Current trends in Aviation Marketing

Types of Aviation

General aviation may include business flights, air charter, private aviation, flight training, ballooning, paragliding, parachuting, gliding, hang gliding, aerial photography, foot-launched powered hang gliders, air ambulance, crop dusting, charter flights, traffic reporting, police air patrols and forest fire fighting ...

What is the current prediction of the aviation industry?
Market Size

India is expected to overtake China and the United States as the world's third-largest air passenger market in the next ten years, by 2030, according to the International Air Transport Association (IATA). Further, the rising demand in the sector has pushed the number of airplanes operating in the sector.

The fastest-growing aviation market in the world is India.

-Union Civil Aviation Minister Jyotiraditya Scindia

The technologies will change aviation:

Emerging technologies are reshaping with

- **robotics**
- **artificial intelligence**
- the internet of things
- unmanned aircraft systems, and
- the push for hybrid and electric airplanes – just to name a few.

Indian Aviation Industry

India's aviation sector has become the third largest domestic aviation market in the world in terms of handling domestic traffic.

The civil aviation industry in India has emerged as one of the fastest-growing industries in the country during the last three years.

India has become the third largest domestic aviation market in the world and is expected to overtake the UK to become the third largest air passenger* market by 2024

- The rising demand in the sector has pushed the number of airplanes operating in the sector.
- The number of airplanes is expected to reach 1,100 planes by 2027.

India's passenger* traffic stood at 188.89 million in FY22.

- In FY22, airports in India pegged the domestic passenger traffic at 166.8 million, and
- International passenger traffic to be 22.1 million.


International Demand, Capacity and Utilisation
1,40,000
1,20,000
1,00,000
80,000
60,000
40,000
20,000
0
90%
88%
86%
84%
82%
80%
78%
76%
74%
72%
88.5%
81.0%
79.3%
78.3%
81,720.7
64,821.4
91,245.0
71,444.1
1,01,669.6
82,367.0
1,26,054.2
1,11,620.4
FY16
FY17
FY18
FY19^
Capacity (Available Seat Kilometer*)
Demand (Revenue Passenger Kilometer*)
Utilisation (Passenger Load Factor in percentage)

Between FY16 and FY22, freight traffic increased at a **CAGR of 2.52% from 2.70 MMT to 3.14 MMT**.

Freight traffic at airports in India has the potential **to reach 17 MT by FY40**.

In FY22, the number of aircraft movements stood **at 1,757,112**.

As of 2022, India had 129 operational airports.
India has envisaged **increasing the number of operational airports to 190-200 by FY40**.

ADVANTAGE INDIA- Robust Demand

- Rising working group and widening middle-class demography is expected to boost demand.
- The country will become the third largest aviation market in terms of passengers by 2024.

OPPORTUNITIES IN MRO

- By 2028, the **Maintenance, Repair, and Overhaul** (MRO) industry is likely to grow over US$ 2.4 billion from US$ 800 million in 2018.

- Land allotment for entities setting up MRO facilities in India has been revised to a period of 30 years in September 2021, from the current 3-5 years as the government aims **to make India a**

POLICY SUPPORT

- Foreign investment up to 49% is allowed under the automatic route.
- Under Union Budget 2021-22, the government lowered the custom duty from 2.5% to 0% on components or parts, including engines, for the manufacturing of aircraft by public sector units of the Ministry of Defence.

INCREASING INVESTMENTS

- Investment to the tune of Rs. 420-450 billion (US$ 5.99-6.41 billion) is expected in India’s airport infrastructure between FY18-23#.

- Growing private sector participation through the Public-Private Partnership (PPP).

KEY INVESTMENTS AND DEVELOPMENTS

- According to the Department for Promotion of Industry and Internal Trade (DPIIT), FDI inflow in India's air transport sector reached US$ 3.54 billion between April 2000-March 2022.
- The government has allowed 100% FDI under the automatic route in scheduled air transport service and domestic scheduled passenger airline. However, FDI over 49% would require government approval.

- India’s aviation industry is expected to witness Rs. 35,000 crores (US$ 4.99 billion) investment in the next four years.

- The Indian Government is planning to invest US$ 1.83 billion for the development of airport infrastructure along with aviation navigation services by 2026.

- India aims to have 220 new airports by 2025.
- Cargo flights for perishable food items will also be increased to 30% with 133 new flights in the coming years.
- In 2022, Mumbai International Airport Ltd (MIAL) has raised US$ 750 million debt in a private placement from US-based private asset manager, Apollo Global.
- Adani Airport Holdings (AAHL) has raised US$ 250 million in May 2022 for capital expenditure and for the development of six airports that it currently manages.

- In February 2022, the Airports Authority of India (AAI) and other airport developers set a capital outlay target of Rs. 91,000 crore (US$ 12.08 billion) for the development of the airport industry.
- AAI plans to invest Rs. 25,000 crores (US$ 3.58 billion) in next the five years to augment facilities and infrastructure at airports.
- UK group to invest Rs. 950 crores (US$ 135.9 million) in Turbo Aviation's new airline TruStar

- In October 2021, Tata Sons won the bid to acquire state-run Air India by offering Rs. 18,000 crore (US$ 2.4 billion) to acquire 100% shares.
- In October 2021, Akasa Air, a start-up airline, received a 'No Objection' certificate from the Ministry of Civil Aviation to launch operations. The start-up plans to commence its operations from mid-2022.
- In September 2021, JetSetGo, a private aviation company, plans to make its flight operations carbon neutral by 2024 through a carbon management programme.

GOVERNMENT INITIATIVES

IN THE UNION BUDGET 2022-23:

RS. 10,667 CRORE (US$ 1.38 BILLION) HAS BEEN ALLOCATED TO THE MINISTRY OF CIVIL AVIATION.

THE RCS (REGIONAL CONNECTIVITY SCHEME) UDAN SCHEME WHICH AIMS TO STIMULATE REGIONAL AIR CONNECTIVITY HAS BEEN ALLOCATED RS. 601 CRORE (US$ 77.52 MILLION).

1. National Civil Aviation Policy

To boost air traffic in India, the Union government for the first time announced the country's National Civil Aviation Policy in 2016, which aimed to take flying to the masses by making it affordable and convenient, and establish an integrated ecosystem that would lead to significant growth of the civil aviation sector, to promote tourism, employment and balanced regional growth, enhance regional connectivity through fiscal support and infrastructure development and enhance ease

2. UDAN Scheme
The UDAN scheme was part of the National Civil Aviation Policy in 2016. UDAN is abbreviation for ‘Ude Desh Ka Aam Naagrik’. Its goal is to make air travel affordable and improve economic development in India.

3. AirSewa

The aviation ministry in 2016 launched the AirSewa website and mobile app, which allowed passengers to check the live status of flights and flight schedules.

AirSewa also includes a mechanism for grievance redressal, wherein passengers can upload videos and describe their grievances.

What makes this platform unique is that all the stakeholders in the aviation sector, including airlines, airports, security, immigration, Directorate General of Civil Aviation, etc. have been brought together on a single platform so that the grievances can be addressed in a time-bound manner.

4. NABH (Nextgen Airports For Bharat) Nirman Initiative

The scheme was introduced by the government of India in 2018 which proposed to expand airport capacity in the country by more than five times to handle a billion trips a year. The three key aspects of NABH Nirman are fair and equitable land acquisition, long-term master plan for airport and regional development and balanced economics for all stakeholders.

5. Digi Yatra Scheme

The Centre's Digi Yatra scheme proposes to use AI to authenticate passengers using facial recognition technology (FRTs) thus dispensing with the need for physical boarding permits or identity cards at airport terminals.

6. Flying Academies

The Ministry of Civil Aviation in a bid to ensure that aspiring commercial pilots can be trained in India announced the setting up nine new flying academies across the following five airports, including Belagavi and Kalaburagi in Karnataka, Jalgaon in Maharashtra, Khajuraho in Madhya Pradesh, and Lilabari in Assam, in July 2021. The first flying training organisation (FTO) for Northeastern region in Lilabari was inaugurated by Scindia and the chief minister of Assam Himanta Biswa Sarma in April, 2022.

7. Promotion of Helicopter Operations

The civil aviation ministry had released ‘Policy for promotion of Helicopter Operations’ on 8 October, 2021 to encourage helicopter operations by creating demand and growth. The policy aims to make helicopter operations viable by trying to provide facilitation and ease of doing business. This policy has opened new opportunities for masses to visit inaccessible locations/tourist places by helicopter.

8. Heli-Sewa portal and Heli-Disha

The ministry also launched 'HeliSewa' portal in 2021 that provides a seamless single-window digital access between the operator and authorities to communicate information about helicopter operations.

The purpose of 'HeliSewa' portal is to facilitate quicker processing of operational approvals for landing at helipads thereby improving the ease of doing business, and empowering the public / helicopter operators to have access to information. 'HeliSewa' is also designed to create and maintain a directory of helipads in the country with the requisite data quality and standardisation.

9. Drones

In order to make India a global hub for the research and development, testing, manufacturing and operation of drones, the Central government notified the Drone Rules 2021 on 25 August 2021.

To promote domestic manufacturing of drones, the Centre has notified the Production Linked Incentive (PLI) scheme for drones and drone components on 30 September 2021.

10. Air Bubbles

Air Bubble arrangements were temporary arrangements between two countries aimed at restarting commercial passenger services when regular international flights are suspended as a result of the COVID-19 pandemic. India had Air Bubble arrangements with 37 countries including Afghanistan, Australia, Bahrain, Bangladesh, Bhutan, Canada, Ethiopia, Finland, France, Germany, Iraq, Japan, Kazakhstan, Kenya, Kuwait, Maldives, Mauritius, Nepal, Netherlands, Nigeria, Oman, Qatar, Rwanda, Russia, Saudi Arabia, Seychelles, Singapore,
Sri Lanka, Switzerland, Tanzania, UAE, UK, Ukraine, USA and Uzbekistan.

- The Ministry of Civil Aviation (MoCA) announced that airlines can operate domestic flights without any capacity restriction, effective from October 18, 2021.

- In August 2021, the government plans to implement a biometric boarding system using facial technology in six airports, including Bengaluru, Hyderabad and Pune. The project is currently in the testing phase.

- Under RCS-Udan scheme, approximately 34,74,000 passengers were flown and 335 routes were awarded during 2019, covering 33 airports (20 unserved, 3 underserved, 10 water aerodromes).

