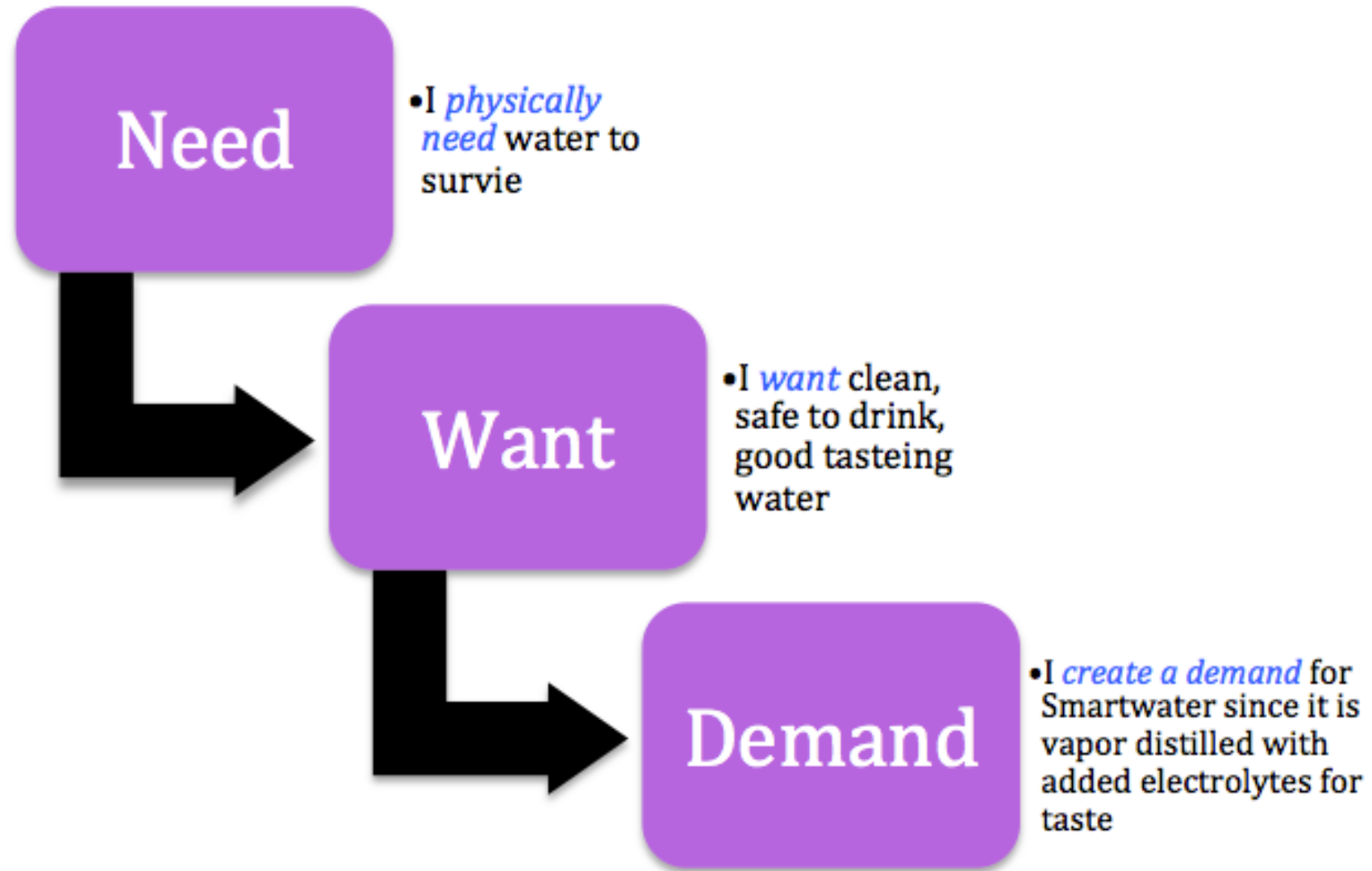# IAC2206 Airline Marketing Management
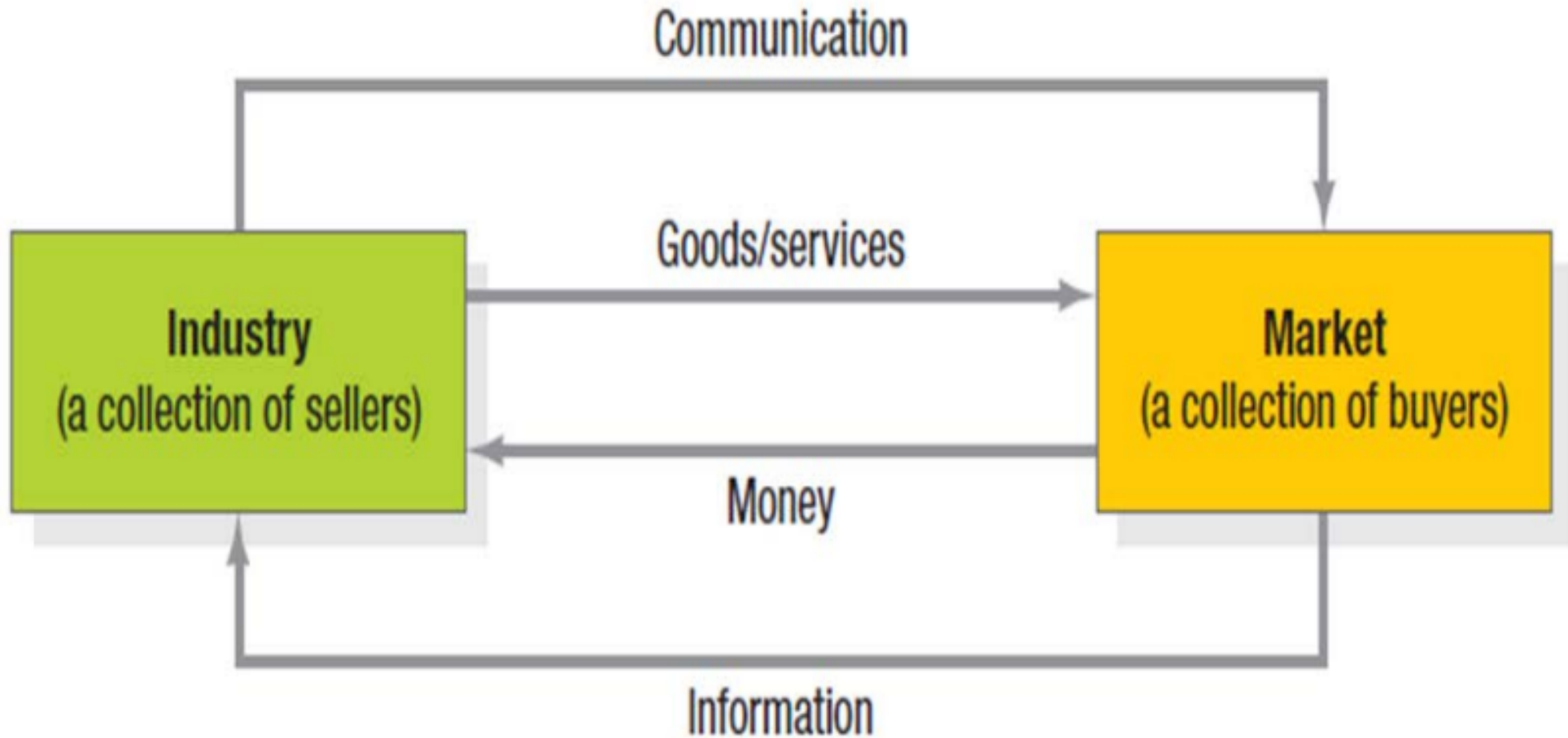
Unit 2 The Marketing Environment

