

Jetstar



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The evolution of the Jetstar strategy is traced from its initial position through to its efforts to attain price competitiveness and service parity. To improve Jetstar first wanted to learn its relative image-position compared to competitors, how drivers and perceptions varied across the population, and the relation of service design features to perceptual drivers on a continuous basis. Strategies were implemented based on quarterly results and these were then expected to be adapted and refined over time in response to changes in customer perceptions and needs.

A new Bayesian hierarchical model conceptually integrates macro level market share evolution with micro level attribute evaluation for service design into a single model. It also captures individual-level heterogeneity, an important factor which has often been ignored in service management. Global attributes are expressed in terms of the constituent substitutes that drive them. Showing management where the most traction can be gained with improved pricing and service design.

Substitutes with the largest estimated coefficients were identified in wave 1 (and the subsequent waves) and these primary drivers of competitiveness could be addressed with respective actions. The model further revealed that consumers who place high importance on price place low importance on performance and vice versa. That is, for price sensitive customers, it is harder to compensate for a poor perception of prices with improved performance. Although a price/ quality trade-off is generally expected, the strength of this trade-off very much favored price in this case.

As opposed to comparative statistics had several advantages: > It helped to establish marketing actions that migrated customer beliefs in a cost-effective way. > It helped to provide feedback between each stage on a series of actions over time and allowed for the adaptive management of marketing activities towards the long-term vision on an evolutionary basis. > Jetsam was also able to greatly improve on its forecasting > To sum up, the approach not only helped service design and pricing initiatives to shift the perceived performance of Jetsam relative to its competitors.

It further indicated how the airline could move market preferences towards areas in which it had competitive advantage. The Jetsam market share went from 14. 0% to 18. 1 % during the first five quarterly waves of the research, while profits went from US \$ 79 million in 2006/07, before the study was commissioned, to US \$ 124 million in 2008/09.