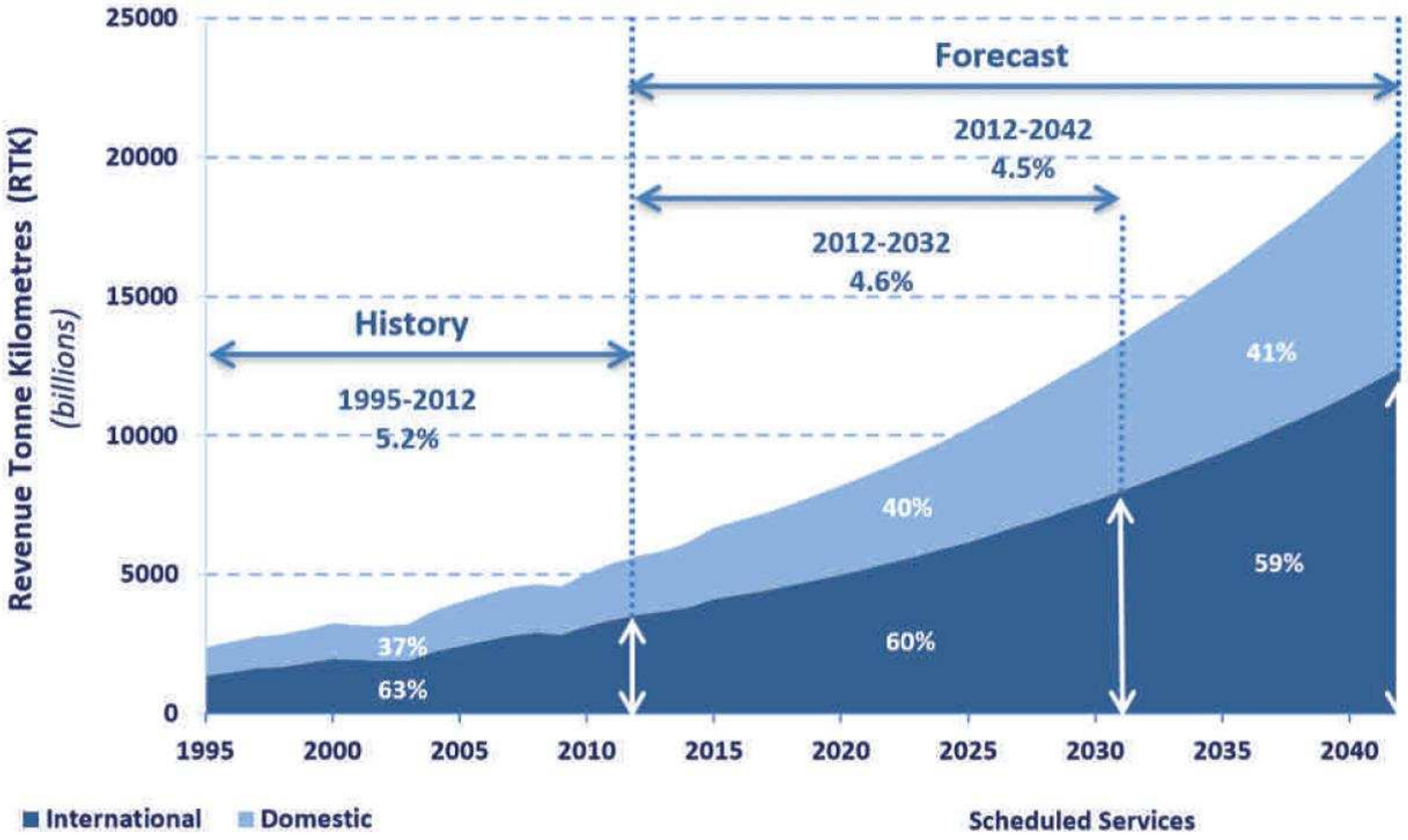
Future of Aviation

The air transport industry is expanding and the future of aviation is a bright one.

- In 2017, airlines worldwide carried around 4.1 billion passengers. They transported 56 million tonnes of freight on 37 million commercial flights. Every day, airplanes transport over 10 million passengers and around USD 18 billion worth of goods.
- The aviation sector is growing fast and will continue to grow. The most recent estimates suggest that demand for air transport will increase by an average of 4.3% per annum over the next 20 years.

This indicates the significant economic impact of aviation on the world economy, which is also demonstrated by the fact that aviation represents 3.5 per cent of the gross domestic product (GDP) worldwide (2.7 trillion US dollars) and has created 65 million jobs globally.

- If this growth path is achieved by 2036 the air transport industry will then contribute 15.5 million in direct jobs and $1.5 trillion of GDP to the world economy. Once the impacts of global tourism are taken into account, these numbers could rise to 97.8 million jobs and $5.7 trillion in GDP.
- By mid-2030s no fewer than 200,000 flights per day are expected to take off and land all over the world. Imagine the first video again – but with twice as much traffic!

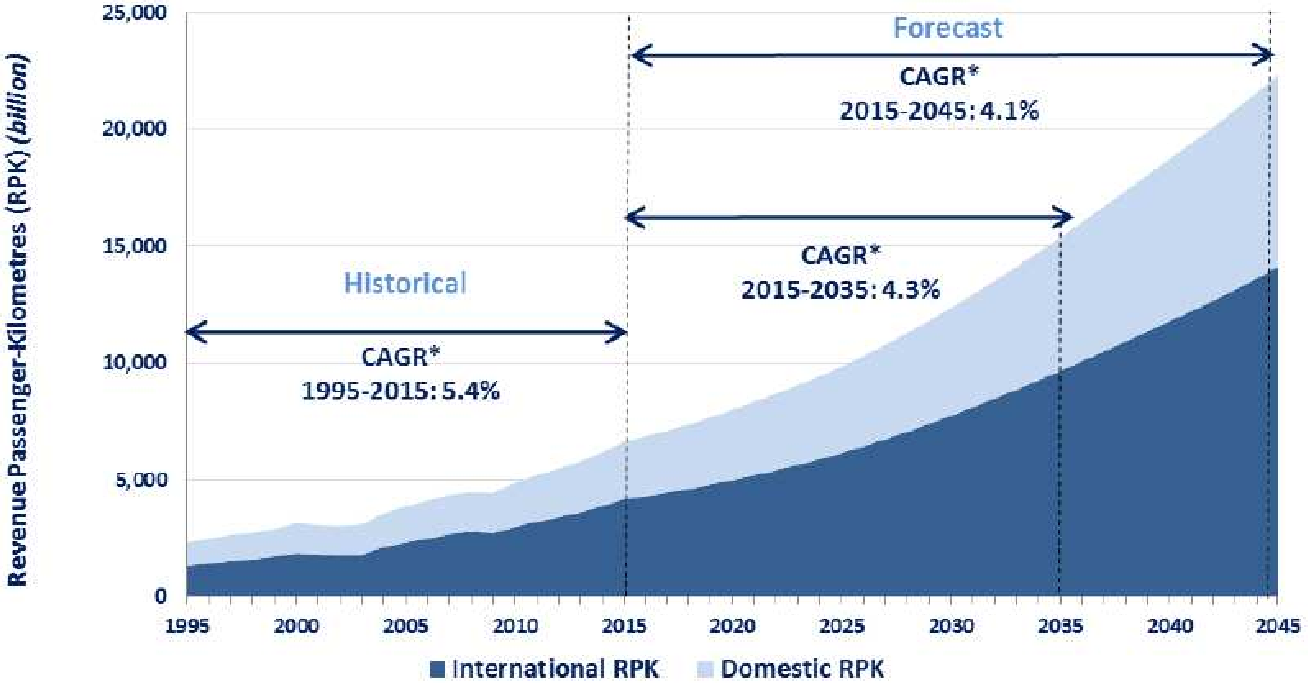


25000
20000
15000
10000
5000
0
Revenue Tonne Kilometres (RTK)
(billions)
Forecast
2012-2042
4.5%
2012-2032
4.6%
History
1995-2012
5.2%
37%
63%
40%
60%
41%
59%
1995
2000
2005
2010
2015
2020
2025
2030
2035
2040
International
Domestic
Scheduled Services

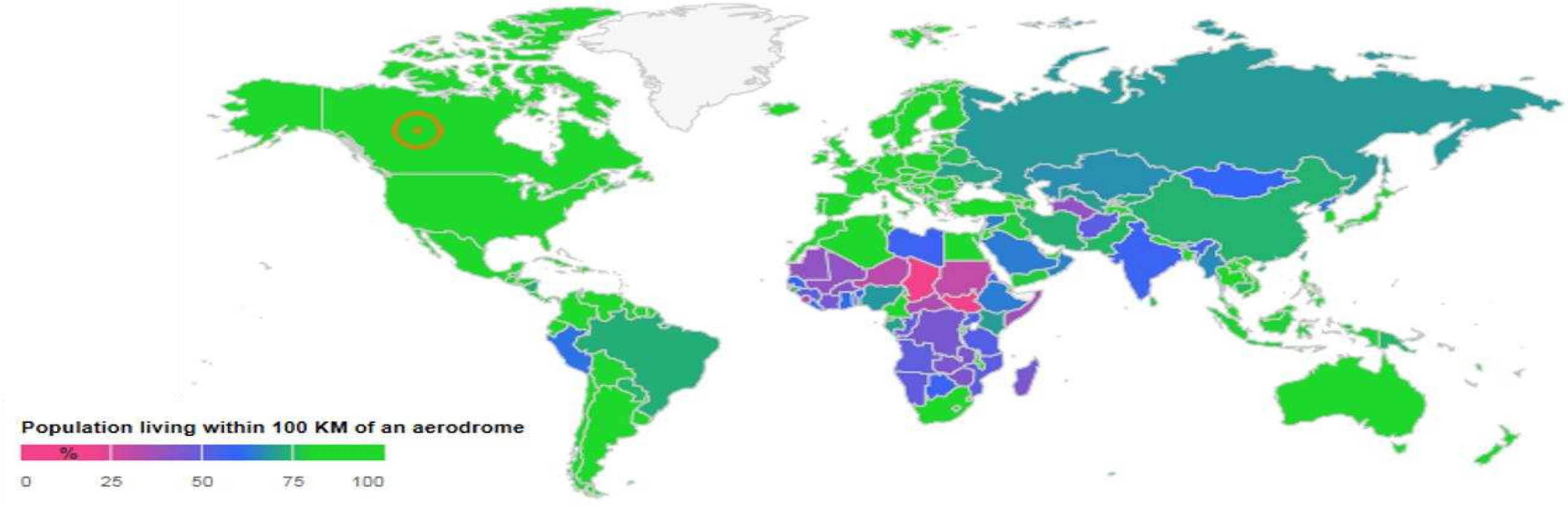
These figures are dazzling and reflect a dynamic sector - which is great.

And this growth is not limited to passenger traffic. We anticipate that cargo traffic in terms of tonnage – to continue to grow along a similar curve.

But the growing demand for air traffic also involves challenges, not least of which are the important logistical implications in and around airports to ensure the infrastructure is able to support this growth.



Airport Accessibility



This figure shows for each country, what percentage of the population lives within 100 km of an airport.

World wide – 51% of the population lives within 100 km of an International Airport – and 74% live within 100 km of any kind of airport.

Top 10 Trends in Aviation

1. Airport Ownership Transition

Airports are witnessing a transition in the ownership and management structure from public to public-private partnership, to a concession-based operator on behalf of the owner, and finally to fully private airports. This creates opportunities for larger investments towards airport development and in turn allows suppliers to penetrate deeper into the market with both existing and new products.