Outline

- **Airline's Characteristic**

- **Overview of the market environment**
  - Scanning the market environment
  - Travel market overview
  - Market environment
    - **Macro environment**
      - Political environment
      - Economical environment
      - Social and culture
      - Technological
      - Environmental & Ecological
    - **Microeconomic environment**
      - Microeconomic
      - Internal environment

Need

- I *physically need* water to survie

Want

- I *want* clean, safe to drink, good tasteing water

Demand

- I *create a demand* for Smartwater since it is vapor distilled with added electrolytes for taste

Marketing process

Source: Kotler and Keller (2012)

Airline's Characteristics

Airline is a Player in Aviation Business

Divided in 2 parts

1. Industrial Marketing: describes business-to-business or firm to firm marketing

- In airline business: business air traveler service/air freight service

2. Consumer Marketing: marketing activity targeted at the individual or the family

- In airline business: leisure air travel marketing

- Who is Airline Customer? Is the person who decide to buy.
- Apparent and True needs of Corporate Business Traveler

Apparent needs:
- Service features that permit them to use their time effectively
- Flight frequency (to allow for travel flexibility),
- Punctuality
- Roomy cabin (to permit working during flight)
- Pander pride and ego: separate reservation phone lines and check-in counter, separate cabin on board
- **True needs**:
- Maximize personal benefit :Frequent flyer program (while using the company's money)
- True needs reflect the weaknesses of the human personality (Lazy and prefer to keep buying from an existing supplier

