CHAPTER 6 MARKETING MIX: AIRLINE PRODUCTS

OUTLINE

Marketing Mix

Airline products & services

- Defining the airline product
- Product hardware
- The soft side of airline products

Managing product life cycle

- Product life cycle
- Product design

Brands

- Branding & its role in marketing
- Brand & value
- Brand management

Product strategy

BCG Matrix

Ansoff Matrix

Definition: The ***marketing mix*** refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

Marketing mix- 4P's

7'P

Marketing mix- 7P's (1)
Service is delivered
• Procedures
• Mechanisms
• Flow of activities
Process
Product
• Features
• Quality
• Branding
• Packaging
• Services
• Warranties
People
Marketing mix
Price
• Recruitment
• Training
• Uniforms
• Complaints
• Interactions
Physical evidence
Promotion
Place
• Price strategy
• Pricing
• Allowances
• Discounts
• Payment terms
• Facilities
• Design of livery
• Equipment
• Furniture
• Artifacts
• Sales Promotion
• Advertising
• Public Relations
• Direct marketing
• Channels
• Market coverage
• Assortment
• Location
• Inventory
• Transport
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AIRLINE PRODUCTS & SERVICES

Defining the airline product

Product is anything satisfies customer needs

Service is a form of product consisting of activities, benefits, and customer satisfaction that is intangible (no ownership of physical product)

Airline has 2 mains product aspect;

- **Product hardware**

- **The soft side of product**

Product hardware

3 levels

Scheduling features

Aircraft type

Frequency, routes, timings

Class of services features

Inflight: cabin type, IFE

Ground: check-in lounge, bags check

Supplementary features

Reservations, bookings, special services

The soft side of product

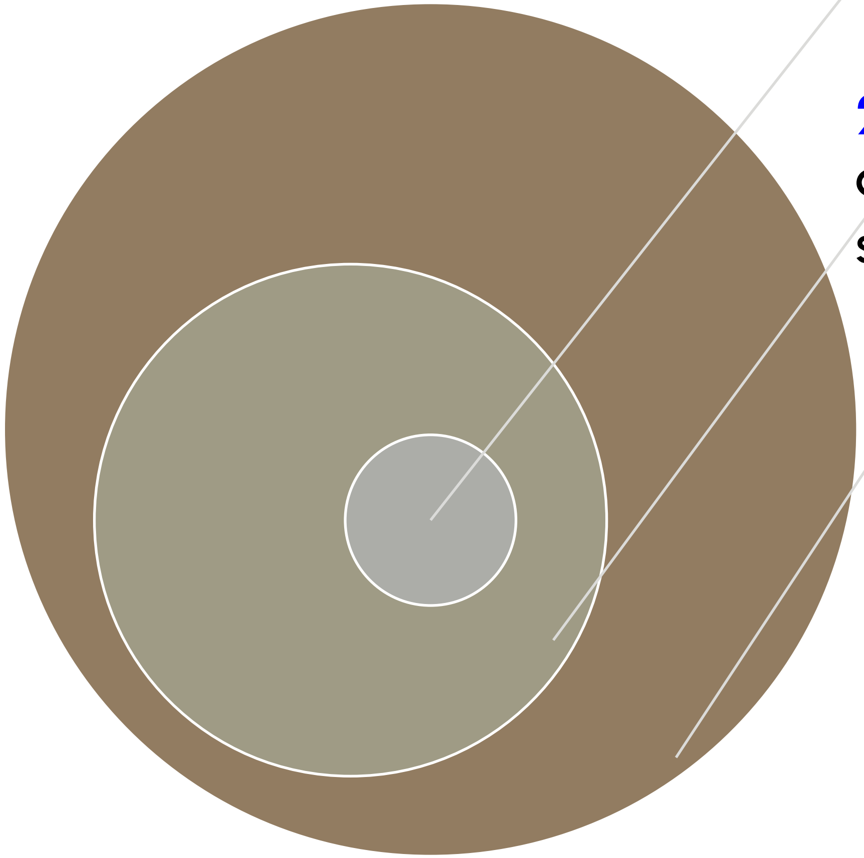
Refer to **people** and **processes** airline uses to deliver customer service