2. Airport Cities, Aerotropolis

Airports are transforming into a social hub where passengers can meet, rest, and experience an increasing array of airport services. Suppliers that form partnerships with service providers or those that diversify into the airport industry are able to introduce new platforms that can integrate with other sectors and provide a seamless and connected array of services.

3. Location-based Services

Targeted marketing, including information on store location and discounts in the airport, together with new purchasing models such as online purchases and offsite delivery of goods, will lead to increased non-aeronautical revenues for airports.

4. Consolidation

In the face of airport expansion and growing competition among suppliers, suppliers are consolidating their position in the industry by pushing their products into existing markets to gain a sizable market presence.

Suppliers build on this success by broadening into new market regions or developing and marketing new products in their existing regional presence.

5. Digital Security

State-of-the-art technology has been used to develop advanced concepts such as “walk though security” to reduce passenger wait times, while biometrics can be used to automate verification processes and reduce staffing.

Security systems have rapidly become a major trend in airports. Suppliers have moved swiftly to incorporate cyber-security services into their

6. Self Operation

The evolution of passenger operations will lead to passengers performing all services from check-in to boarding the flight on their own. This will help to optimize resources, cut down on operating cost, and enhance non-aeronautical revenue.

Suppliers have developed new standardized products that enable such services including self-service platforms and e-boarding.

7. Traffic Growth

Driven by the emerging middle class, passenger traffic has doubled every 15 years. Forecasts have confirmed that this trend will continue. This results in the necessity to upgrade airport infrastructure.

The Asia-Pacific region has witnessed a booming air-travel population. As a result, suppliers have targeted this region to gain market presence, thus presenting opportunities for growth.

8. Integration and Standardization

Integrated systems allow airports to use standardized platforms which seamlessly connect with platforms of other suppliers and with third-party applications.

Suppliers understand the importance of integrated platforms. Partnerships with other suppliers enable them to provide end-to-end platforms that integrate different airport segments.

9. Digital Transformation

The level of digitalization in airports is growing quickly and it supports trends such as increasing automation and targeted passenger services.

This will lead to a connected airport where the control center has visibility across all operations and can better monitor and manage performance against key performance indicators (KPIs).

10. Green Airports

With high standards to limit noise and air pollution, airports will increasingly focus on generating energy through renewable sources and improving energy management solutions.

Suppliers such as Honeywell and Siemens have a strong building management service portfolio. Integration of such systems with their existing airport solutions will allow such companies to provide end-to-end airport integration and management services.

Artificial intelligence or AI is now being utilized in a variety of industries across the globe. It particularly is making its mark in the aviation industry as airline companies continue to experiment with how AI can make flying faster, safer, and more convenient. While these experiments are in the earliest phases right now.

Keeping Up with Growing Industry Demands

By all accounts, the global aviation industry is growing at an unprecedented pace. Within the next few years, passenger counts are expected to double. This increased demand could put a strain on the systems that are in use today at airports across the globe.

With AI, however, the demand could be easily met without putting additional strain on an airliner's operations or budget.

Passenger Identification

Artificial intelligence is already being used in select airports to identify passengers and handle ticketing matters. In fact, it has proven itself capable of performing end-to-end passenger identification and check-in functions at the airport.

Some airports are already using AI in ticketing kiosks that allow passengers to check in quickly without having to wait in long lines. It also is being used by some airliners in mobile apps that allow passengers to check in for flights from the touch of a smartphone or tablet computer.

Baggage Screening

AI will also prove critical in the process of screening customers' baggage. With AI, customers can have the size of their baggage determined before they even arrive to the airport and check in for a flight. They can additionally use a mobile app to prepay for any baggage-related expenses.

Customer Assistance

One of the most frustrating aspects of flying for many customers is getting assistance with commonly asked questions or concerns. Customers either have to wait in line at the airport or call and then await on hold for long

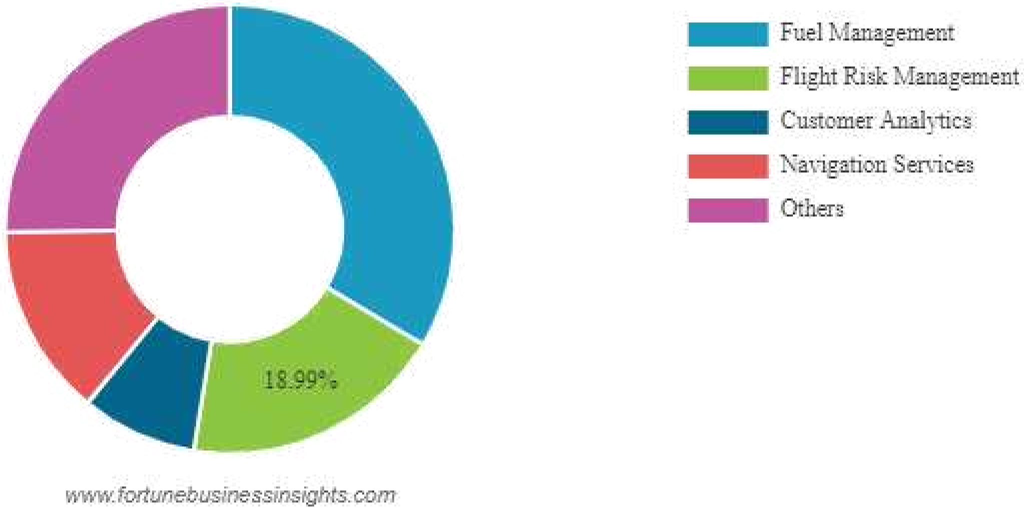
AI IN THE AIRLINE INDUSTRY

altexsoft

Predictive Maintenance

Finally, AI could soon be used to maintain and repair airplanes. Experiments are already underway to determine how well AI can optimize maintenance planning and capacity of airliners. It is showing promise in being able to reduce the need for routine maintenance by triggering repairs only as they are needed. Further, AI can increase an airliner's fleet availability by up to 35 percent, all the while reducing labor costs by as much as 10 percent.

Global Aviation Analytics Market Share, By Application, 2020



The aviation industry has been severely impact by the Covid-19 pandemic, with airlines experiencing overwhelming disruption and a shocking downturn. In 2021, the industry dealt with the fallout of Covid-19 through the implementation of a number of changes.

A sharp decline in passengers choosing air travel led to a revaluation of safety measures and reassurance for passengers. Due to the implementation of these measures, the aviation industry has seen a gradual recovery as well as the return of passenger confidence. Overall, further progress is expected in 2022 with the introduction of new technologies to allow for these adjustments.

- The pandemic has put a sharp focus on health and safety, and in turn on cleaning regimes across several facets of the aviation sector. Widespread adoption of hygiene enhancement and germ-killing solutions due to the virus will be here to stay.
- UV technology for cleaning everything from security trays at airports to cabin surfaces has seen deployment across the globe.

- Post-pandemic world, digitization of health records (vaccine passports) and its seamless incorporation in the travel process will be a key factor driving trends in this area.
- Digitization of health records and procedures will go a long way in restoring consumer confidence and making key aspects of air travel safer and quicker, with the latter remaining a key factor in the recovery of the aviation and global travel sector.

Sustainability will play a crucial role in the development of new technologies, especially in airports. Several airports around the world have begun implementing sustainable measures whether in their construction, using green spaces and increased utilization of natural light, developing holistic recycling initiatives, energy saving measures, and sustainable printing practices.

Blockchain holds immense potential for the air transport industry because of its unique ability to share information instantly, securely, and privately between dozens of stakeholders across airports, governments, airlines, and original equipment manufacturers (OEMs).

- The air transport industry spends $50bn a year on aircraft spare parts. Yet, tracking and tracing of these spare parts as they move between airlines, lessors, and OEMs remains largely manual.

- There is no one single view of how to track hundreds of millions of records of transactions between these entities, exacerbating risk and cost.

Airline Industry Trends: What Marketers Need To Know

- The airline industry continues to soar, but security issues, the latest tech, and airport construction mean many airlines are still grounded on the runway.

1. Consider Both Direct and Indirect Bookings

- Increase awareness.
- Improve engagement.
- The end goal? Boost bookings.

Increase direct bookings by moving customers through your sales and marketing funnels.

How do you do it?

Identify high-value customers with the latest analytics and turn them into paying passengers.

Increase indirect bookings by working with travel management companies (TMCs), online travel agencies (OTAs), and other third-party companies.

How do you do it?

Access third-party data about prospects and turn them into frequent flyers.

To grow their direct bookings:

- A pool of loyal customers, often members of frequent flyer programs; infrastructure such as call centers to provide post-sales care (which OTAs often lack); and

- A brand that inspires trust, especially in carriers' home markets," says PWC

2. Use Social Media to Build Brand Equity

- More than 8 million people take a flight every single day. Often, they share flight experiences on social. They post pics during take-off and landing. They tag airlines.
- This is why it's crucial to use social for building brand equity. KLM is just one example of an airline that smashed this. Their "Meet & Seat" campaign allowed fliers to select seats alongside passengers with mutual interests based on their social media likes. The campaign helped the company's social media managers amass $25 million in revenue generation.

The world's top airlines have around 1 million Facebook fans. These social media users are highly engaged with the airlines they follow, and love to see their content reposted and engaged with.

Feature your passengers on social, host contests, repost Insta Stories, and engage with your passengers.

3. Using Digital Channels to Influence Customers Earlier in Their Journey

- As many as 70 percent of customers research and finalize flight purchases online, so you need to influence these consumers early on in the marketing funnel.
- When buying tickets, customers check out several online channels across multiple devices. They also use social media to facilitate the decision-making process. Can influence these prospects with a combination of owned and earned visuals and optimize

4. Promote Awareness of New Offers/Sources of Revenue

- Promote ancillary services—stuff like onboard food, queue jumps, priority passes, etc.—with visual marketing.

- To promote its Valentine's Day flight deals, Air Canada asked its flyers to enter a photo contest.

- Participants had to hold up a sign with the number of kilometers that separated them from their partner, upload the photo to social media, and tag the flight

- Millennials, in particular, don't trust ads:
- 84 percent of them just don't respond to conventional TV and radio spots like previous generations did.
- This is about showcasing pre and post-flight and onboard experiences in a digital space.

User-generated content (UGC) is a great way to promote awareness about your services, and how your passenger experience is different or unique.

The truth is, 85 percent of consumers find UGC more influential than brand videos and photos.

5. Target Key Segments (Like Millennials) With Visual Content

- Millennials travel more (and spend more on their travels) than any other age group.
- Focusing on key segments like these, therefore, will provide you with a return on your marketing spend.

- Airlines are already creating new routes that appeal to young travelers. As a marketer, though, focus on experiences rather than services. Millennials favor authentic experiences over owning "things."