Passenger's traveling behavior

- **Industrial Buying Behavior** (Industrial Marketing)

Five category participants

1. Deciders: may be a manager, director, supervisor
2. Gatekeepers: acts to prevent or discourage a purchase by controlling information
3. Users
4. Buyers
5. Influencers

Air Freight Forwarders- extremely important for most airlines (90% of traffic)

- **Passenger's traveling behavior(Cont.)**
- **Leisure Air Travel Market Buying Behavior**
- ➢Holiday or vacation travel
- ➢Disposable time and disposable income
- ➢Family group, advertising , and promotional work
- ➢Children- choose airline which facilitate the care of babies are good
- ➢Older children-VDO games IFE
- ➢Fewer frequent traveler- ex 1 trip/year
- ➢Travel agents are important

Overview of the market environment

- **The role of Scanning the market environment**

The marketing environment is dynamic
  - Enable airline to anticipate, understand the changes and trend
  - Airline able to interpret the changes and adjust marketing strategies

In order to be successful

- Airline need a systematic approach
- Identify how and when data collect
- Who analyze data
- What are expected from data
- Monitor trends: pandemic buying trend
- Forecast and scenario to analyze for a strategic decision making
- Create internal expert
- Distribute the information through reports, lectures or newsletters

Travel market overview need to be answer:

Airline need to identify current and potential customers in various market to know the total travel market, its growth, mix of types of travelers and it's different segments of travelers

- Market size & growth by
  - Domestic vs international
  - Mode of travel : air road rail cruise
  - Destinations
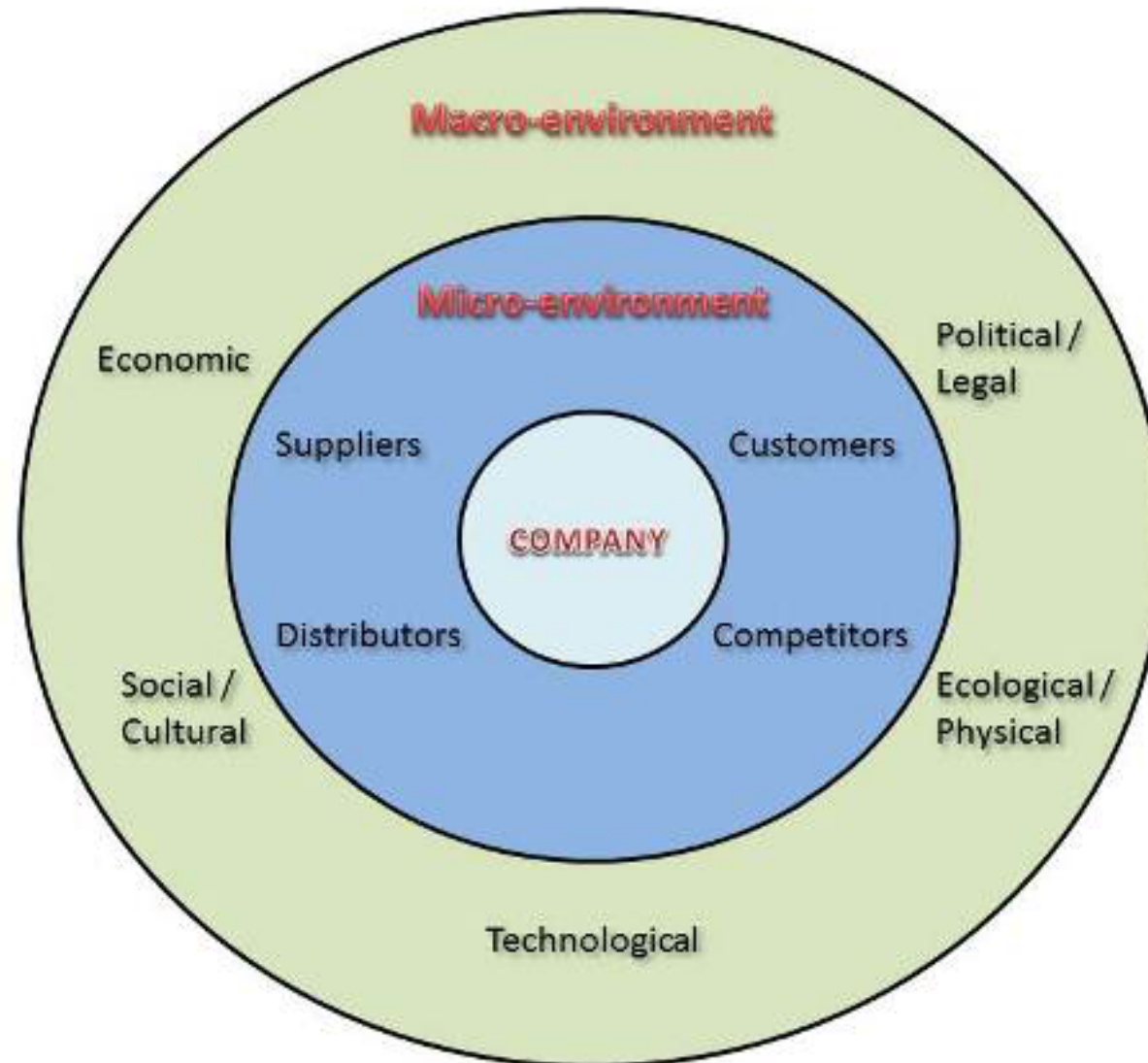 - Reason for travel
  - Traffic mix: FC, BC, EY

