

AIRLINE MARKETING INDUSTRY

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BONAFIDE CERTIFICATE

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The following Project Report titled “AIRLINE MARKETING INDUSTRY “is hereby approved as a certified study in management carried out and presented in a manner satisfactory to warrant its acceptance as a prerequisite for the award of Bachelor of Business Administration for which it has been submitted. It is understood that by this approval the undersigned do not necessarily endorse or approve any statement made, opinion expressed or conclusion drawn there in but approve the Research Project Report only for the purpose it is submitted to the Research Project Report Examination Committee for evaluation of Project Report.

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DEDICATION

This study is wholeheartedly dedicated to my beloved and caring parents, who have been my motivation and gave me strength when I thought of giving up, who continuously provided their moral, spiritual, emotional, and financial support in my study. I hope this achievement completes one of your dreams.

To my beloved brothers, relatives, friends,
and classmates who shared their words of
advice

and inspiration to finish this study.

Lastly, I humbly dedicate this Dissertation to
my Almighty God, thank you for the guidance,
strength, power of concentration,
concentration, protection, skills, and for
giving me a healthy life. All of this, I offer to
you, Lord.

We AZIZA MWINYIGOHA, CHRISTINA REDDY
AND AYUSHI CHAUHAN hereby declare that
the content of this report are the results of
our own

study and findings and, to the best of our
knowledge, they have not been presented
anywhere for Diploma, Degree, or any
Professional award in any Institution of
Higher Learning.

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and mentor for our dissertation. God bless you abundantly.

ABSTRACT

Aviation is the activities surrounding mechanical flight and the aircraft industry. Aircraft includes fixed-wing and rotary-wing types, morphable wings, wing-less lifting bodies, as well as lighter-than-air craft such as hot air balloons and airships.

Aviation began in the 18th century with the development of the hot air balloon, an apparatus capable of atmospheric displacement through buoyancy. Some of the most significant advancements in aviation technology came with the controlled gliding flying of Otto Lilienthal in 1896; then a large step in significance came with the construction of the first powered airplane by the Wright brothers in the early 1900s. Since that time, aviation has been technologically

revolutionized by the introduction of the jet which permitted a major form of transport throughout the world.

The **history of aviation** extends for more than two thousand years, from the earliest forms of aviation such as kites and attempts at tower jumping to supersonic and hypersonic flight by powered, heavier-than-air jets.

Kite flying in China dates back to several hundred years BC and slowly spread around the world. It is thought to be the earliest example of man-made flight. Leonardo da Vinci's 15th-century dream of flight found expression in several rational designs, but which relied on poor science.

The discovery of hydrogen gas in the 18th century led to the invention of the hydrogen balloon, at almost exactly the same time that the Montgolfier brothers rediscovered the hot-air balloon and began manned flights. Various theories in mechanics by physicists during

the same period of time, notably fluid dynamics and Newton's laws of motion, led to the foundation of modern aerodynamics, most notably by Sir George Cayley. Balloons, both free-flying and tethered, began to be used for military purposes from the end of the 18th century, with the French government establishing Balloon Companies during the Revolution.^[2]

Experiments with gliders provided the groundwork for heavier-than-air craft, and by the early 20th century, advances in engine technology and aerodynamics made controlled, powered flight possible for the first time. The modern aeroplane with its characteristic tail was established by 1909 and from then on, the history of the aeroplane became tied to the development of more and more powerful engines.

The first great ships of the air were the rigid dirigible balloons pioneered by Ferdinand von Zeppelin, which soon

became synonymous with airships and dominated long-distance flight until the 1930s, when large flying boats became popular. After World War II, the flying boats were in their turn replaced by land planes, and the new and immensely powerful jet engine revolutionised both air travel and military aviation.

In the latter part of the 20th century, the advent of digital electronics produced great advances in flight instrumentation and "fly-by-wire" systems. The 21st century saw the large-scale use of pilotless drones for military, civilian and leisure use. With digital controls, inherently unstable aircraft such as flying wings became possible.