- More than 60 percent of millennials say they understand information faster when it’s communicated visually, versus just 7 percent who don’t.
- Incorporating visual content and user-generated galleries into your website will help you gain a competitive advantage over other airlines who are less progressive.

STORYTELLING

Across all media and content, there is a marked shift in aviation marketing towards storytelling. Even more, people are naturally gravitating towards narrative and story. By making your marketing content more narratively structured, you make your brand relatable to potential customers.

But why bother even making a brand relatable? By creating a relationship with your audience, you foster brand loyalty. This kind of loyalty will engender a sense of community through specificity and story.

The well-known major American airline company, Southwest, has always been an aviation-industry-southwest-airlines-app known for its reputable marketing and advertising. The brand understands the importance of using storytelling in its aviation marketing strategy in order to connect with its customers on a deeper level.

Last year Southwest introduced the interactive microsite, 175 Stories, which was described in Forbes as being "a masterful example of brand storytelling".

Ultimately, what storytelling does well is develop a brand identity. Whether it's how a business was founded or the lengths it might go for a customer, a story that builds brand identity makes your aviation business stand out from the crowd.

PERSONALIZATION

In the age of big data, there are a myriad of tools available to ~~target~~ and personalize your ads to the people who are most likely to seek out your business. These tools collect data and use it to target specific individuals who are looking for, or would consider, your business. Likewise, advertising on Google and Facebook are both optimized by using such tools. As a result, many airlines use marketing automation software for this kind of marketing

BAM MAIL

As an agency who have worked closely in the aviation industry, CATMEDIA discovered a way for organizations seeking to deliver information internally more personalized and accessible. Imagine having a face-to-face conversation with an entire organization in the morning, and hearing back from them by the end of the day. In a business climate where miscommunication costs you time, money, and productivity, effective communication is critical. Introducing BAM Mail® (*Browsable Attached Media*).

MAKING AN IMPACT

In today's world, many consumers look for brands and organizations to be making a positive impact on society through motivational or encouraging campaigns. One of the most successful and impactful efforts CATMEDIA supported is the highly recognized Turn Off Tune In campaign. This joint FAA-NATCA campaign was one of several efforts under Foundations of Professionalism.

MOBILITY

Making marketing materials compatible with mobile devices isn't a new trend, but it isn't a diminishing one by any stretch. Every year, more people are turning to their mobile devices and tablets for online searches. This means it is imperative that all digital marketing materials be compatible with a range of screen sizes.

GET IN TOUCH

As in all things, innovation in marketing strategies, technologies, and tactics is integral to building a business and staying ahead of the game. Therefore, by keeping an eye on trends as they arise in the aviation industry, you can make sure your marketing plan for this year (and years to come) isn't falling behind.

Stages in the Application of Marketing Principles to Airline Management

1. The Customer

The cornerstone of successful marketing activity is that firms should obtain full knowledge of their current and potential customers. This knowledge needs to encompass information about market size, demographics, customer requirements, and attitudes. There also needs to be an ability to forecast the future size of the market, and any possible future changes in customer need. The processes whereby airlines seek this information will be those of market research and market analysis.

2. The Marketing Environment

The nature of sound marketing policies will clearly vary according to the constraints and opportunities provided by the external environment. In analyzing a firm's marketing environment it is usual to use the model known as PESTE analysis. This model categorizes the factors in the marketing environment under the five headings of Political, Economic, Social, Technological and Environmental.

3. Strategy Formulation

Clearly, it will not be possible to define marketing policies without the marketing input is a crucial one in the definition of a firm's overall strategic direction. This strategic direction must identify the firm's goals and objectives, the markets in which it will participate.

4. Product Design and Development
5. Pricing and Revenue Management
6. Distribution Channel Selection and Control
7. Selling, Advertising and Promotional Policies

The Market for Air Transport Services

- An airline that is to apply the principles of Marketing successfully needs a thorough knowledge of current and potential markets for its services.

- This knowledge should encompass an understanding of the businesses in which they participate, and of the market research techniques they must apply in order to gain the knowledge they need about the marketplace.

What Business are we in?

A large combination airline will be working in at least the following areas:

1. Transportation
2. Communication
3. Leisure

Airlines today are increasingly involved in the intensely competitive leisure industry. Customers have to decide how they will use both their disposable income and disposable time. Disposable income can be used to purchase holidays.

4. Logistics

In the air freight industry, it is rarely possible for airlines to sell successfully against surface transport operators on the basis of price. Surface transport rates are almost always cheaper than those charged by the airlines. Commonly, surface rates are only a fraction of the air-based equivalent.

5. Information

As a more minor, but still interesting issue, on the cargo side of their business, airlines certainly compete in businesses associated with the movement of information.

6. Selling Services:

Running a successful airline requires numerous skills to be developed, and many carriers have an important revenue source from selling these skills to others who need them.

Decision-Making Units

These categories are as follows:

1. Deciders

These are the people who will make the final purchasing decision. They will, no doubt, have an Apparent Need of making the decision that will be in the best interest of the firm that employs them.

2. Gatekeepers

"Gatekeepers" are defined as those who control the flow of information into the Decision-Making Unit. Gatekeeping may take on a number of forms. The Decider's secretary or Personal Assistant will be taking on a Gatekeeping role if they opt to protect their boss from timewasting visits by what they believe will be unwelcome sales people.

3. Users

Users are defined as those people who will actually use the product or service once it has been purchased. Because of this, they tend to be very concerned about the quality and utility of the product, and less worried about the cost of obtaining it.

4. Buyers

Buyers are those who negotiate the final deal with the different suppliers.

In a large firm, there will probably be a separate Purchasing function.

5. Influencers

Influencers are those people who do not use a product or become involved in detailed negotiations with suppliers, but who do influence the final outcome of the buying process.

Segmentation Variables in the Air Passenger Market

1. Journey Purpose

Journey purpose has always been the fundamental segmentation variable in the air passenger market, with the essential division being between business and leisure travel.

2. Length of Journey

There are fundamental differences between the requirements of a short-haul traveler compared with someone who is flying a long-haul route.

3. Country/Culture of Origin of the Traveller

In the airline industry in recent years there has been considerable discussion of the concept of ‘global brands’ and the possibility of truly global branding becoming a feature of Marketing in the aviation business.

4. Frequency and Timings

5. Punctuality

Punctuality of flights is of obvious, crucial, importance to the business traveller, with flight delays meaning inconvenience, missed appointments and, perhaps, the loss of customers.

6. Airport Location and Access

On short-haul routes, passengers will prefer service from a local, easily accessible airport, rather than from a more distant hub.

7. Seat Accessibility/Ticket Flexibility

“Seat Accessibility” is a piece of aviation jargon that refers to the probability of a passenger being able to book a seat on a flight shortly before it is due to depart.

8. *Frequent Flyer Benefits*

Today, almost all airline operate their own Frequent Flyer Programme, or are partners in another carrier's programme.

9. Airport Service

On a short flight, time spent at the airports at each end of the route may exceed the flight time. It is therefore not surprising that airport service should be a significant factor in choice-of-airline decisions.

10. In-Flight Service

Marketing Environment

1. Deregulation and "Open Skies"

the airline industry has been constrained by decisions made by politicians and governments. Governments have controlled where airlines can fly, and aspects of their product planning and pricing policies.

2. Privatisation

Ownership has always been important in the airline industry. Many governments regarded the existence of a national airline as an essential requirement for nationhood.

3. Airport Slot Allocation

The schedule of an airline will clearly be one of the cornerstones of the product that it offers. In turn, it will be the question – clearly a political one – of the ways in which airport slots are allocated which will decide on the schedule which can be planned, both in terms of the frequency of flights and their timings.

4. PESTE Analysis – Economic Factors

1. *Economic Growth and the Trade Cycle*

2. Social Factors

-The Ageing Population

-Changing Family Structures

-Changing Tastes and Fashions in Holidays
-The Uncertain, Deregulated Labour Market
-The Female Business Traveller

3. Technological Factors

-*Video-conferencing*

The possible effect of video-conferencing on the demand for air transport. The conclusion reached was that it posed a significant long-term threat. It is unlikely to lead to a decline in the demand for air travel.

-The Internet

The mid-1990s saw the beginnings of airline interest in the marketing possibilities opened up by the Internet. Since then, the growth in its use has been astonishing. At the time of writing almost all major airlines have websites which they use for promotional purposes, with these sites supplying timetable and product information and also often having an interactive component which allows people make bookings.

Surface Transport Investment

Today, many countries have seen a resurgence of interest in surface –especially railway – transport investment. Railway operators have largely won the battle to be viewed as the most environmentally acceptable form of transport.

4. Environmental Factors

-Climate Change and Global Warming

-Shortages of Infrastructure Capacity

-Tourism Saturation

Marketing Strategies

Porter's "Five Forces" and their Application to the Airline Industry:

- The Five Forces of the rivalry amongst existing firms, substitution, new entry, the power of customers and the power of suppliers.

- *Rivalry amongst Existing Firms*
- *Substitution*
- *New Entry*
- *The Bargaining Power of buyers*
- *The Bargaining Power of Suppliers*