3 key features

- Skills, experience and motivation of customer contact staff
- Ease of systems and processes staff can use
- Level of staff responsibility to solve the problem

AIRLINE PRODUCTS & SERVICES

3 Layers of airline products



1. Core Product: The service of transporting passengers and goods to different destination

2. Actual product: acft type, configuration, safety, seat pitch, in-flight services

3. Augmented: e-ticket, FFP, punctuality, lounges, frequency, customer care service, refund

An augmented product is an additional benefit or special service supporting the main product. Sellers use this method to provide their clients with additional value for free. Offering a warranty is an example of product augmentation.

A PRODUCT LIFE CYCLE

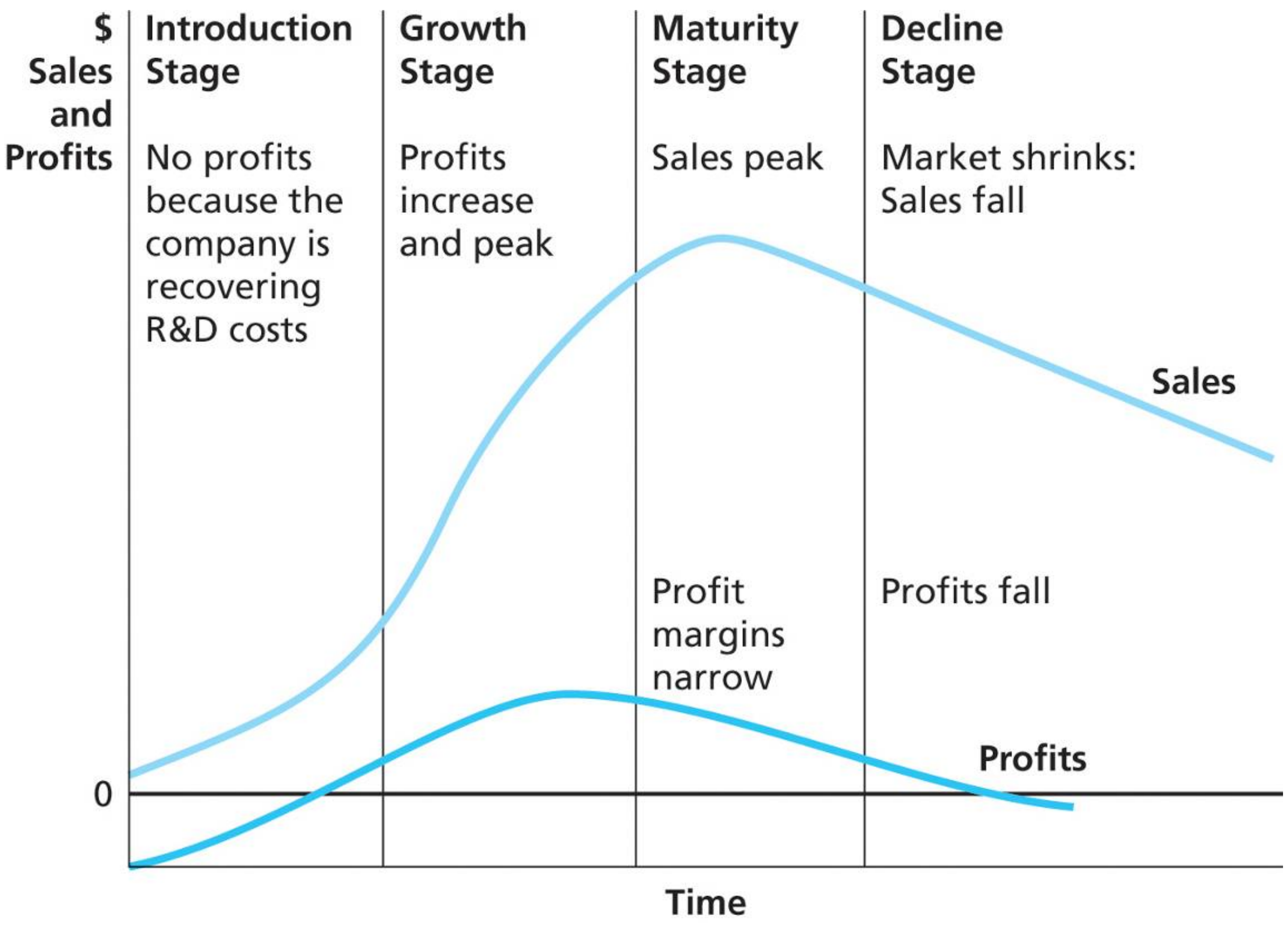
A product life cycle is the amount of time a product goes from being introduced into the market until it's taken off the shelves.