Airline Marketing It is a business practice of the airlines to build trust among frequent customers by rewarding them so that they conduct business with the company continually. **Here are four of the best strategies for marketing airlines.**

- . Providing Loyalty Programs. By creating a loyalty program, you will encourage flyers to become repeat customers, booking additional flights with your business. ...
- . A Creative Airline Advertising Strategy.
...
- . A Strategic Social Media Campaign. ...
- . Providing Flight Perks.

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OBJECTIVES

After studying the Project, we are be able to understand the:

- special characteristics of an airline's product,
- process of marketing planning and its effectiveness,
- importance of scheduling and pricing in airline's marketing, and

CHAPTER ONE

UNDERSTANDING AIRLINE MARKET

There are certain common components in marketing services or product. However, in marketing it is essential to know the characteristics of your product before you go for determining your marketing strategy. Thus, you have to first understand the special features of airlines marketing. Some of these are as follows:

i) Highly Perishable Product

The airlines product is extremely perishable as it cannot be stored for future sales. Once boarding is closed on a particular flight, all the unutilised seats on that flight go completely waste. Airline's profitability and success of

marketing functions-depends greatly on its ability to fill-up the available capacity with revenue generating traffic with passenger and cargo.

ii) Need for Fine Market Segmentation

An airline's market consists of various market segments with different service expectations, different price sensitivities, different travel motivations, Examples of such market.

Another example is business traveller, who mostly travels on an expense account and expects good schedules and connections, efficient ground service and comfortable on-board service. Family holiday traffic is more concerned with discounts in air fares than the schedules or service standards, etc. For labour traffic or shoppers' traffic, price is the most important factor. It is vital for an airlines to optimize its yields and revenue from various market segments by positioning itself correctly in the market place.

iii) Dynamic Market

Since airline's product is a service consisting basically of an experience for the passenger, it has to result in various degrees of satisfaction or dis-satisfaction from that experience. This in turn affects perception about the product. Besides, competition among airlines is hard and the market dynamics of pricing, promotion and distribution are liable to change very rapidly.

The challenge for an airline in marketing lies in manipulating its marketing mix viz. product, price, promotion and distribution. This is done to get a passenger in front of its checking-in counter ready and willing to fly that particular airline after paying good money; and then sending him or her away happily to the destination so that the passenger is willing to come back another time and

always to the same airline on any route. This is the essence of airline's marketing.

Whatever an airline's marketing manager does, he cannot afford to lose sight of the basic purpose of the marketing function, which is to optimize the yield and make an airline's operation profitable. Whatever you do for product improvement, for sales promotion, publicity and advertising, for distribution of your product in the market place, by giving discounts-and incentive, it ultimately has to result in generation of income for the airline in excess of its cost of operation of air services.

iv) Dependency

The airlines product is dependent on certain external factors like facilities, rules, regulations and security check-ups etc. at the airports. Though these are same for the passengers of all the airlines but the customers

often associate them with their line they are flying with.



CHAPTER TWO

MARKETING-PLANNING

Strategic planning is one of the most important stages in the application of the principles of marketing within the airline industry. It is "the analysis of alternative opportunities and risk to the firm, informed by environmental (for example, competitive, social) and internal (for example, production abilities) information, which leads management to choose a particular set of market, product and customer goals." In other words, the main function of strategic is to highlight for the airline which of its marketing strengths can best be used to take advantage of opportunities which may arise in the environment. Essentially, strategic planning involves make advance decisions relating to sources of action which is marketing department will take in the future. The strategic plan is long-range and

comprehensive. The main aim of strategic planning is now seen to be the identification of attractive-areas, of new opportunities and the formulation of programs for developing these areas and opportunities. The facilities, finances and resources required to carry out this development are now considered secondary to the basic identification of the opportunities.