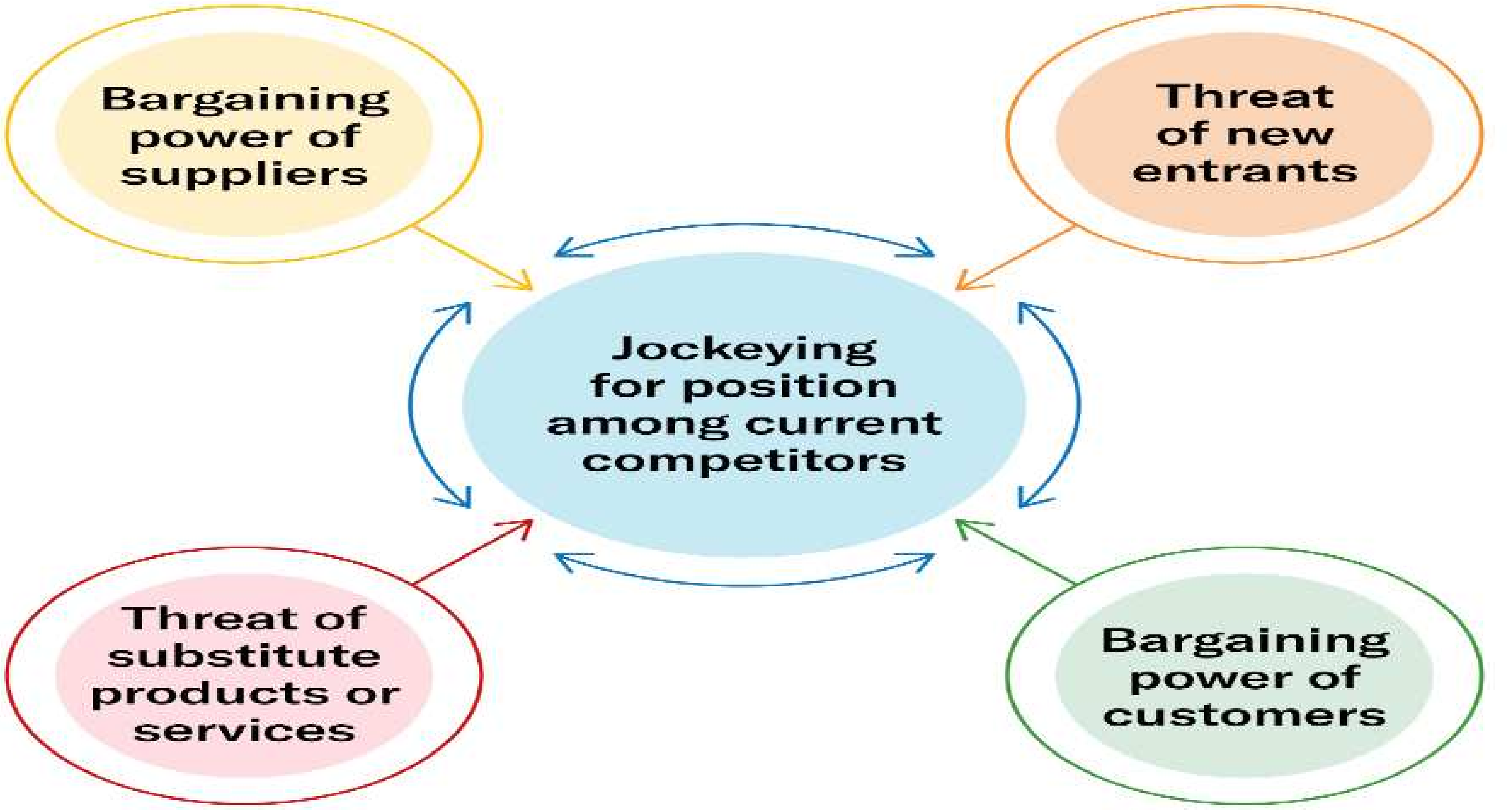
Overall, Porter’s Five Forces model provides a valuable backcloth against which to view airline strategic decision-making. Any airline strategy, if it is to be successful, must deal with a complex interplay of often conflicting forces.

Strategic Families

Cost Leadership, Differentiation and Focus – The Principles presents a diagram, again taken from Porter’s “Competitive Strategy”.

Deccan Airways was the cost leader.

Forces Governing Competition in an Industry



Target/Market Scope	Advantage	
	Low Cost	Product/Service Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

Cost Leader airlines are generally “no frills”

Benefits of cost leadership

- Enjoy higher than average profits
- Engage in price war
- Eliminate rivals
- Defend market share
- Increase market share
- Build barriers to the entry of newcomers to the market
- Weaken the threat of substitutes
- Enter new markets

“Differentiation” in the Airline Industry

- In order to be successful in the Differentiation sector it has always been necessary for airlines to be innovative.
- Personal service standards assume an even greater importance because they can provide a Sustainable Competitive Advantage.
- Brand building forms another, vital, part of the business model for successful Differentiation in the airline industry.
- The Concept of the “Legacy Airline”

Sources of differentiation

- Creation of strong brand
- Superior performance
- High quality
- Additional features offered
- Innovation in packaging
- Speed of distribution
- Higher service levels
- Greater flexibility
- Delivery
- Quality of the materials

Risks of differentiation strategy

- There are difficulties of sustaining differentiation
- Differentiation involves higher costs
- There is a risk of creating differences that customers do not value
- Customers might become price sensitive and choose on price rather than uniqueness
- It might involve differentiation on dimensions that become less important to customers over time
- Customers may no longer need the differentiation factor
- Imitators may narrow the differentiation
- Rivals pursuing a focus strategy may be able to achieve even greater differentiation in their market segments

Focus strategy

- In a focus strategy the firm concentrates on one (or at most a limited number of) segments of the market
- The premise behind this strategy is that the needs of the group can be bettered served by focussing entirely on it
- The firm might feel more secure in the niche with greater insulation from competition
- A focus strategy means that the firm's efforts are not spread too thinly
- Focus strategies are
  - Cost focus: cost leader in a particular segment
  - Focus differentiation: differentiation in the chosen segment

Requirements of a focus strategy

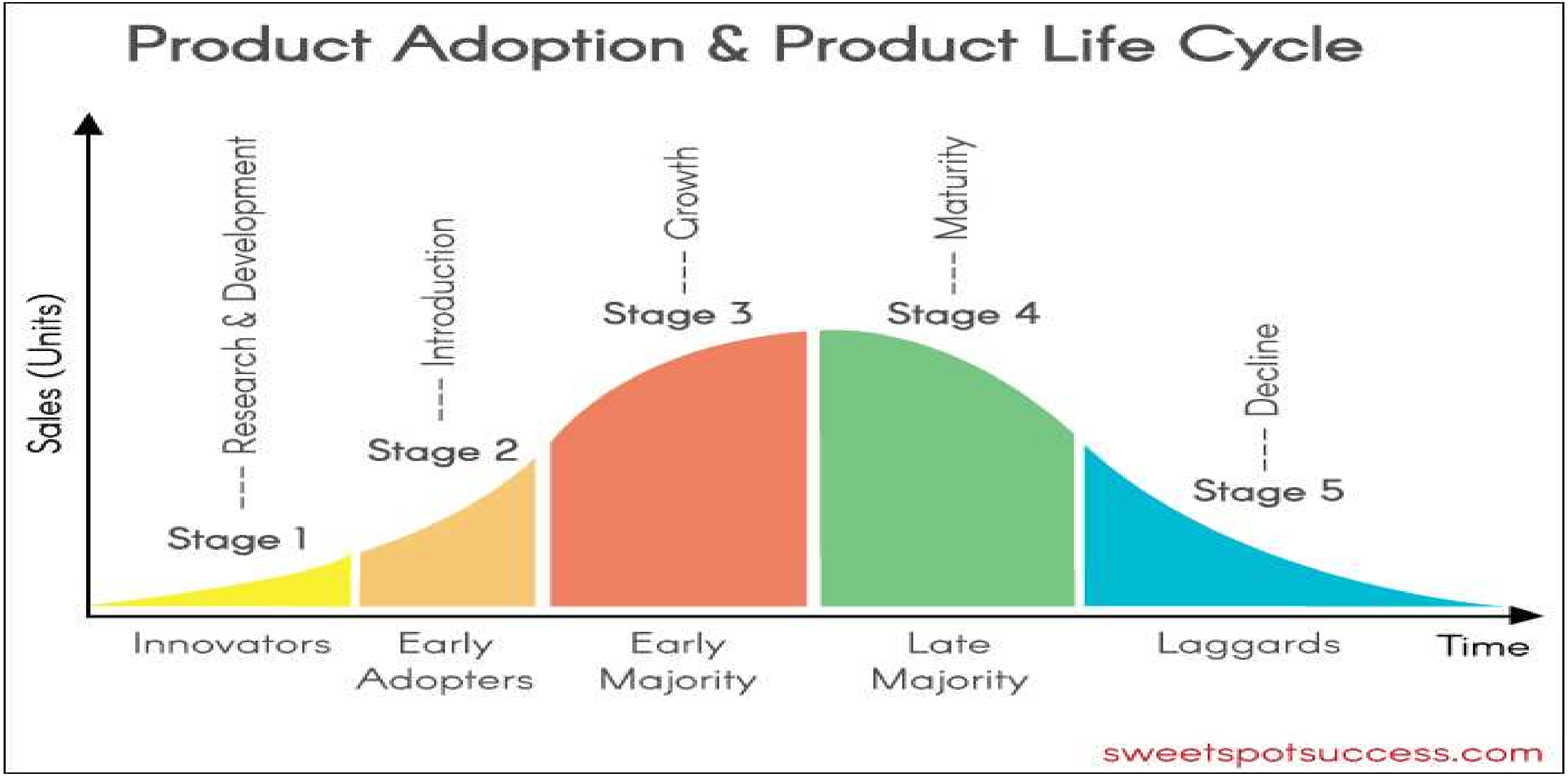
- A focus strategy requires…
- The identification of a suitable target customer group
- Identification of the specific needs of that group
- Confirmation that the market is sufficiently large to sustain the business
- Estimation of the extent of competition within the segment
- Production of products to meet the specific needs of that group
- A decision on whether to opt for cost leadership or differentiation within the segment

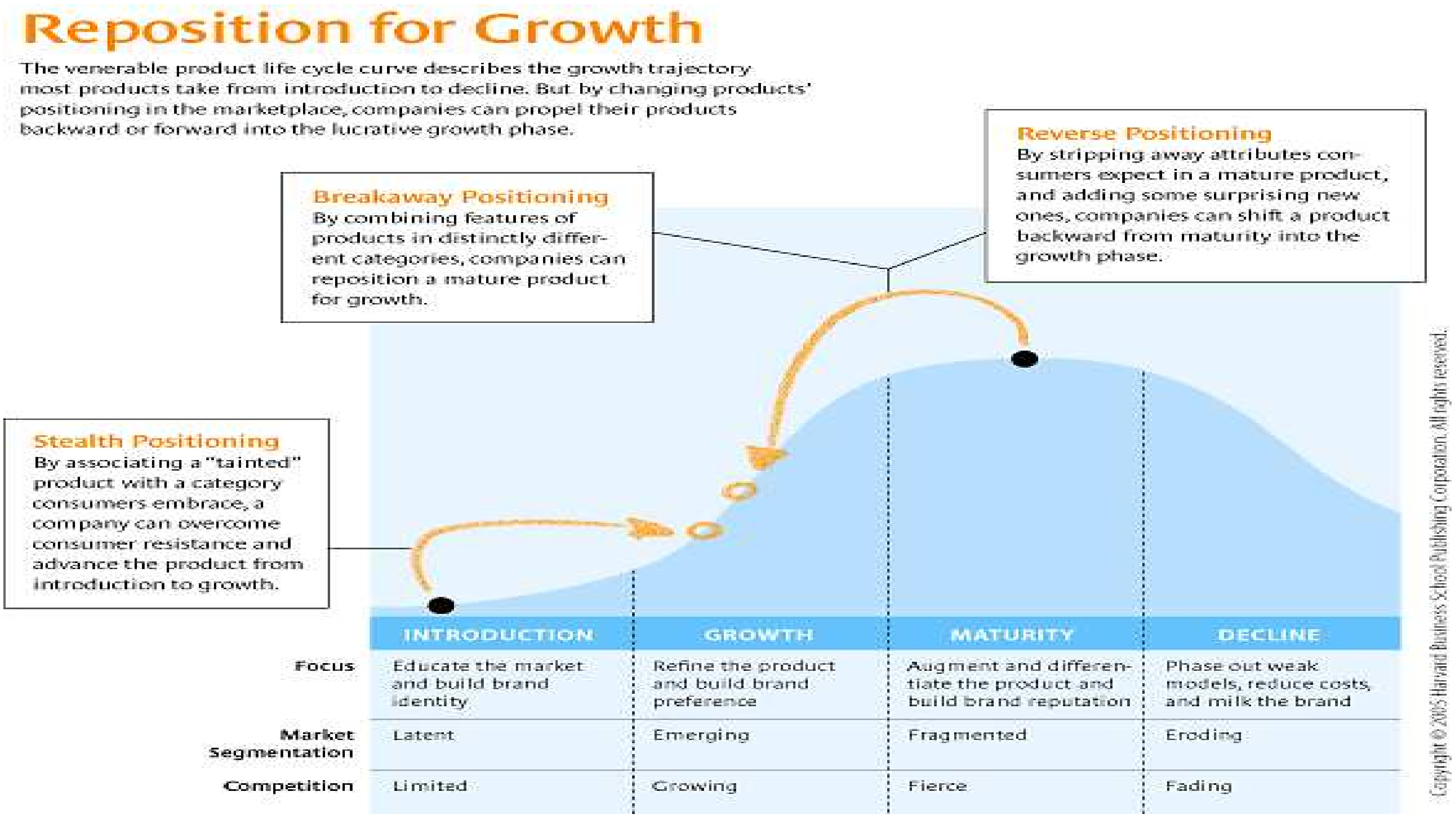
Benefits of a focus strategy

- It involves lower investment in resources
- The firm benefits from specialisation
- It provides scope for greater knowledge of a segment of the market
- It makes entry to new markets easier and less costly
- Firms using a focus strategy often enjoy a high degree of customer loyalty

