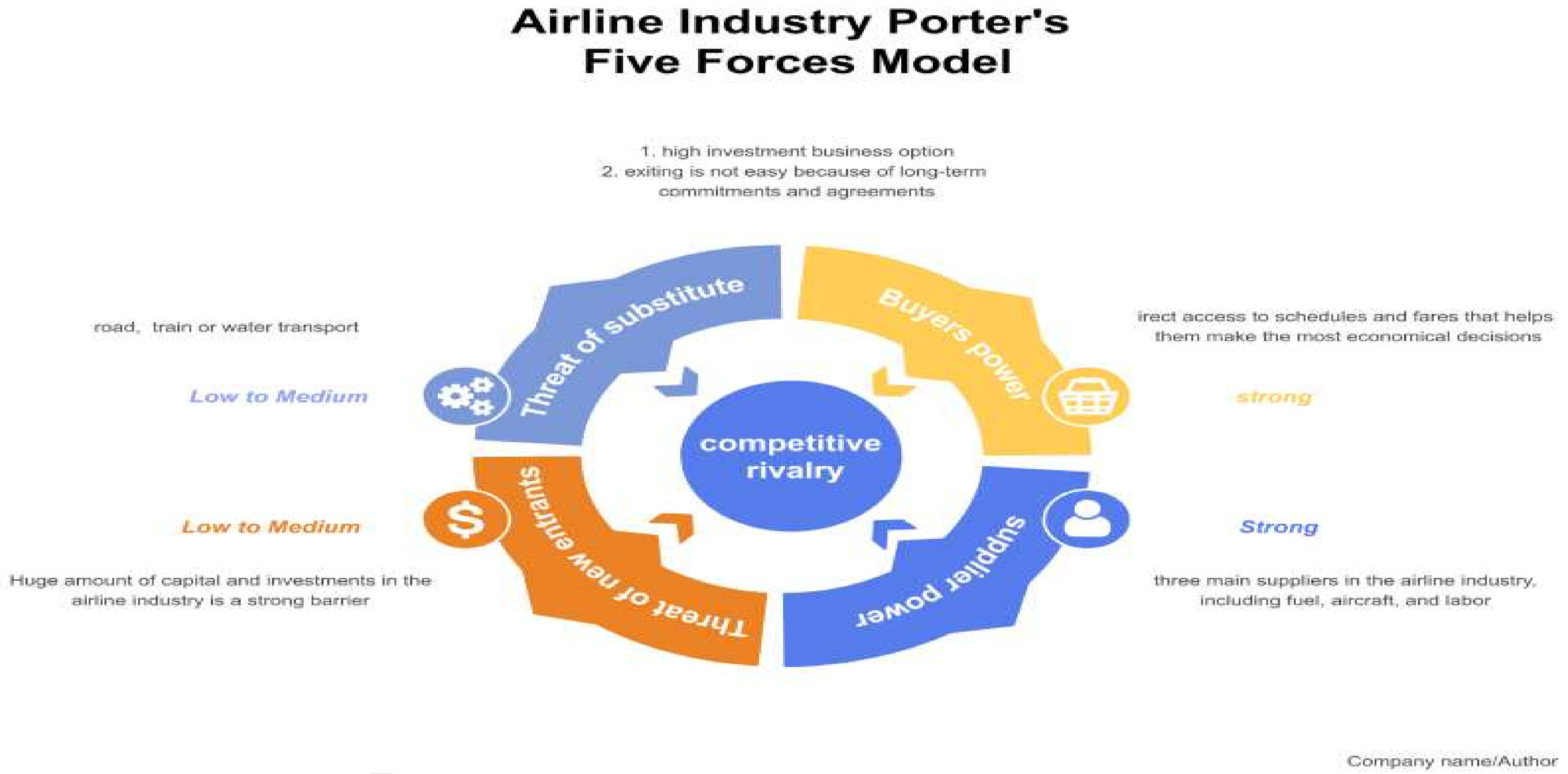
Environmental

- Climate Change and Global Warming: – If it becomes hot and nice where you live, why would you go somewhere else?
- Carbon dioxide emission issue

Air Transportation Industry Evaluation : Porter's Five Forces



Porter’s 5 Force Model

- Understanding the Strategic Options
- Industry Rivalry
- Substitution
- New entry
- Power of customers
- Power of suppliers

Rivalry among Industry

- There is intense rivalry among the airlines.
- Matured market and Huge investment.
- Competition in the service provided.

Substitution

- Surface modes.
- Alternative frequencies/ Airlines.
- Cargo ops.

New Entry

- High infusion of capital.
- Government regulation.
- Resource planning

Power of Customers

- Individual or Group travel.
- Other influences.

Power of Suppliers

- Aircraft manufacturers.
- Fuel suppliers.
- Human Resources.

Marketing Strategy

- Three main forms of strategy
  - Aggressive : where the objective is to increase mkt share
  - Defensive : where the objective is to maintain mkt share
  - Customer focus : where the objective is to obtain customer commitment or loyalty
- With each of the above, a strategic mix is used that focuses attention on 4 key issues :
  - Important customer needs and wants that the competition provides for
  - Important customer needs and wants that the competition does not provide for
  - Unimportant customer needs and wants that the competition does provide for
  - Unimportant customer needs and wants that the competition does not provide for

Aggressive Market Strategy

Competition

Customer Viewpoint	**offer**	**do not offer**
important	outmatch	upstage
unimportant	match	monitor for change

Defensive Market Strategy

Competition

Customer Viewpoint	**offer**	**do not offer**
important	Match – but build brand strength	Careful use only
unimportant	Don’t match	monitor for change

Customer Focus Strategy

Competition

offer **do not offer**

important

Customer ->>>>>>>>>>>>

Viewpoint

Respond to

the customer !

unimportant

Customer Focus Strategy requires …..

- Direct feedback from individual customers
- Involvement of front line staff
- A more transparent and responsive orgn

Exploring Strategic Directions

- One segment : ‘niche’, LCC, Charter, air taxi for corporates
- Multi-segment : Elite 1 business travellers, independent holiday customers, VFR, group holiday customers
- Expanding/increasing market position : raising position, requiring an aggressive or customer focus strategy
- Devolving : reducing market position and almost always involves defensive strategy; the strength of this defence will depend on the short-term importance of getting revenue and profit from the segment involved
- Selecting strategy


Love
is in the air


THANK YOU