



**RESEARCH ARTICLE**

**MARKETING STRATEGIES OF AN INTEGRATED FACILITY OF AIRLINES SERVICE COMPANY**

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**ABSTRACT**

This research paper examines the service quality delivered by four major airlines in India on the backdrop of stiff competition in the airline service sector. The analysis results will serve as the basis for airlines to improve their service Strategies in response to customer needs. The main purpose of this study is to the proposed method has been applied in the India's International AIR market analysis through a comprehensive passenger survey. The application results clearly indicate that the proposed IPA method can effectively identify critical airline service items to be improved, and serve as a valuable tool to assist airline managers in developing airline service improvement strategies.

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**INTRODUCTION**

The Indian economy has moved from agrarian economy to industrial economy to service economy and knowledge economy. The change witnessed during last twenty years in all sectors of the Indian economy is palpable. The intensity of change is rapid, strong and burgeoning. To fuel the economic growth, the service sector in our country is acting as catalyst. The contribution of servicing sector to total GDP of the country is around 58 percent. One of the important services sector of our economy is the civil aviation sector. The sector experienced 360 degree turn around from the initial private sector regime to public sector regime and becoming square one by the opening up of the sector again to private participation. The Indian airlines sector enjoyed virtual monopoly for five decades. At present with the government of India open air policy, private players' participation in the domestic and international airline sector is more pronounced. The private players with adequate level playing field are giving a run for nationalized airline service operator. The competition is so high that the players are to have strategic business models to attract and retain the target air traffic passengers. The industry with 34 percent compounded annual growth rate is all set to robust growth globally in the near future. Given the highly competitive scenario, the players are constrained to work out marketing strategies to increase the occupancy rate at all times irrespective of the season in the year.

The increased cost of air turbine fuel necessitated the players especially the international players to chalk out the ways and means for enhancing the bottom line notwithstanding the fact that government policy is relatively stringent. The new promotional and regulatory measures of the civil aviation ministry prompted the players to relook at the existing practices

**Marketing Mix in Airlines Sector**

The services offered in the form of transportation, facilities, amenities, concessions and relaxations under airline sector is fascinating, alluring and all encompassing. The tangible and intangible benefits provided by the airlines services sector firms is towards segmented or target customers. The sector is all poised to grow horizontally, vertically and exponentially. Last decade saw the Indian airlines industry grow at breakneck speed. The industry experienced a drastic increase in number of passengers, driven by privatization of aviation industry and introduction of low cost carriers like Deccan Airlines, Go Air, and Spice Jet etc. In fact, Indian aviation industry was one of the fast growing aviation industry in the entire world. Economic growth and increasing link with global business resulted in a dramatic increase in passenger traffic. However, in the aftermath of current global economic slowdown and dramatic rise in aviation fuel prices continues to negatively impact the aviation industry across the world. The 7 P's of airline services are product, price, place, promotion, people, processes and physical evidence. The airline product is quite complex one. It comprises of a service of incorporating the temporary use of airline seat and along with certain tangible

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products. The airline product includes two types of service. They are on the ground services and in-flight services. The ground services include a convenient airport with car parking facilities, duty-free shopping, quick and efficient checking of baggage and efficient service at reservation counter, transport to the airport etc. The in-flight facilities include sitting configuration in the flight, comfortable and spacious seats, food and refreshments, entertainment, the air-hostess' polite, warm and courteous services. The airline firms have introduced product differentiation through innovations such as in-flight movies, advanced seating arrangement, air to ground telephone services, sleeping compartment, hot showers and cooked-to-order breakfast, tele check-in and web-in.

In regard to pricing strategy of airline industry pricing is the tool for the success of airline firms. The concept of fair price is paramount. Buyers judge whether the product is fairly priced by looking into value for money. The pricing strategy includes premium pricing, value for money pricing, low cost pricing, demand based and supply based pricing, competition based pricing and so on. Promotion is an important part of marketing mix. Airlines advertise their services through print media, television and the internet. They also sponsor events and exhibitions. Certain airways sponsor cricket teams. They also reward frequent flyers. Travel agencies play key role in promoting airline services. The channels of distribution for airlines tickets are direct selling, on line selling and through travel agents. The people concept of marketing mix in airline services are flight crews, flight attendants and in-flight security personnel. The ground crews are airframe and power plant technicians, avionics technicians, dispatchers, baggage handlers, gate agents, ticket agents, passengers' services agents and reservation agents. The processes in airline services include procedures, mechanisms and flow of activities by which service is delivered. The physical evidence include the physical environment, the quality of the aircraft appearance, staff uniform, logo, booking office furniture, waiting lounge, amenities. The above seven Ps of airline services calls for evolving, implementing and evaluating the strategies to stay competitive in the industry.