The Theory of Product Analysis and its Application to the Airline Industry

The Product Life Cycle





•by Youngme Moon-HBR

E. M. Rogers. Using Rogers' suggested that new products must show at least the following characteristics if they are to be long-term successes:

1. Relative Advantage

Clearly, new products must be substantially better value-for-money than those they are replacing

2. Compatibility

An innovation is unlikely to be successful if it is a very radical departure from the existing

3. Complexity

Some innovations fail because they are perceived as being extremely difficult to use

4. Divisibility

It is often easier to persuade consumers to take a series of short steps, rather than one very large and risky one. Each small step can then be portrayed as a trial, the successful completion of which allows confidence to be built.

5. Communicability

Customers are unlikely to be persuaded to buy a product if the benefits this product will bring cannot be communicated to them persuasively

Value Chain Analysis Framework

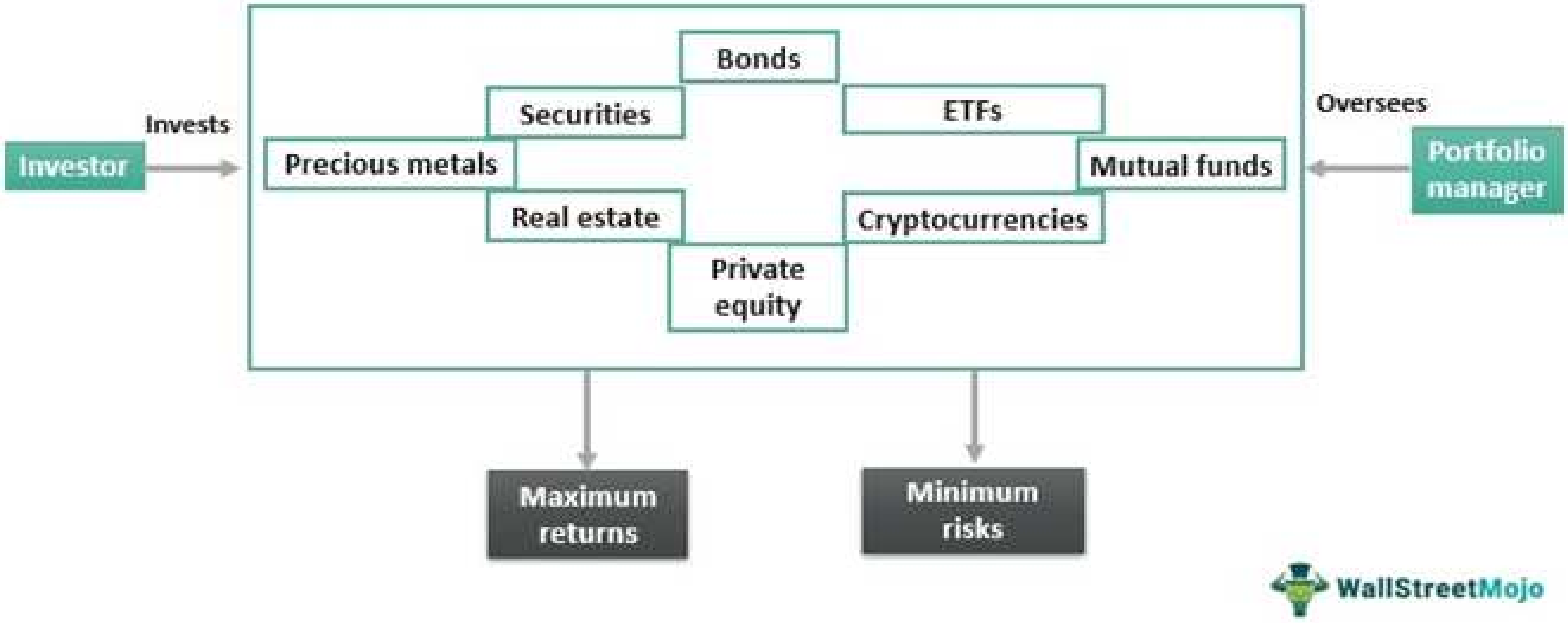
This slide is 100% editable. Adapt it to your needs and capture your audience's attention.

Portfolio Models

Portfolio management involves overseeing a set of investments, including securities, bonds, exchange-traded funds, mutual funds, cryptocurrencies, etc., on a personal or professional level.

Its purpose is to help investors achieve their long-term financial goals and manage their liquidity needs and risk tolerance.

What Is Portfolio Management?



Portfolio Models

- Most business organizations are involved in more than one products or business. They may have started simply as uni-product or uni-business companies but diversified along the way in response to attractive growth opportunities.
- Managing these multi-businesses and diversified organizations presents great challenges. Haspeslagh (1982) opined that diversity can be a great source of competitive advantage as well as a source of fundamental difficulties.

Each of these businesses in the organization’s portfolio has different growth potentials, operate in a different competitive environment, and require different strategic decisions to ensure the achievement of the organization’s overall goals and objectives.

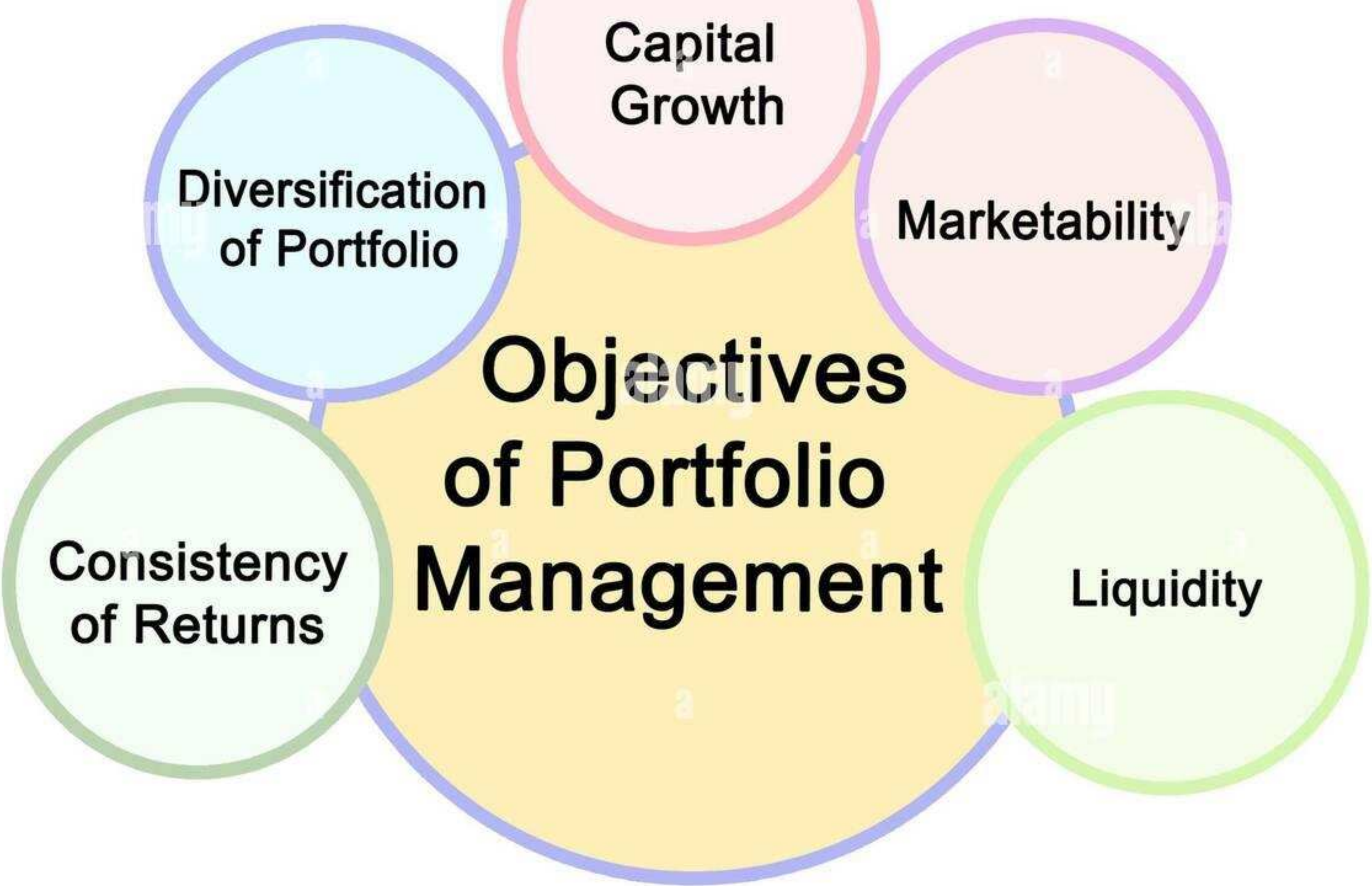
In a diversified company as Thompson & Strickland (1996) observed, managers have to design a multi-business, multi-industry strategic action plan for a number of different business divisions competing in the diverse industrial environment.