Long range strategic planning should include the following elements:

: A definition of goals and objectives

: A determination of where the company stands that is, a position audit, including strengths and weaknesses, opportunities and threats

: An assessment of the resources available put the strategic plan into action

: An assessment of alternative courses of action and the strategic options available

: decisions regarding avenues likely to be subsequently pursued

: A preparation of plans to be conducted that i.e., a strategic plan



CHAPTER THREE

MARKETING EFFECTIVENESS

It is extremely important for any business to analyse its marketing effectiveness. Without some ' system for analysing and interpreting the effects of the company's marketing efforts, it might continue to use strategies which are out-dated; which do not help the company to obtain its corporate and marketing objectives and so on. The marketing manager is normally responsible for the day-to-day marketing activities. He is also responsible for planning and control functions, and rarely has the leisure to casually contemplate the effectiveness-of the f m ' s marketing efforts.

A Marketing effectiveness is not necessarily revealed by current marketing performance. Economic conditions or chance factors for example, being in the right place at the right time may influence results. Of course, analysis

of marketing performance should also be carried out. Targets should be established and performance against these measured on a regular basis. With regard to an airline or an area within an airline, its marketing effectiveness is reflected in the degree to which it exhibits five major characteristics-of marketing orientation. These characteristics-are as follows:

- A) Customer Philosophy
- B) Integrated and Effective Organization
- C) Adequate Information
- D) Strategic Orientation
- E) Efficient Operation

A) Customer Philosophy

This refers to the ability of staff and management to recognize the primacy of studying-the market place i.e. are management and staff able to distinguish the different

segments? the different opportunities which exist? the ones to grasp? and so on. An airline which groups together customers whose needs are broadly

similar is carrying the process of Market Segmentation. A number of variables are used for segmenting-the market. However, some managers tend to over-concentrate on certain factors and areas, disregarding others. For example:

- . Some managers are technology-oriented, but may not take into account the airline's ability to manage this technology or the customer's requirements

- .Certain managers may be sales-oriented, believing that it is possible to sell anything

- . Some managers may be driven by cost efficiency. That means they may place undue

emphasis on price as the determinant of demand.

B) Integrated and Effective Organisation

Total quantity can be achieved if each operating division has a clear view of customer needs and knows that the customer is paramount. This view must be internalized the stiff in these divisions and must be reflected in the service which they provide. It is necessary for flexibility of information to exist within the airline. That is, information must flow freely between the different operating divisions. Information communicated by one division may be critical to the operation of another and may affect the action which will be taken by that division. Effective channels of communication must be in place to allow the free movement of such information. Communication must exist all the way up from the booking clerk to top management. This sort of flexibility will allow the airline to serve i

individual customer needs who will perceive the company to be a caring organization

C) Adequate Information

Marketing managers must assess whether they have relevant, up-to date information on targeted markets. It must also be ensured that information relating to the quality of customer service is received from all functional divisions which affect the service.

D) Strategic Orientation

The airline must assess whether it has a well-defined core strategy towards its marketing. It must investigate-whether there is a formal system of annual and long-range, planning - together with contingency planning if necessary

- . Business, in fact, demands that the future plans be under constant review and that they always contain a certain

contingency element. A contingency plan will make preparation to deal with problems.

E) Efficient Operation.

The airline must ensure that sufficient importance is attached to its marketing department and that appropriate resources (human and other resources like financial and technical) are made available to carry out the various marketing activities. There should be clarity about the use of resources to achieve efficient operations. For example, from the point of view of human resources, the company personnel must be carefully recruited, assigned, trained and developed. Different marketing strategies will require managers with different personalities and skills. The total Quality Concept comes into play here. An analysis is required of how personnel see themselves, the company, the

service which the company provides and the overall importance of the customer. The airline must also recognise that the various marketing activities carried out by its marketing department must be allocated appropriate finances if they are to achieve optimum efficiency. Technical areas, such as reservations, within the airline also require adequate funding.

MARKETING EFFECTIVENESS AUDIT.

A marketing effectiveness audit is a systematic examination of the marketing unit's objectives,

Strategies or organizations and performance. It has three functions:

I)It identifies what the marketing unit is doing

ii) It examines how it is performing these activities and evaluates the effectiveness of these activities in terms of the organization's objectives and resources

iii) It recommends future marketing activities.