There are four stages in a product's life cycle—

introduction, growth, maturity, and decline.

The concept of product life cycle helps inform business decision-making, from pricing and promotion to expansion or cost-cutting.

Newer, more successful products push older ones out of the market.



Introduction: includes a substantial investment in advertising and a marketing campaign focused on making consumers aware of the product and its benefits.

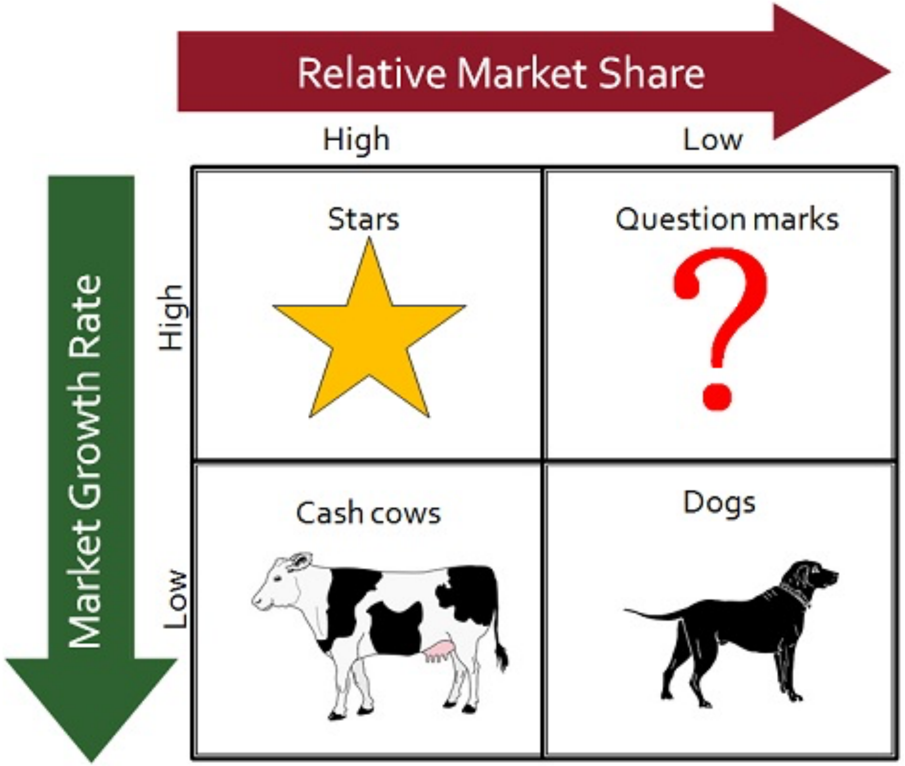
Growth: If the product is successful, it then moves to the growth stage. This is characterized by growing demand, increasing in production, and expanding in its availability.

