INTRODUCTION TO AIRLINE MARKETING

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Airline Marketing
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Airline Marketing: An Overview

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Outline

- Definition of Marketing
- The Marketing Department of an airline
- Realities of the Market Place
- Realities of Airline Market
- The Challenges
Definitions 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

<table>
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<tr>
<th>Goods</th>
<th>Other considerations</th>
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<td>Product</td>
<td>Customer skills</td>
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<td>Price</td>
<td>Customer service</td>
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<td>Promotion</td>
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<td>Place</td>
<td>Shareholders values</td>
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- **Services**
  - Physical Evidence
  - People
  - Process
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
- ........
This
Or this?
This
Or this?
Pricing

• Improving yields through revenue management
• Effective differential pricing
• Simplifying pricing
• Value for money
• Market acceptance/ elasticity
  • Additional revenues - surcharges
• Innovative pricing
• Brand value and pricing
  • is pricing a function of brand or competitive realities?
• ........
Distribution

• **Direct**
  - Sales offices
  - Call centres
  - Website
  - Corporate travel managers

• **Indirect**
  - Traditional travel gents
  - On-line travel agents
    - Travelocity, Expedia
    - Priceline.com, last minute.com, …
  - On-line travel portals- Orbitz in the US, Opodo in Europe, Zuji in Asia
  - Tour operators & consolidators
Airline Distribution Channels

Suppliers

GDSs

Supplier call centres & ticket office
Supplier web site
Corporate travel management
Traditional travel agencies & their web sites
Tour operators & consolidators
Internet travel agencies & airline portals

Customers
Promotion

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

Which methods of Promotion?
- Direct representation-online
- Press and public relation
- Promotion and sponsorship
- Direct mail
- Advertising (display/media)
The marketing department in an airline

- Critical to the running of a successful airline

- Manages the brand
  - external and internal perception

- Closely linked with all departments within an airline

Source: Laming
Marketing Communications

• Principal functions:
  • To drive and maintain awareness of the brand name in the marketplace to generate revenue
  • Agency management
  • Creative development
  • Delivering return on investment through sales generation

Source: Laming
Sponsorship

• Principal functions:
  • Drive the association between the brand
  • Assist in driving awareness of the brand through links to strategically relevant partnerships

Source: Laming
Events

• Principal functions:
  • Manage the events programme for an airline to drive awareness and support marketing activity
    • Events associated with sponsorships
    • New route launches
    • Exhibitions and activities
    • Internal events
    • Sales / finance roadshows

Source: Laming
Trade marketing

- Principal functions:
  - Drive awareness and generate revenue through targeted promotions towards the trade:
    - Corporate customers
    - Travel agencies
  - Manage communications with the trade

Source: Laming
E-commerce

- Principal functions:
  - Drive the development of the airline brand online
  - Management of the website
  - Search engine optimisation
  - Development of the brand through social media or newly-developing e-trends
  - Generating online sales
  - Generating ancillary revenue
  - Managing online functions
    - eg. Online check-in

Source: Laming
Public Relations / External Relations

• Principal functions:
  • Managing communications via the media
    • Proactive and reactive communications
  • Managing communication within the company
    • Internal communications
  • Crisis management response
  • Governmental / regulatory body relationship management
  • Corporate social responsibility

Source: Laming
CRM and Loyalty

• **Principal functions:**
  - Managing the relationship with customers
  - Managing the frequent flyer programme
  - Generating loyalty
  - Generating partnerships with:
    - other airline (within or outside alliances)
    - other service providers
      - eg. banks, hotels etc.
  - Stimulating revenue and increasing passenger ‘benefit’
  - Managing communications with loyalists

Source: Laming
• **Principal functions:**
  • Developing the ‘look and feel’ of the brand at all customer touchpoints
  • Supporting other functions with designing work required for:
    • passenger communications
    • employee communications
    • ‘new build’ projects (eg. lounges)
    • new aircraft design projects
Product / Customer Experience

- Principal functions:
  - Championing and managing the customer experience across the entire journey:
    - pre-flight / ground / air / post-flight
  - Enhancing the overall experience through product development
    - differentiation versus other carriers
    - alignment with brand strategy

Source: Laming
• Principal functions:
  • Managing qualitative and quantitative research
    • eg. passenger and staff surveys / industry research
  • Reporting on developments and trends within the industry
  • Supporting the product and brand development processes
  • ‘Knowing the customer’ inside and out
  • Rationalising the segmentation
  • Competitor knowledge / benchmarking
  • Owning the relationship with industry research bodies

Source: Laming
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 through information technology
- Yields are under pressure
- Immense pressure on costs
- Margins are very low
- The airline industry is strongly influenced by economic cycles & major events
21st Century Customer Characteristics

• Informed/empowered
• Demand service excellence
• Value-conscious
• Internet savvy
• Time-conscious/speed
• Demand individual service
• Demand flexibility
• Low loyalty
• Spoiled
• Share poor experience instantly with social network
• ................
• ............
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
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?
• How can airlines build loyalty?
• To what extent personalisation of travel needs by database management is needed/capable?
• How to improve the speed and quality of ground related product?
• How not to lose sight of core products
Challenges in Airline Marketing - 2

- 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 online?
- How to reconcile alliance partnership with the airline brand?
The future