### Statement of the Problem

Airlines sector in India has undergone metamorphosis from command sector to liberated sector. The open sky policy of the Government of India heralded stiff competition among the existing players on the one hand, between domestic players and foreign players on the other. The essence of success in airlines services is greatly influenced by the kind of facilities, amenities, tariff structure, on-the-ground service, in-flight services, ease and comforts of travelling and the like. The international destinations covered by major blue chip airline service operators are marked by bottom line and trade off between supply and demand. The crux of the problem in international airline services is the occupancy rate - higher the occupancy rate, higher the frequency and lower the tariff rates. In the open regime, the airline sector firms evolve, implement and evaluate the marketing strategies consisting of 7 P's of services marketing. They are the Product strategy, pricing strategy, place strategy, promotion strategy, people strategy, process strategy and physical evidence strategy. All these

strategies form marketing strategy of airline service firms. The marketing strategy of the firms differs from time to time, destination to destination and the class of passengers. The marketing strategy is also influenced by global business environmental factors. The present study identified the following research issues:

- The current best marketing strategies practices of international airline service providers.
- The kind of international business environmental factors applicable to global airline service providers.
- Retention of the existing customers and recover the last customers.
- The strategies employed by the international airline service providers to increase the occupancy rates as well as leapfrogging and actualizing potential destinations across the countries.
- The established bench marks in respect of services, facilities, amenities and non-price comforts.
- The open sky policy promoted competition to the benefit of the end-users in the airline services catering to international destinations.

### Objectives of the Study

The objectives of the present study identifies among other things are as follows:

- To comprehend the open sky policy and consequent competition level in airline services sector with reference to international service destinations.
- To examine the marketing mix strategies applicable to international airline service providers.
- To analyze the impact of open regime on the organizational effectiveness of international airline service providers.

### Scope of the Study

The scope of the study encompasses aviation policy of Government of India, product, price, place, promotion, people, processes and physical evidence strategies applicable to international airline service providers operating from India and other established countries. The study further covers amenities, facilities, laws and other environmental factors affecting international airline service providers. The study is confined to international passengers' arrival and departure in important international airports at south India.

### Review of Literature

The result indicates the current levels of service quality are low. Tangible aspects (i.e., legroom) of the air travel experience received the lowest evaluations, while those elements related to human interaction received the highest. Significant differences were found to exist between business and leisure travelers, perceptions of service quality and between travelers on different airlines. Airlines passengers were also found to possess low levels of customer loyalty to the airlines they had recently flown on. (Peter L. Ostrowski, Terrence V. O'Brien, Geoffrey L. Gordon 1994). Valarie A. Zeithaml: Perceived quality as "the consumers' judgment

about a product overall excellence or superiority” Yasinki: “It’s time for a new level of service, the technology exists and it’s moving rapidly”

**Belson Coutinho:** "The concept of affiliate marketing is fairly new to the Indian Aviation industry. However, it has become a tried and tested practice in European and North American markets. Jet Airways, as one of the early adopters of this model in India, could be setting the stage for others to follow suit."

**Johnson, Scholes:** Today, customer service in airlines relies on reputation and trustworthiness and this no less true in the new forms of system-service. In fields such as package delivery and money management, consumers are seeking indications that their risks will be minimized or eliminated. For these kinds of consumer acts, customer service plays an essential role in assuaging the fears of consumers by projecting an image of trustworthiness and expertise.

**McDonald, Christopher:** Competitive pressures have prompted many airlines and aerospace companies to involve marketers in design, manufacturing, and other value-related decisions from the start. This approach is known in some circles as boundary less marketing. Rather than linking marketing sequentially with other activities, the goal is to eliminate the communication barriers between marketing and other functional areas. Properly implemented, boundary less marketing ensures that a marketing orientation permeates all value-creating activities in a company.