This is particularly true in the field of marketing, where objectives and strategies-can become quicks out-dated, as a result of changes in the environment and within the marketing organization itself.

CHAPTER FOUR

SCHEDULING

From a marketing perspective. The major factors which affect the airline product are: pricing policy, inflight service, seating density and the airline schedule. The airline's schedule is constructed by the schedule's planner. His functions is to plan the flights. and operating patterns of the company's aircraft so that:

- The demands of the customer are satisfied,
- The airlines make a profit,
- The airline gains competitive advantages (slots/preventing competitors etc.), and
- Aircraft and crew are used to optimum efficiency

Scheduling Objectives

- Satisfy the customer
- Productivity of Human Resources
- High aircraft utilization
- High load factors
- High frequency
- Maximization of connections
- Consistent timing.

i) Satisfy the Customer

It is of great importance that the schedules plan satisfies the requirements of the various market segments which the airline targets.

This in fact is a primary schedules planning function. In order to do this, the schedules planner obtains information about the customers from a number of sources like historic data, Sales and Reservations agents and from the

airline's Market Research Department.

ii) Productivity of Human Resources

The schedules-planner must try to ensure that staff numbers are set at the optimum level for each shift. He must aim at reducing the occurrence of 'peaks' and 'valleys'(highs and lows)

iii) High Aircraft utilization

With regard to aircraft utilization, one of the most important things to remember is that aircraft can only make a profit while they are flying. Aircraft on the ground make no money for the company.

iv) High Load Factors

Another objective of the schedule's plan is to achieve a good match between

(a) the level of traffic available and

(b) the level of capacity offered. Excessive frequency can cost an airline a lot of money. If the schedule is misjudged and the airline operates too many flights a route, some of them will take off with empty seats and the airline will lose money. Planning the load factor is a complex procedure. The load factors which the airline wants to target must be high. They must be realistic at the same time.

V) High Frequency

Industry experience suggests that an airline can obtain a significant share of the market (perhaps even market domination) because of high frequency rather than the level of capacity offered on a given route. This might seem to contradict what was said in point (iv) with regard to high frequency and load factors. But it is part of the schedules

planner's job to reconcile one requirement with another.

vi) Maximization of Connections

Another very important objective which the schedules plan must try to achieve is to optimize passenger connections at both ends of a given route. Elaborate 'connecting hubs' have been developed by many carriers with this objective in mind. Such hubs are a very cost-effective method of increasing the range of markets which the airlines serve. Other developments have also taken place which can boost traffic flow for the airlines involved in them - for example, marketing arrangements-between carriers, use of joint flight numbers and so on.

Vii) Consistent Timing

The final objective is that of consistent timing. In other words, the schedules planner must

attempt to maintain a consistent 'shape' in the schedules from season to season, using the same departure time of day for a particular service. For example, the service to Bombay from Delhi departs at 0910 hours every day. This is known as 'clock timing'. As an airline builds up a back-catalogue of schedules, consistency-will help to create familiarity and loyalty to the airline. This is true, not only of travel agents, but also of the general public. Unfortunately, because of certain scheduling constraints, an airline may find it impossible to maintain such a consistency

THE SCHEDULES PLANNING PROCESS

The first step in the schedules planning process for a given season involves the fleet size which has been outlined in the corporate plan. It is then up to the schedules planners to design a plan which ensures that this

prescribed number of aircraft is scheduled on in the airline's network in a way which helps the airline to achieve its overall corporate objectives. What happens when the schedules' planning process has been completed and the schedules plan drawn up? As the actual flight dates approach, the plan is given to the airline's Operational Departments. It is their job to put the schedule into action. Viewed from a broader perspective the schedules planning process runs all the way from the corporate plan to the flight departures themselves. The importance of the schedules plan cannot be over-emphasized. It must be as accurate as possible so that the airline does not under or over estimate its fleet requirements. If under-estimates, it will not schedule enough flights and will find itself-unable to operate the flights which its target markets require. Alternatively, if its over-estimates, it will schedule too many. flights which result in under-utilization of its fleet and causes financial loss. Essentially, the airline's