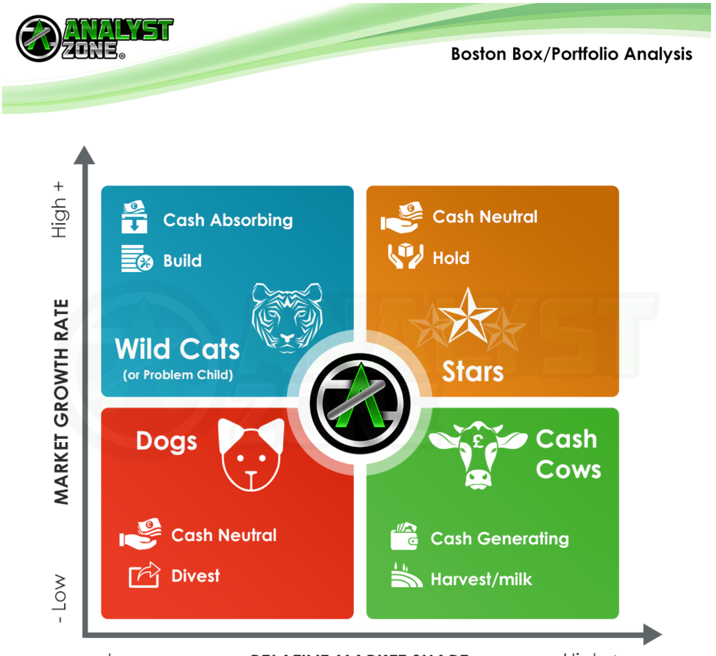
Maturity: This is the most profitable stage, while the costs of producing and marketing decline.

Decline: increase in competitor. The product may lose market share and begin its decline.

PRODUCT PORTFOLIO

The Boston Consulting group's product portfolio matrix (BCG matrix) is designed to help with long-term strategic planning, to help a business consider growth opportunities by reviewing its portfolio of products to decide where to invest, to discontinue or develop products. It's also known as the Growth/Share Matrix.






THE BCG MATRIX
RELATIVE MARKET SHARE
High
Low
MARKET GROWTH
High
Low
$
High Growth, High Share. A significant amount of investment should be made in "Star" products.
High Growth, Low Share. Investment should be made in "Question Mark" products depending on their chances of becoming stars.
Low Growth, High Share. "Cash Cows" should be milked so products can be reinvested in "Stars" and "Question Marks".
Low Growth, Low Share. Businesses should liquidate, divest, or reposition products in the "Dogs" category.
The Power MBA

High
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.
Market Growth
DOGS
Low Market Share
and
Low Market Growth
Weak in market,
difficult to make profit.
CASH COWS
High Market Share
and
Low Market Growth
Doing well in no growth
market with limited
opportunities.
Low
Low
Market Share
High

BCG STARS (high growth, high market share)

- Stars are defined by having high market share in a growing market. - Stars are the leaders in the business but still need a lot of support for promotion a placement. - If market share is kept, Stars are likely to grow into cash cows.

BCG QUESTION MARKS (high growth, low market share)

- These products are in growing markets but have low market share. - Question marks are essentially new products where buyers have yet to discover them. - These products need to increase their market share quickly or they become dogs. - The best way to handle Question marks is to either invest heavily in them to gain market share or to sell them.