**Parasuraman:** “have developed SERVQUAL scale and a conceptual frame work called the ‘GAPS’ model estimates the differences between expectations and perceptions of actual services quality performance on five parameters namely, tangibility, reliability, responsiveness, assurance and empathy”.

### The Relevant Dimensions of Service Quality

In recent years, long overdue attention has finally focused on the importance of quality as a primary means whereby companies operating in the service sector can attract and retain committed customers. While a satisfied customer can still remain independent from the firm (indeed, on average, about eighty-five percent of an individual company’s customers, when surveyed, state that they are satisfied): a committed customer becomes interdependent with the firm through shared resources and values (Zemki 1992; Ulrich 1989). Due to the unique characteristics of transparency, in-separateness (or all-at-once), heterogeneity, and fugitiveness, it is quite difficult for analysts to precisely evaluate the poorly defined “service quality” for airline operations. For example, Parasuraman, Zeithaml & Berry (2011) believed that it is more difficult for customers to define the service quality than to define the product quality. They also stated that the recognition of service qualities is generated from the comparison between a customer’s expectation and the performance he/she has actually perceived, and the evaluation of service quality should consider not only the results but also its process. Note that the contents of service quality may be different in different

industries. According to the IATA (International Air Transportation Association), service items for airlines include seat reservation, selling ticket, airport check-in, cabin service, baggage delivery and the subsequent services after arriving at destinations, etc. In general, from a passenger’s perspective, the service items of airline should include flight frequency, flight safety, cabin food and beverage, seating, flight on schedule, etc. On the other hand, from an operator’s perspective, the airline industry generally pays more attention on safety, comfort, convenience, accuracy, and hospitality, etc. (Chen & Liu, 2002).

Jin (1998) collected the data associated with both the observed and revealed preferences of domestic flight passengers to study how the factors affect a passenger’s choice of airlines. He found that the set of critical factor that may influence passengers’ choice are airlines’ facilities, safety record, ticket price, cabin food/beverage and possible delay time. Prousaloglous & Koppelman (1995) in their study of passengers’ choice of airlines showed that factors influencing a passenger’s choice can be divided into three categories, including trip characteristics, travellers attributes, and airline reputation (i.e., service qualities, market performance). Chu (1995) found that different groups of passengers in India consider different service quality factors, each having different levels of influence on their decisions. Webster (1989) also indicated that the expectation of service quality may vary significantly among different groups of passengers, and thus it is necessary to implement the market segment strategy in the provision of services.

### Research GAP

Many research studies have been carried out by the previous researches on the marketing strategies adopted by domestic airline service providers. Many books, articles, reports, news bulletins are available on the domestic front. However, only a few research studies are found on the quality of services offered by international airline service providers. The present study covers all the 7 P’s of service marketing mix applicable to five important international airline service providers operating from South India. The study has got social relevance and researchable essence therefore; the gap is identified and harped upon.

### MATERIALS AND METHODS

We used primary and secondary data sources. The secondary data used were literature review to enable us understand the general concept on marketing strategies and what research has been conducted on our topic.

### Differing Levels of Perceived Service Quality Existing Between Carriers

#### The Business Travel Segment

The analyses focused on determining if differences existed between the reason why passengers choose specific airlines and the service quality levels provided by two airlines (carrier A and B) examined in the current study. This analysis lends itself to investigation of issues that could subsequently form the basis for developing competitive positioning strategies.