schedules are of great significance as they form the foundations on which its short-term activities are based. Because of this significance, it is not wise for the schedules planning department to work in isolation. On the contrary, almost every department within the airline should be involved in the schedules planning process, by way of discussion and exchange of information. This involvement should ensure that the schedules plan will be the best one for each department in the airline - a plan which will help to satisfy, not only overall corporate objectives, but also individual departmental ones it has to be recognized that some compromise may be required to obtain the best possible schedule .Airline department which should be involved in the schedules planning process are as follows - Corporate Planning, Fleet Planning, Sales Marketing, Product Development, Maintenance and Engineering, Cabin Crew and Pilot Scheduling, Operations Control,

Catering, Cargo, Ground Operations. It should be noted that the Marketing Department will be concerned with ensuring that the schedule helps

it to achieve its objectives, for example, customer satisfaction.



CHAPTER FIVE

PRICING

The key to profit maximization is not loads alone but a good mix of loads and yields. In marketing new, relatively unknown routes, the tendency is to flood the market with low fares with the hope of encouraging passengers to try the new routes. While this could be a strategy to adopt for a market with potential to draw group traffic, it may not work for destinations which appeal only to shall specifically markets. For the latter, it would be more prudent to keep up the yields and consequently keep down the breakeven load factors.

The effectiveness-of differential pricing as a way to maximizing yields cannot be overemphasized. It is common practice for airlines to have different fares for peak and off-peak seasons. Very often, on further scrutiny, one can identify sub-peak periods

within the off-peak season and peak within the peak season. We can then price accordingly to maximize the yields.

Pricing is the most crucial function of the marketing. The commercial viability of an airline's operations, its financial soundness and in fact its survival depends on its ability to operate profitably. Profitability in turn depends on pricing on the one hand and cost control on the other. Success of a marketing man depends entirely on his ability to generate profits by optimum exploitation of revenue generating opportunities in the market place. It is essential for a successful marketing manager to understand the airlines' cost structure and ensure that total airlines' costs are covered by the revenues generated through the marketing efforts.

I) Direct Operating Costs

2) Indirect Operating Costs

3) Overheads

I) DIRECT OPERATING COSTS

Direct Operating Costs (also known as DOCs) occur if and only if a given flight is actually operated. There are two types of Direct Operating Costs:

a) Aircraft Related DOCs

b) Traffic Related DOCs

a) Aircraft Related DOCs include :

i) Fuel and Oil

ii) Maintenance (excluding in-house labour)

iii) Landing Fees

iv) En route/Navigation fees

v) Handling Fees

vi) Crew Expenses

b) Traffic related DOCs include:

i) Passenger and Cargo Commission

ii) Airport Load Fees

iii) In-flight Catering

iv) General Passenger Related Costs

What is the main difference between the two sub-sections of Direct Operating Costs?

Basically,

the main difference is that Aircraft Related DOCs are relevant to the type of aircraft being operated, whereas Traffic Related DOCS are independent of the aircraft type (given a certain traffic level).

2) INDIRECT OPERATING COSTS

These costs generally come under the category of fixed assets and include:

i) Aircraft Standing Charges

- ii) flight Crew pay
- iii) Cabin Crew pay
- iv) Maintenance Labour (in-house labour)
- v) Handling Costs at Base Stations

These costs remain the same once a certain level of flying program-me has been chosen.

In other

words, if the flight program is changed (due to a flight cancellation, for example), none of the costs in any of the above categories will be reduced. All of the costs (i) to (v) are directly affected ³ by aircraft-type.

3) OVERHEADS

These include the following:

- i) Sales costs
- ii) Administration (areas of the various line departments)
- iii) Accounts

iv) General Management

v) Employment/personnel departments

Many of these are relatively unaffected by both the type of aircraft used and the level of flying operations undertaken.

The second of the three major sections under the heading of Aircraft Operating Costs is the effect of the airline environment on aircraft operating costs. This includes:

i)Sector Length,

ii)Utilization,

iii)Fleet size, and

iv) Labour Costs.