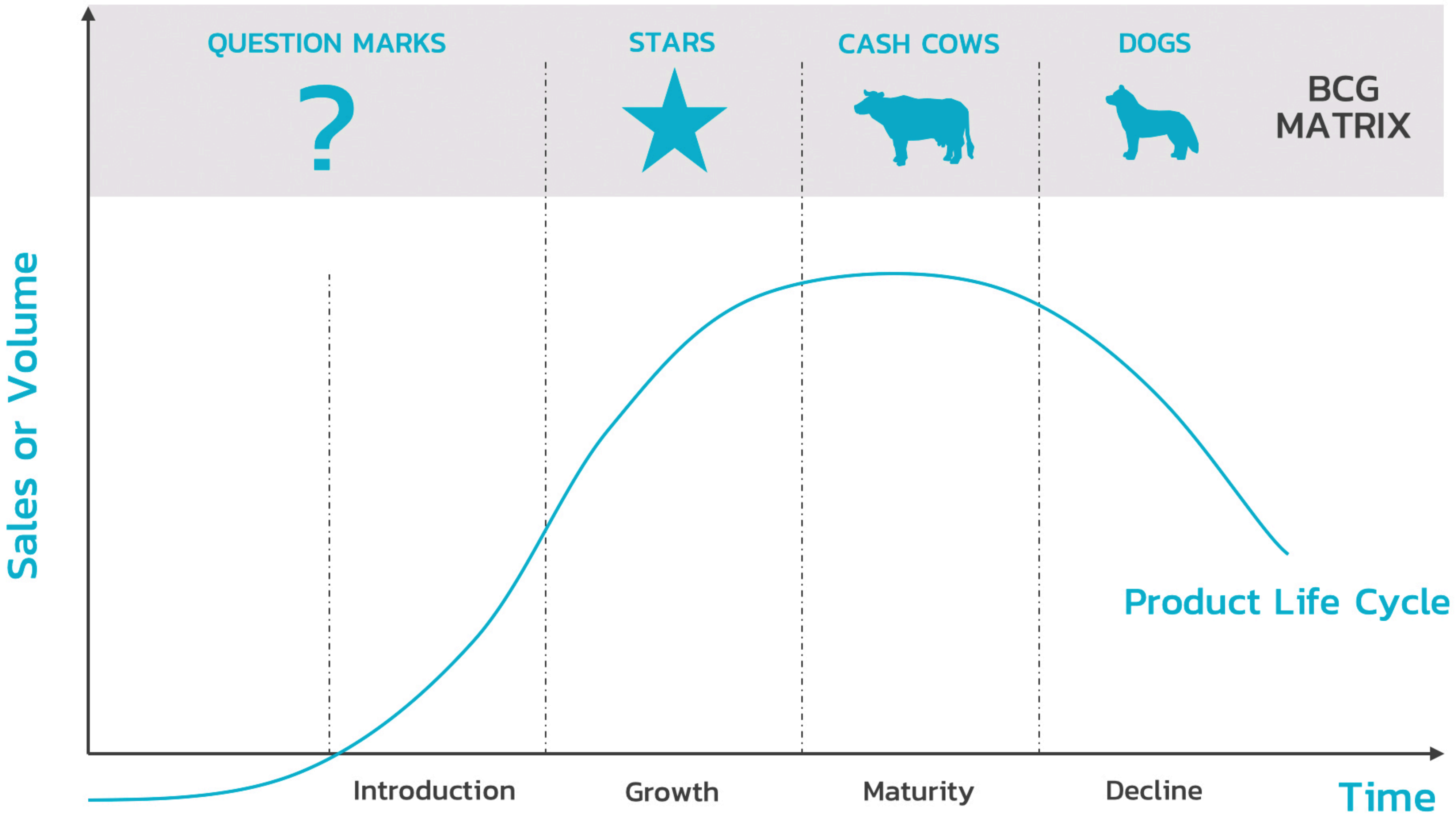
BCG CASH COWS (low growth, high market share)

- Cash cows are in a position of high market share in a mature market. - If competitive advantage has been achieved, cash cows have high profit margins and generate a lot of cash flow. - Investments into supporting infrastructure can improve efficiency and increase cash flow more. - Cash cows are the products that businesses strive for.

BCG DOGS (low growth, low market share)

Dogs should be avoided and minimized. - Expensive turn-around plans usually do not help

BCG AND PRODUCT LIFE CYCLE




EXISTING PRODUCTS
NEW PRODUCTS
EXISTING MARKETS
NEW MARKETS
MARKET PENETRATION
PRODUCT DEVELOPMENT
MARKET DEVELOPMENT
DIVERSIFICATION
INCREASING RISK
INCREASING RISK

BALANCING RISK AND OPPORTUNITY: THE ANSOFF MATRIX

The Ansoff Matrix, also called the Product/Market Expansion Grid, is a tool used by firms to analyze and plan their strategies for growth. The matrix shows four strategies that can be used to help a firm grow and also analyzes the risk associated with each strategy.