## Service quality ratings for carriers a verses b business travelers

| Variable<br>Individual Elements of Service | Carrier A |         | Carrier B |         | T-value | Percent |      |
|--|-----------|---------|-----------|---------|---------|---------|------|
|  | Mean      | SD Dev. | Mean      | SD .Dev |         | A       | B    |
| Helpfulness/Courtesy                       | 3.37      | .643    | 3.34      | .655    | 1.28    | 6.9     | 7.0  |
| Ticket counter line wait                   | 3.08      | .864    | 3.12      | .812    | -1.28   | 21.4    | 16.7 |
| Boarding gate line wait                    | 3.15      | .737    | 3.13      | .742    | 0.37    | 14.9    | 12.5 |
| Personal space when seated                 | 2.43      | .894    | 2.48      | .912    | -1.4    | 53.5    | 48.8 |
| seating comfort                            | 2.64      | .878    | 2.69      | .912    | -1.5    | 41.1    | 35.1 |
| Food quality                               | 2.61      | .811    | 2.41      | .850    | 6.15    | 40.9    | 45.7 |
| Amount of food                             | 2.75      | .835    | 2.52      | .881    | 6.7     | 31.9    | 37.7 |
| Service of flight attendants               | 3.27      | .636    | 3.17      | .676    | 3.85    | 8.2     | 11.7 |
| Baggage delivery promptness                | 2.89      | .863    | 2.84      | .916    | 1.06    | 27.5    | 22.3 |
| Reservation service                        | 3.51      | .588    | 3.43      | .629    | 2.72    | 3.5     | 6.8  |
| Arm and shoulder room                      | 2.43      | .906    | 2.50      | .921    | -2.03   | 52.9    | 49.0 |
| Leg room                                   | 2.32      | .944    | 2.43      | .941    | -3.32   | 58.3    | 51.5 |
| Carry-on-space                             | 3.24      | .603    | 2.98      | .660    | 11.23   | 23.5    | 23.3 |
| Condition of Aircraft                      | 2.99      | .812    | 2.74      | .867    | 7.83    | 7.8     | 13.2 |
| Craft interior Attractiveness              | 2.99      | .648    | 2.76      | .720    | 9.38    | 18.8    | 25.3 |
| On-time performance                        | 2.99      | .897    | 3.01      | .883    | -0.61   | 24.4    | 21.5 |
| Overall evaluation of Flight               | 3.02      | .565    | 2.96      | .570    | 2.99    | 11.5    | 11.8 |

Note: percent refers to the percentage of total respondents assigning a rating of 2 or less to the service element evaluation. Statistical Significance at the <.01 level.

An analysis of the relative differences between ratings assigned the two carriers on the individual and global service quality measures was then performed. Descriptive statistics, as shown in the table indicate that carrier A received higher mean ratings than carrier B for 10 of the individuals service elements. In seven of the cases (food quality, amount of food, flight attendant service, reservations service, carry-on-space, condition of aircraft, and craft interior attractiveness), the differences was significant at the .01 level. Carrier B received higher ratings in six of the elements evaluated: however, only one (legroom) of these differences proved to be significant at the 1% level. Apparently, the superior service provided by carrier A paid off, for it received a significantly higher rating than carrier B for the overall flight evaluation. In addition, although not shown in the table percentage (60.3%) of business travelers who would choose Carrier A again for the same flight was significantly higher than the percentage (32%) who would choose to fly carrier B as their first choice. Results of this section provide evidence that a positive relationship exists between levels of service quality provided by air carriers and levels of customer brand loyalty. Carrier A, in composite, received higher service quality by business travelers than did Carrier B. Carriers A's customer also placed more emphasis on airline preference as a factor in their decision as to which airline to travel on. Carrier B's customers, on the other hand, tended to place little emphasis on airline preference and exhibited significantly less inclination to travel again on Carrier B.

#### Limitations of the study

- The study is having international character therefore, capturing full-fledged information calls for greater insight and wisdom.
- The findings of the study may go futile owing to the vicissitudes in the global airline business environmental factors.
- Our conclusions cannot be generalized as a rule of thumb for every integrated facility service company due to several factors highlighted in the body of our thesis.

#### Conclusion

A strong consensus exists between both researcher and practicing managers regarding the strategic importance of organizations offering high levels of service quality. The extended services marketing mix shows that the marketing, operating, and human resources (HR) management functions all have a direct influence on the customer experience. Therefore the three functions must be tightly integrated in service firms. From the study marketing strategies lead the organization towards their corporate vision of leading facility services globally. Aviation industry is serious about corporate social responsibility that lead the organization towards the triple bottom line. This study helps the aviation sector to practice new marketing strategies in a competitive aviation market to attract customers and fulfill customers' satisfaction.

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