The third and final category which comes under the heading of Aircraft Operating Costs is the effect of aircraft design characteristics on operating costs. This includes:

- i) Vehicle Efficiency,
- ii) Crew Complement,
- iii) Engine Number,
- iv) Aircraft size,
- v) Aircraft speed, and
- vi) Age of aircraft.

An understanding of aircraft costs, how they are allocated and a clear understanding of cost comparison parameters and profitability analysis is essential to an airline marketing manager.

The cost comparison parameters and profitability analysis take into account:

- i) Cost per aircraft Km, seat Km and tonne Km.

It is necessary to compare the operating cost characteristics of different types of aircraft.

However, because aircraft can vary-so much in size and capacity, the only way to do this is to express costs in terms of various units of production. This is known as unit cost comparisons. Unit cost can be defined as the average operating cost incurred per available tone kilometre.

ii) Profitability and break-even load factor.

Profitability control is an essential tool used to measure the profitability of a company's different products, customer groups, territories and channels.

As with most aspects of business, there are many theories about the nature of profits. One such theory is return on capital employed theory. Basically, this theory states that all of a company's resources have a certain value. The profit which the company achieves during a specific period should be related to this value. The implication is, therefore, that every expenditure made-by-the company is, in the

long- term actually an investment. It is useful for an airline marketing manager to be familiar with this theory.

Once the costs which will be incurred if a particular operation goes ahead have been established, the next step is to determine-the likely profitability of the operation. A parameter often mentioned here is the break-even load factor. This is the percentage of an aircraft's total capacity which must be filled in order to at least cover the costs of the operation. An alternative-way of saying that is, the load of factor at which operating revenues will equal operating costs.

In the airline industry, three basic parameters are relevant when assessing profitability:

. The revenue per RTK (or revenue tonne kilometre),. The cost CTK (or capacity tonne kilometre), and. The load factors

If fares began to fall at the same time as costs began to rise, two things would happen.

Firstly, the revenue per RTK would decrease.

And secondly, there would be a substantial change in the break- even loads factor.

Profitability can be examined on different levels depending on the timescale involved and the level of costs actually incurred. An airline's profitability target must include provision for full overhead recovery.

CHAPTER SIX

DISTRUBUTING THE PRODUCT

Distribution could be defined in-fact as all the means by which we can enable customers to buy or gain access to our products. This is one of the most controversial and difficult areas in airline marketing today.

We shall divide our examination of this area into different categories

1) Traditional Intermediary links between the Airline and the Customer.

Airlines widely employ the services of travel agents to deal with the passenger side of their business. In fact, around 80 per cent of airline tickets are sold by travel agents on a worldwide basis, although this differs a little- from country to country. There are two types of travel agent:

The Retail Travel Agent - sells directly to the public. The Wholesale or Travel Organiser-functions mainly as a wholesaler by buying large blocks of airline seats in advance and then selling them as packages to other travel agents.

The use of travel agents can be advantageous to the airline for the following reasons:

- Travels agents facilitate the exchange process between the airline and the customer. The total cost of-marketing should be lowered as a-result of-the combined efforts of-all distribution channel members.
- It helps avoid heavy expenditure on retail marketing, as it allows the airline a presence even in relatively small markets

- The travel agent can provide many supplementary services for the airline customer (for example, arranging visas and foreign currency, hotel, car rental, etc.) which the airline may be unwilling to provide.

The airlines pay the travel agents a commission in return for the above services. The amount of 'promotional support' and commission paid to agents has risen dramatically in recent years and is now a major cost factor for airlines. Sometimes, as part of an incentive scheme, for instance, travel agents may receive 'additional' commission. An, IATA approval system to regulate the operations of travel agents. That is travel agents may be approved by IATA if the working of their business confirms to certain standards with regard to turnover, staff, financial stability, premises and so on.

2) Alternative links between the Airline and the Customer.