The four strategies of the Ansoff Matrix are:

1. **Market Penetration:** This focuses on increasing sales of existing products to an existing market.
2. **Product Development:** Focuses on introducing new products to an existing market.
3. **Market Development:** This strategy focuses on entering a new market using existing products.
4. **Diversification:** Focuses on entering a new market with the introduction of new products.

The Ansoff Matrix: Market Penetration

In a market penetration strategy, the firm uses its products in the existing market. In other words, a firm is aiming to increase its market share .

- Decreasing prices to attract new customers
- Increasing promotion and distribution efforts

Acquiring a competitor in the same marketplace

For example, telecommunication companies all cater to the same market and employ a market penetration strategy by offering introductory prices and increasing their promotion and distribution efforts.

The Ansoff Matrix: Product Development

The firm develops a new product to the existing market. The product development strategy is employed when firms have a strong understanding of their current market and are able to provide innovative solutions to meet the needs of the existing market.

- Investing in R&D to develop new products to cater to the existing market
- Acquiring a competitor's product and merging resources to create a new product that better meets the need of the existing market
- Forming strategic partnerships with other firms to gain access to each partner's distribution channels or brand

For example, automotive companies are creating electric cars to meet the changing needs of their existing market. Current market consumers in the automobile market are becoming more environmentally conscious.

The Ansoff Matrix: Market Development

The firm enters a new market with its existing product(s). Expanding into new markets may mean expanding into new geographic regions, customer segments, etc. The market development strategy is most successful if (1) the firm owns proprietary technology that it can leverage into new markets, (2) potential consumers in the new market are profitable (i.e., they possess disposable income), and (3) consumer behavior in the new markets does not deviate too far from that of consumers in the existing markets.

- Catering to a different customer segment
- Entering into a new domestic market (expanding regionally)
- Entering into a foreign market (expanding internationally)

For example, Nike and Adidas recently entered the Chinese market for expansion. The two firms are offering roughly the same products to a new demographic.

The Ansoff Matrix: Diversification

The firm enters a new market with a new product. This strategy may offer the greatest potential for increased revenues, as it opens up an entirely new revenue stream for the company.