PORTFOLIO ANALYSIS

- Portfolio Models can be used to provide strategic insights by:
  - Acting as a diagnostic aid
  - Providing a conceptual framework
  - Being a prescriptive guide
  - Being a planning tool

Some of the popular and often termed standardized (Wind, Mahajan & Swire, 1983) or 'traditional' portfolio models include:

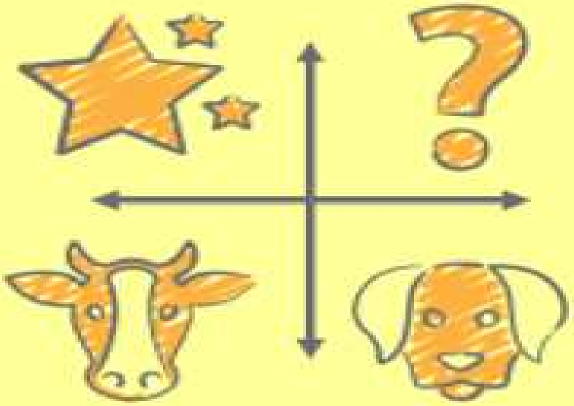
- Boston Consulting Group (BCG) Matrix
- The General Electric/McKinsey matrix
- Shell directional policy matrix
- Arthur D. Little strategic condition matrix
- Abell and Hammond investment opportunity matrix


Capital
Growth
Diversification
of Portfolio
Marketability
Objectives
of Portfolio
Management
Consistency
of Returns
Liquidity

BCG MATRIX DEFINITION

BCG matrix

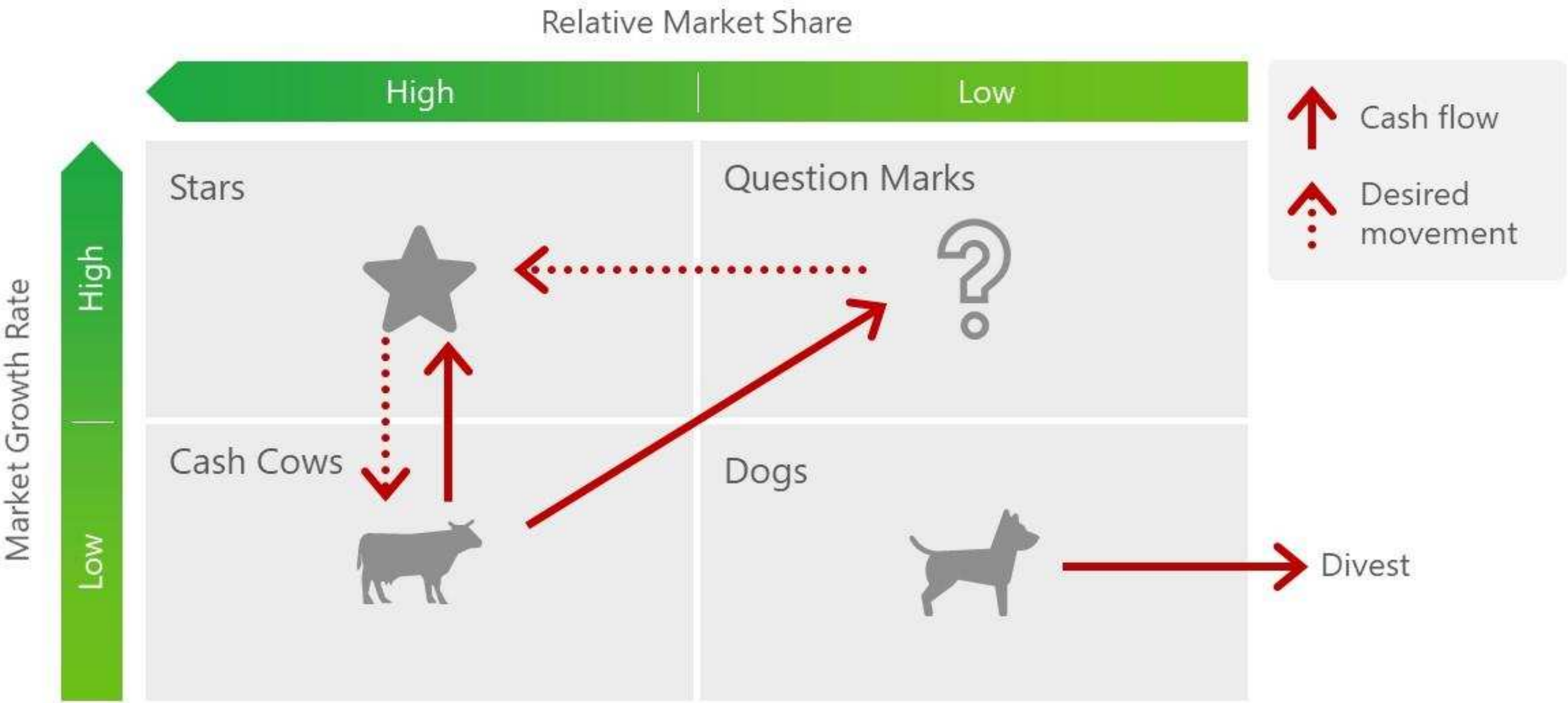
BCG matrix developed by Boston Consulting Group is an analytical tool used to assess company's product lines. It aims at helping the company to make the best possible allocation of its resources.

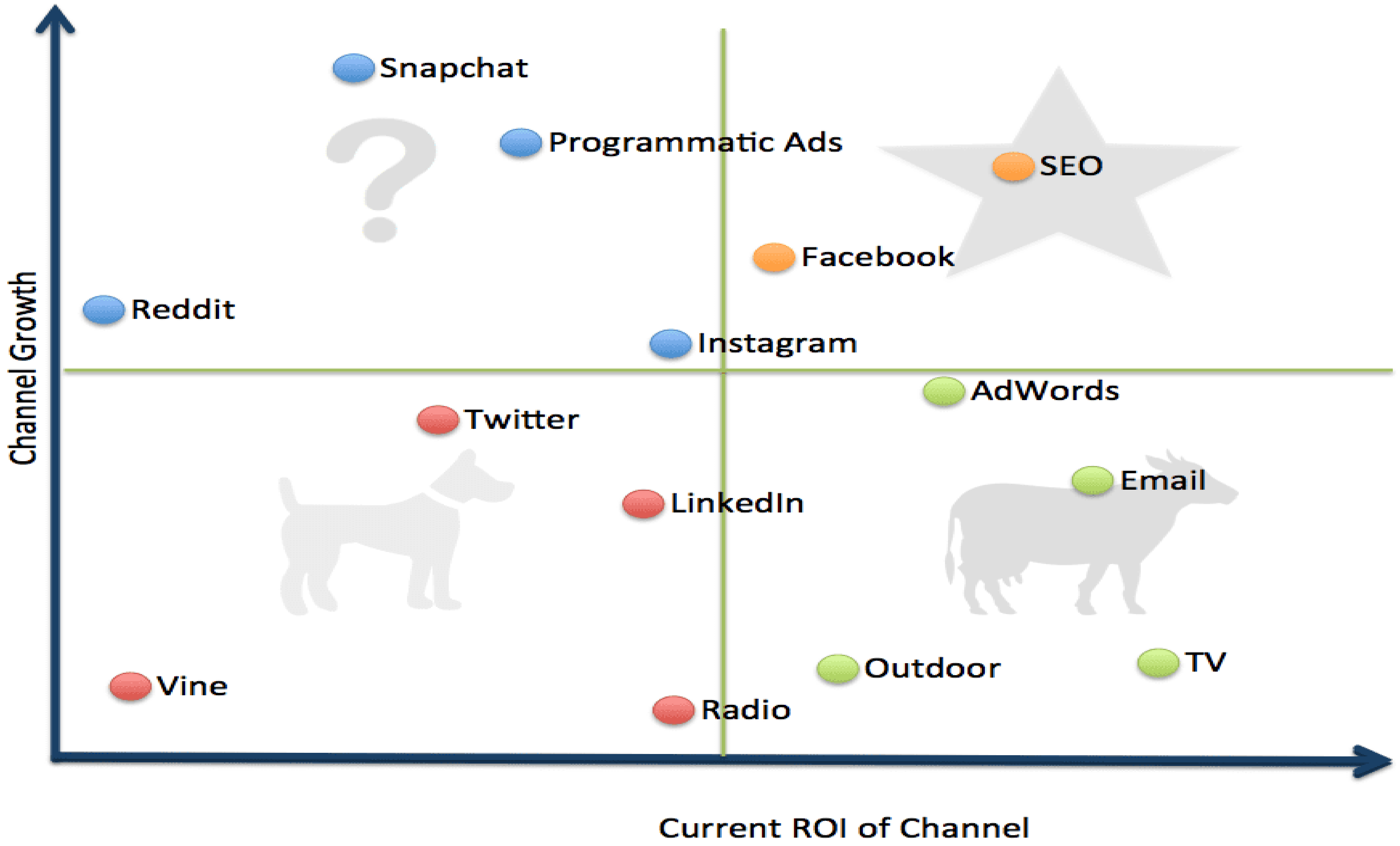


BCG matrix is also known as the growth-share or Boston matrix.