Most airlines have sales/ticketing offices in major cities throughout the world. These offices provide a significant volume of sales. However, all airlines do not regard these offices in the same way. Some regard them mainly as a means of promotion, while other airlines regard them as a type of travel shop for selling the airline's tickets, package tours or even supplementary travel items. In terms of cost, the maintenance of such offices is justified by the fact that the airline saves expenditure on commission. The airline will not have to engage and pay for the services of an agent as it is achieving 'direct

Correspondence or Ticket-through-the-Mail Services

The correspondence or ticket-through-the-mail- service is another way in which the airline makes use of its own resources to deal directly with the customer. Such bookings are

normally made through the reservations department. This process has been greatly facilitated by the wide-ranging use of credit cards by customers and the development of ticket printers and word-processing facilities.

4) General Sales Agent (GSA)

A General Sales Agent or GSA is normally appointed to markets not served directly by an airline or where volume is insufficient to merit the opening of a ticket issued in the territory concerned. A GSA can provide different levels of service at varying levels of payment sales. IATA provides guidelines in relation to standard forms of general sales agents' agreements

5) Other Airlines (OALs)

It may also be possible for the customer to make bookings on a particular airline sector through another airline. Computerization has

clearly assisted the making of inter-airline bookings and although other airlines. are not strictly speaking intermediaries (since they are not paid a commission), they still provide an important source of inter-line business.

6) Computer Reservation Systems (CRSs)

It was during the 1970s that airlines changed the manual system of reservations and record keeping to computerized systems up to the mid-70s most transactions between the public or travel agents and the airline were made by telephone, even though the airlines were computerized. This meant that communication was slow, resources were wasted answering the telephone and verbal communication left room for error and misunderstanding

7) More recent developments

In the mid-1980s the American carriers, American Airlines, began to market their systems internationally. Such a development inevitably raised the questions of Control and High Costs for airlines throughout the world. To counteract this, various consortia of airlines came together to develop their own CRS systems. It became obvious that the development costs of these CRS systems would be huge. It was also clear that American systems were already well ahead in the field. As a result, various alliances formed between existing and developing CRS systems, a process which is still continuing today. Consortia, like Galileo(a joint venture between United Airlines and a number of European carriers) have made rapid progress with regard to system development and the installation to work stations in travel agencies.

With regard to the European CRS industry, just like its US counterpart it has come under

the scrutiny of regulatory authorities. Both the European Civil Aviation Council and the European Community have developed codes of conduct for the operation of CRSs.

The development of new technology is set to make fundamental changes to the distribution of airline products and to the structure of the travel industry. The most significant development's in global distribution systems installed in travel agencies worldwide. Efforts are also being made to offer the individual customer (via his home computer) and corporate accounts the benefits of these new technologies.

The most up-to date CRS systems offer a user-friendly variant of their CRS systems (such as a Easy Sabra). Aimed at the corporate market, the system permits bookings to be made, but the ticketing is still done through travel agents.

Today, the development of Automated Ticket Machines (ATMs) has opened further

distribution possibilities. These allow passengers to make a booking themselves and pay for it by credit card. They also issue the ticket and boarding pass. Such ticket machines are not yet widespread, but they do offer the potential of dealing with bookings and ticketing for relatively straightforward transactions (for example, short-haul, high density routes).

In assessing their distribution strategies airlines should accept that the travel agent offers a valuable service. This is particularly true of the markets which an airline would otherwise find too expensive to service.

However, the airline must be concerned with the question of control.

hi business in the hands of a small number of agents. This gives use to of increasing cost of commission and other payments to travels. So, airline marketing management must examine the issues of:

- . control

- value for money

Commission costs today are rising rapidly because of growth in traffic, but also because of the use of additional incentive payments. Airlines must question whether they are receiving value for money from their investment on commissions. Most airlines probably believe that, unless they have the support of agents, their market share will fall. Consequently, commission payments increase. It would be foolish, of course, for airline to consider excluding agents and other intermediaries from distribution, particularly in smaller markets. However, airlines must manage this distribution channel efficiently as it is the airlines and not the intermediaries who invest huge sums of money in aviation. So, the airlines should control this distribution channel.