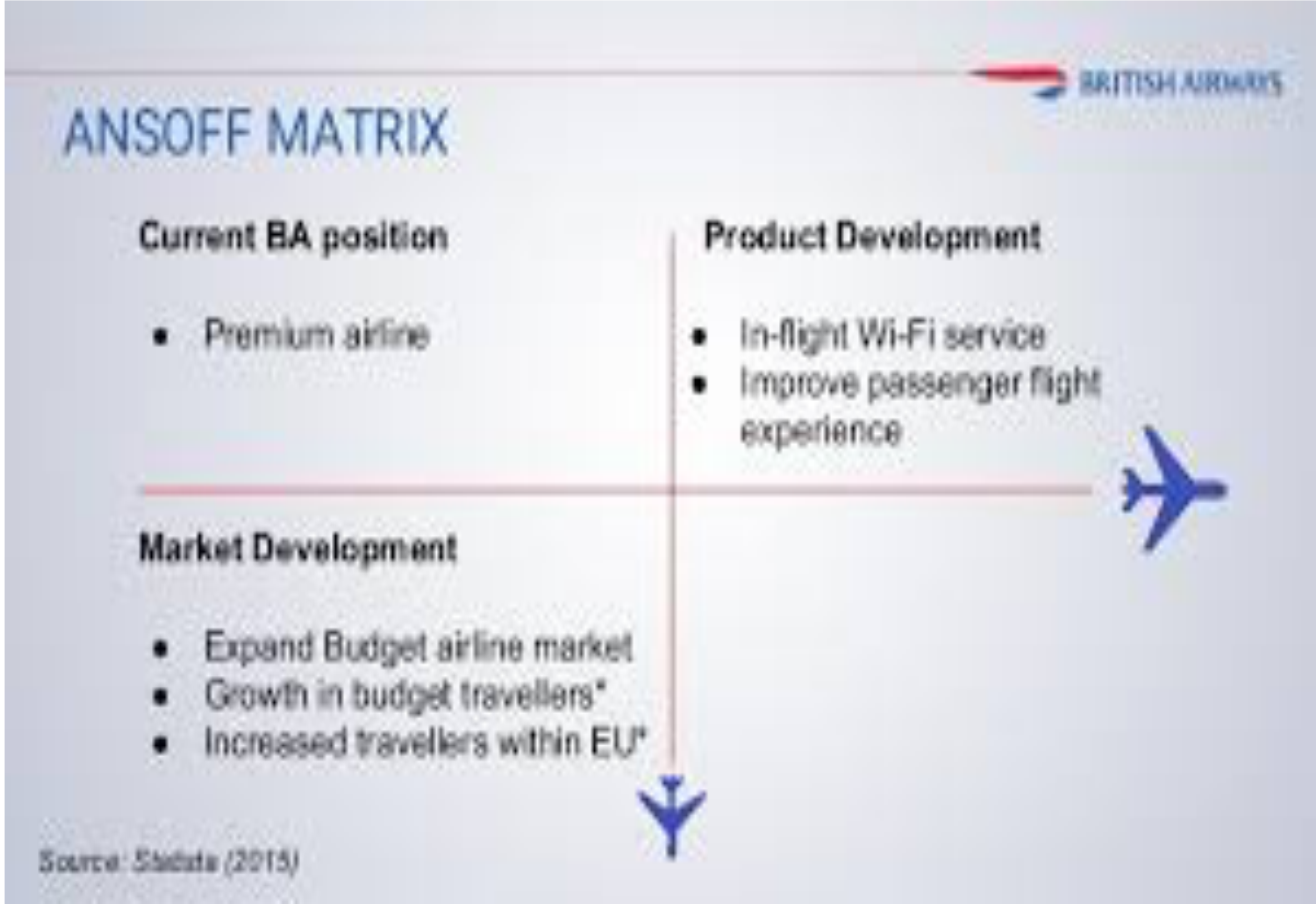
There are two types of diversification a firm can employ:

1. **Related diversification**: There are potential synergies to be realized between the existing business and the new product/market.

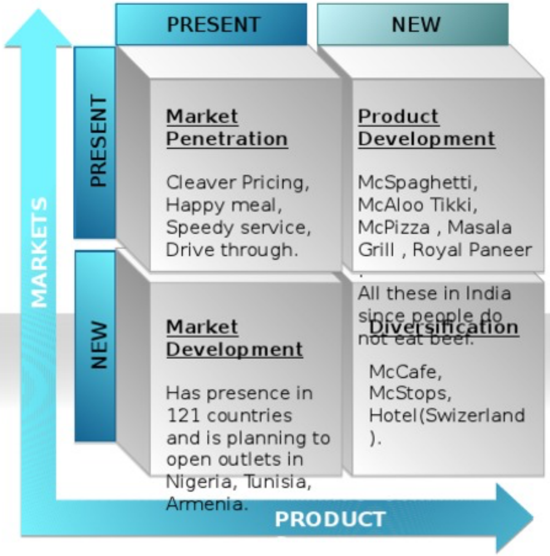
For example, a leather shoe producer that starts a line of leather wallets or accessories is pursuing a related diversification strategy.

2. **Unrelated diversification**: There are no potential synergies to be realized between the existing business and the new product/market.

For example, a leather shoe producer that starts manufacturing phones is pursuing an unrelated diversification strategy.



ANSOFF MATRIX FOR McDonald's



Ansoff's Matrix

Markets

New

Market Development

Diversification

Existing

Market Penetration

Product Development

Existing

New


BCG MATRIX OF COCA-COLA
HIGH
Thums Up
STAR
KINLEY
Question Mark
Fanta
Sprite
BUSINESS GROWTH RATE
LOW
CASH COW
Diet Coke
DOG
HIGH
LOW
MARKET SAHRE

Q & A

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