Travel market overview

Data can be find from

- Government statistic of arrival & departure
- Airport survey
- Tourism offices
- IATA, ICAO, Boeing, Airbus forecast
- Internet and e-commerce market data

Key Component of the marketing environment

Overview of the market environment

- **Macro environment**
  - Political environment
  - Economical environment
  - Social and culture
  - Technological
  - Environmental & Ecological

- **Microeconomic environment**
  - Microeconomic
    - Supplier
    - Distributor
    - Competitor
    - Customer
  - Internal environment

Macro and Micro are external environment

Macro environment

1. Political environment

- Government policies ex. Travel taxes, ticket taxes
- Regulation affect ticket pricing
- Government tourist policies that stimulate travel
- Securities policies
- National politics

- **ICAO** agreement on 2 standards on **technological** & **regulation** of economic on international aviation
- **technological** involved safety, mean of communication
- **Regulation of economic** involved regulate routes flown, fare charged and frequency of flights ex. Freedom of the air, air service agreement

Overview of the market environment

2.Economical environment

- Related to buying power
- Should cover international economic dimension
- Economies are inter-dependent
- Inflation
- Economic growth

- Foreign trade and investment level
- Foreign currency trends & interest rates
- Performance of local stock exchange
- National balance trade
- The rise of BRICs

Overview of the market environment

3. Economical environment

- How income of target customer is distributed

➡️
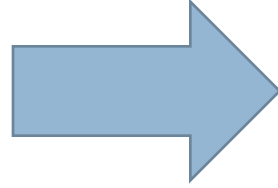
- *Per capita income*: average amount earning per year
- *Gross income*: amount a person earn per year
- *Disposable income*: left over amount after paying taxes
- *Discretionary income*: remain amount after taxes, basic expenses (food, housing, clothing)

Overview of the market environment

4. Social & Culture

- Amount of traveling & expectation of pax
- Ex. Urban vs. rural life styles
- Emigration vs. Immigration (job opportunity)
- Number of vacation per year
- Demographic of population
- Decision-making roles within family

5. Technological

- Internet (GDS)
- High speed rail
- New aircraft manufacturing development

6. Environmental & Ecological airlines can achieve by follow;

- Regulatory compliance (Emission)
- Supporting aviation's global environment goals
- Show benefit from improving resource use
- Ensuring to practice national law and local law on hazardous waste, night jet bans etc.,

- **Microeconomic**
  - **Distribution** channel: Website, GDS System, Travel Agent
  - **Suppliers**: ground handling, catering, aircraft manufacturer (balance cost vs quality), alliances buying power
  - **Competitors**: other airlines, mode of transportation, communication technology

- **Competitors analysis** can be done by comparing;
  - Company mission
  - Access to funds
  - Assets & Advantages
  - Skills & Pay
  - Internal relations/marketing

Overview of the market environment

- Microeconomic : **Internal Environment**
  - Using same criteria analyzing competitors:
    - **company mission**:
      - what is your business for?
      - Who is intended to serve?
      - What are the expectations of your customers?
      - Access to funds and capital structure:
      - Is it easy? How risk is the airline?

Overview of the market environment

- **Existing Advantages/Assets**:
  - What is the aircraft fleet age?
  - What are existing routes? Possible growth?
  - Existing traffic rights, partnership, terminal building, suppliers?
  - Performance statistic: reliability, punctuality?

- **Workforce skills/Pay level**:
  - How well trained, well deliver services?
  - Need new staff?

Overview of the market environment

- **Internal relations/Marketing**:

is the process the company uses to ensure that employees are well informed about company mission, brand and priorities and customer services   ex;BA set up the program "Putting People First", "A Day in the Life" bring staff together from all department

Company should ensure;

- All staff understand airline's product & services, strategy and how to deliver services
- Senior management acts as a role model
- Service delivery are constantly review
- Treat suppliers and agents as business partners

Q & A