CHAPTER SEVEN

THE PROMOTIONAL MIX

Promotion is an integral element of the airline's overall marketing strategy. Although the various promotional tools are separate from each other, they should work together to form an effective promotional strategy in helping the airline to reach the target markets which its strategies are aimed and be successful in selling its product to these market segments. Advertising has a very 'high profile' and is the most conspicuous of all the promotional tools. In order to be effective, it must reach the airline's target markets and focus on their needs and wants. It creates awareness of the airline and draws the customer's attention to it.

ADVERTISING

The design of the advertising campaign is a complex procedure and some of the steps which need to be followed are:

- i) Set the advertising objectives,
- ii) Determine the advertising budget,
- iii) Choose suitable media
- iv) Select an advertising agency, and
- v) Make timely decisions. For instance, when is the best time to place the campaign? Will it be an all-year-round campaign or a seasonal campaign?

It is important to note that the decisions outlined above must be linked directly with the airline's overall marketing strategy plans and tactics. It must:

- be successful in reaching the airline's target markets,

- inform the customer about new or improved product features, new routes being served and so on, and
- remind the customer of existing product features, routes served and so on.

Personal Selling.

This is still an important method used to promote airline services. Most airlines employ people as sales representatives. It is their job to sell their airline's products to travel agents, corporate accounts and leisure groups (clubs and so on). The primary role of the sale representative is to 'service' travel agents by visiting them to provide material and information, answering their questions and helping them to answer their customers' questions and complaints. In a sense, the main

function of personal selling is to fill in the gaps where advertising and other methods of non-personal selling fall short. Unlike them, personal

selling can function at an individual level. Good, well planned personal selling can be relatively successful as the customer receives an individualized sales message. It is more direct than advertising, which is a mass communicator. Personal selling is an interactive, ' conversational' method of promotion through which the sales representative presents the airline and its services to one or more potential customers. Essentially, the biggest advantage of personal selling is that it is possible to use it to target the precise market segments(s) to which advertising has been directed. The sales representative can adapt to the person to whom a sale is being made. Depending on the client, he or she can highlight selected information regarding, for example, schedule and frequency of service for a business person,

family facilities for a leisure travellers and so on. All other forms of selling and advertising are rather more general, apart from advertising which appears in business magazines.

Sales promotion.

Sales promotion consists of those promotional activities which do not fit into the categories of advertising, personal selling or public relations and publicity. Rather, it supplements the other promotional tools, especially advertising and personal selling. cost attached, arising from the use of professionally Within the airline industry, sales promotions are used to provide support during the launching period of a new service or route. Sales promotion activities are usually short-term. They are designed to both stimulate and induce. the customer into buying from the airline.

Public Relations/Publicity.

Public Relations (PR), if-used effectively, can help to promote the airline's corporate image, boost its reputation and stimulate demand for its services. Public Relations (as distinct from publicity) is usually the responsibility of staff within the airline. Alternatively, the airline may pay a retainer to a PR agency, something which is common in the airline industry.

Public Relations creates opportunities for publicity, while publicity makes use of any opportunities which arise. Unlike publicity, there is a prepared material, planning a PR campaign, strategies, events and so on. PR and publicity aim to present a favourable image of the airline - usually via newspapers, television and radio. They differ from the other forms of promotion in two respects:

i)The airline does not pay for publicity.

ii) The airline does not have total control over these forms of promotion in the same way as it does over the others. Certainly, it can attempt to ensure that it has good public relations and that it receives good publicity. However, if for some reason, the airline receives bad publicity, , its role in this area moves to that of damage limitation. Many airlines have a section in the PR Department to handle questions raised by the news media.



CONCLUSION

The Airline Solutions should build technology for airlines. As a complete business partner, Airline Solutions provides comprehensive technology solutions that give airlines the freedom to better market their airline, sell their products, serve their customers and efficiently operate the way they want. As well as to attract the most customers and generate buzz, airlines must remain enticing and competitive. Here are four of the best strategies for marketing airlines

Providing Loyalty Programs, A Creative Airline Advertising Strategy, A Strategic Social Media Campaign, Providing Flight Perks

THANK YOU