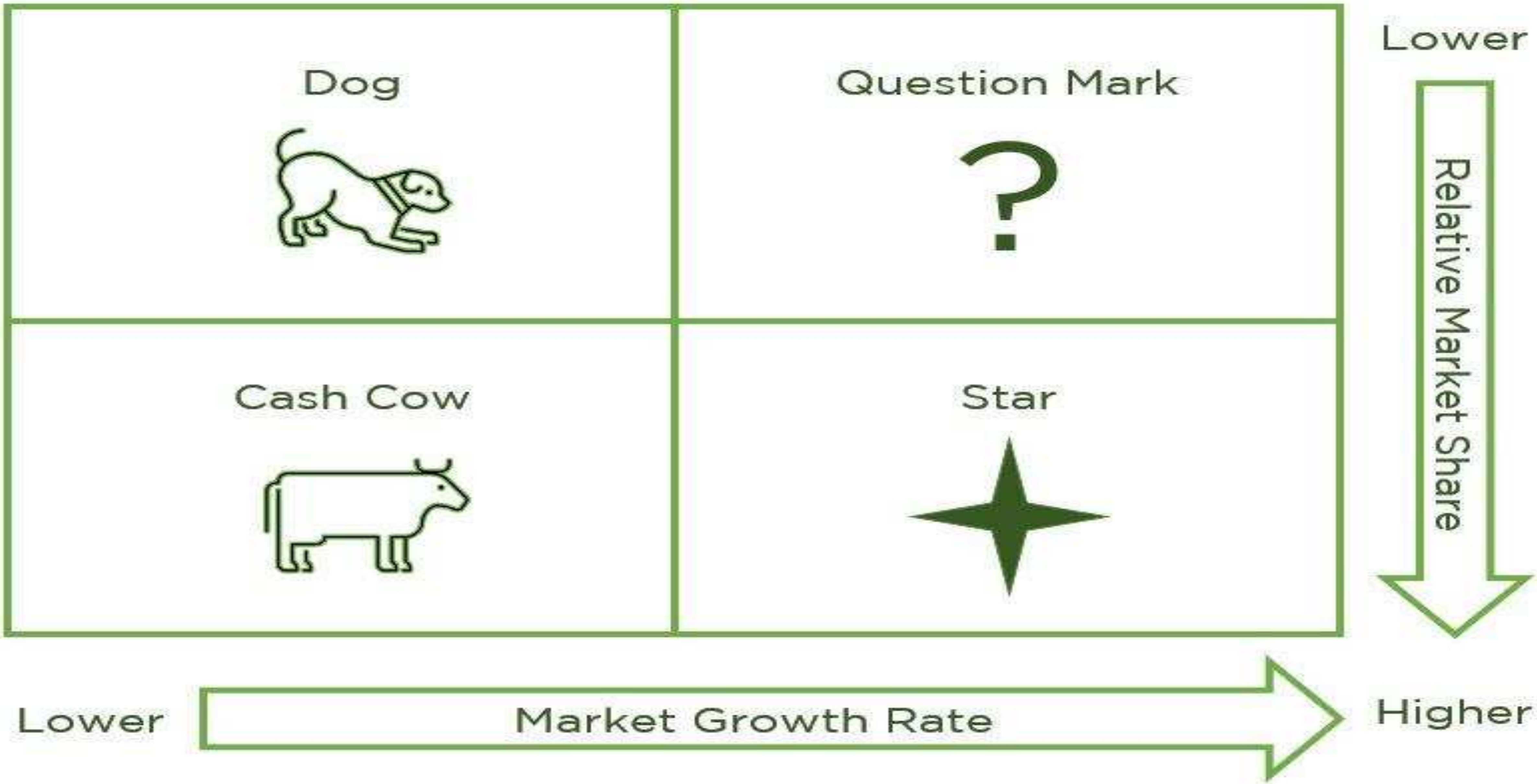
info Diagram

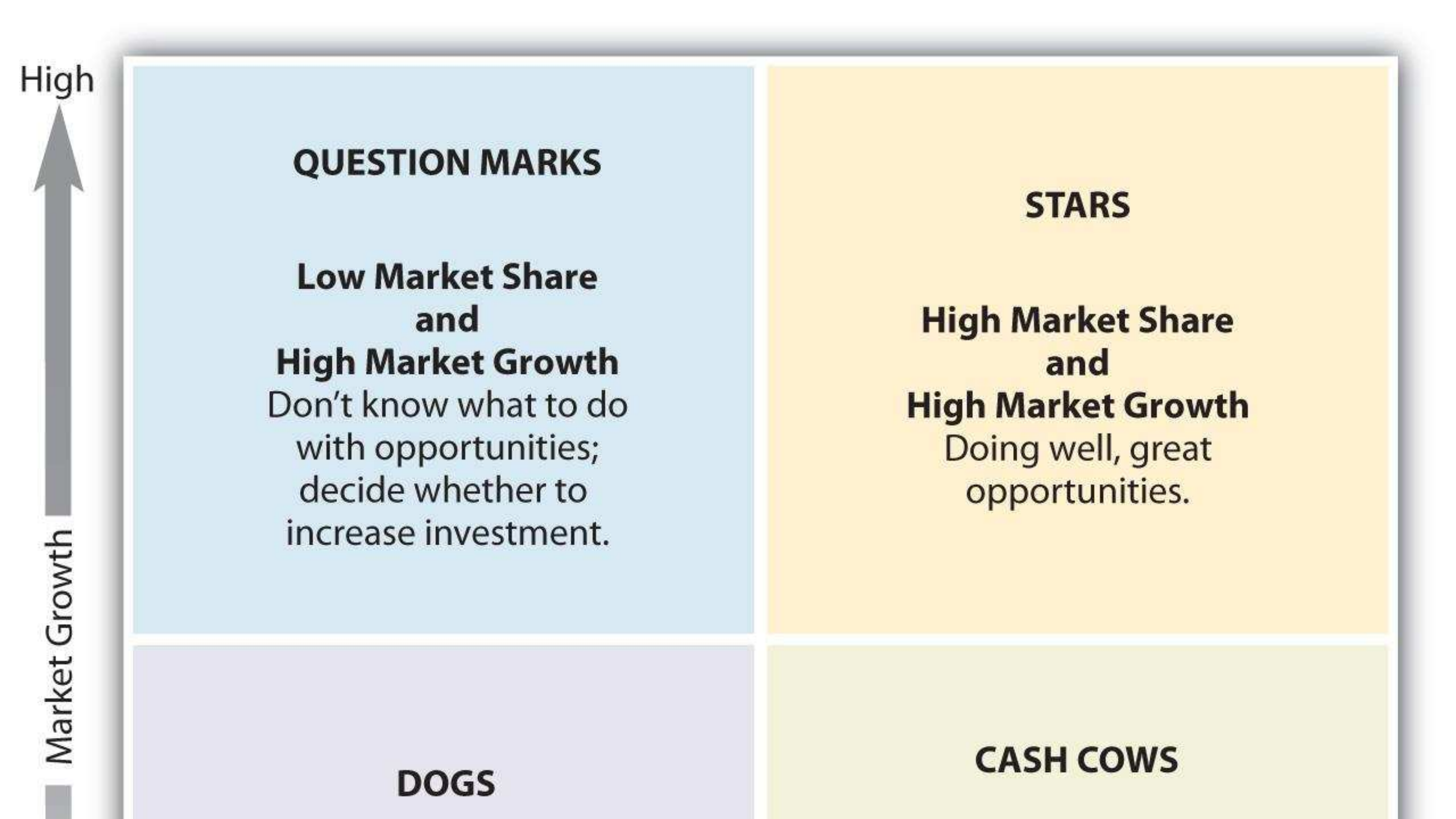
BCG PowerPoint Template





Snapchat
Programmatic Ads
SEO
Facebook
Reddit
Instagram
AdWords
Twitter
Email
LinkedIn
Outdoor
TV
Vine
Radio
Channel Growth
Current ROI of Channel


Dog
Question Mark
Cash Cow
Star
Lower
Relative Market Share
Lower
Market Growth Rate
Higher


High
Market Growth
QUESTION MARKS
Low Market Share
and
High Market Growth
Don’t know what to do
with opportunities;
decide whether to
increase investment.
STARS
High Market Share
and
High Market Growth
Doing well, great
opportunities.
DOGS
CASH COWS


GE
McKinsey
Matrix
INDUSTRY ATTRACTIVENESS
HIGH
MEDIUM
LOW
HIGH
MEDIUM
LOW
COMPETITIVE STRENGTH

GE McKinsey Matrix

Portfolio Analysis

Business Attractiveness	High	Medium	Low
High	• Push growth • Search for leadership • Maximize investment	• Search for growing segments • Heavy investments • Keep other positions	• Defend global market share • Search for cashflow • Balance investments to defend share
Medium	• Segmentation to find leadership • Challenge weaknesses • Reinforce strength	• Focus on growing segments • Specialization • Selective investments	• Divest unhealthy items • Minimum investment • Harvest and keep ready to divest
Low	• Specialization • Search for market niches • Think of acquisitions	• Specialization • Search for market niches • Think of divestment	• Support management • Plan timing for divestments • Attack competitors on cash producers

Industry Attractiveness

Nine-Field Matrix

STRATEGYPUNK

Strength of your different business units or products

Industry / Market Attractiveness

	Strong	Medium	Weak
High	**Protect Position** ▪ This is a placeholder. ▪ You can simply add you own text here ▪ This text is fully editable	**Invest to Build** ▪ This is a placeholder. ▪ You can simply add you own text here ▪ This text is fully editable	**Build Selectively** ▪ This is a placeholder. ▪ You can simply add you own text here ▪ This text is fully editable
Medium	**Build Selectively** ▪ This is a placeholder. ▪ You can simply add you own text here ▪ This text is fully editable	**Selectively / Manage for Earnings** ▪ This is a placeholder. ▪ You can simply add you own text here ▪ This text is fully editable	**Limited Expansion or Harvest** ▪ This is a placeholder. ▪ You can simply add you own text here ▪ This text is fully editable
Low	**Protect and Refocus** ▪ This is a placeholder. ▪ You can simply add you own text here ▪ This text is fully editable	**Manage for Earnings** ▪ This is a placeholder. ▪ You can simply add you own text here ▪ This text is fully editable	**Divest** ▪ This is a placeholder. ▪ You can simply add you own text here ▪ This text is fully editable

Competitive Strength of business unit or product

Shell's Directional Policy Matrix

- Similar to GE Matrix
- X- Axis is Sector Prospects
- Y-Axis is Company's Competitive Capability

		Competitive Capability		
		Strong	Average	Weak
Sector Prospect	Attractive	Leader	Try Harder	Double or Quit
	Average	Growth	Custodial	Phased Withdrawal
	Unattractive	Cash Generation	Phased Withdrawal	Divest

Arthur D. Little

	Stages of Industry Maturity			
Company's Competitive Position	Embryonic	Growth	Maturity	Ageing
Dominant				
Strong				
Favourable				
Tenable				
Weak				

A D Little Competitive Position/Industry Maturity Matrix

Corporate Strategy

- **Corporate strategy**
  - the choice of direction of the firm as a whole and the management of its business or product portfolio and concerns
- **Directional strategy**
  - the firm's overall orientation toward growth, stability or retrenchment
- **Portfolio analysis**
  - industries or markets in which the firm competes through its products and business units
- **Parenting strategy**
  - the manner in which management coordinates activities and transfers resources and cultivates capabilities among product lines and business units

Corporate Directional Strategies

• GROWTH	• STABILITY	• RETRENCHMENT
Concentration	Pause/Proceed with Caution	Turnaround
Vertical Growth	No Change	Captive Company
Horizontal Growth	Profit	Sell-Out/Divestment
Diversification		Bankruptcy/Liquidation
Concentric		
Conglomerate		

Directional Strategy

- **Growth strategies**
  - expand the company's activities
- **Stability strategies**
  - make no change to the company's current activities
- **Retrenchment strategies**
  - reduce the company's level of activities

Growth Strategies

- **Merger**
  - a transaction involving two or more corporations in which stock is exchanged but in which only one corporation survives
- **Acquisition**
  - 100% purchase of another company

Concentration Strategies

- **Vertical growth**
  - achieved by taking over a function previously provided by a supplier or distributor

Concentration Strategies

Vertical integration

the degree to which a firm operates vertically in multiple locations on an industry's value chain from extracting raw materials to manufacturing to retailing.

- **Backward integration**
  - assuming a function previously provided by a supplier
- **Forward integration**
  - assuming a function previously provided by a distributor

Concentration Strategies

- **Vertical integration**
  - The degree to which a firm operates vertically in multiple locations on an industry's value chain from extracting raw materials to manufacturing to retailing.
- **Backward integration**
  - Assuming a function previously provided by a supplier
- **Forward integration**
  - Assuming a function previously provided by a distributor
- **Transaction cost economies**
  - Vertical integration is more efficient than contracting for goods and services in the marketplace when the transaction costs of buying on the open market become too great