

Strategic marketing management group project assignment

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Executive Summary The purpose of this study is to analyze Cathy Pacific marketing situation and its strategies; performance against its current competitors, in order to help the company to meet the challenges in the near future.

This study will cover Cathy Pacific internal and external environmental factors, PEST and its SWOT analysis and the rooms for improvement. It's Michael's Porter's Five Forces Model by doing the competitor analysis. We will also conduct business portfolio analysis by using BCG Matrix and assess the effectiveness of the growth strategies and positioning strategies. After that we will draw a conclusion and recommendation to Cathy Pacific so as to customize the strategies for better revenue performance. The ultimate goal of this study is to maintain its competitiveness by expanding its flight destination and increasing its brand awareness.

A numbers of recommendations will make for Cathy Pacific future development. Introduction of Cathy Pacific American Roy C Farrell and Australian Sydney H de Kantzow founded Cathay Pacific Airways in Hong Kong on 24 September, 1946. It is one of the flag carriers in Hong Kong with its head office and main heart located at Hong Kong International Airport.

The airline's operations include scheduled passenger and cargo services to 114 destinations in 36 countries worldwide, in expanded their international <https://assignbuster.com/strategic-marketing-management-group-project-assignment/>

network in this 64 years. The cargo division play vital role in the company's growth and expansion.

Cargo services contribute almost 30 percent of their revenue. Cathy Pacific own 129 aircraft. The airline operates fifth freedom flights from Bangkok and Taipei, its major focus cities. The airline made the world's first non-stop transpolar flight flying over the North Pole in July 1998, and it also operated maiden flight to arrive at the new Hong Kong International Airport. It celebrated 60th anniversary in 2006, on 28 September 2006 it signed an agreement that brought Dragon air into the Cathay Pacific Group as a wholly owned subsidiary. Dragon air operates 29 destinations in the Asia-Pacific region from its Hong Kong base.

In 2009, Cathay Pacific and Dragon air operated 56, 000 flights, carrying nearly 25 million passengers and over 1. 52 million tons of cargo and mail. At the same time Cathay Pacific established a closer relationship with Air China, with each airline taking a 17. 5% stake in the other and as of October 2009, its major shareholders are Swire Pacific and Air China. It is reciprocally one of the major shareholders of Air China. Cathay Pacific is a founding member of the one world alliance, with its subsidiary, Dragon air, as an affiliate member.

The airline was awarded with a Five Star Airline ranking and 2009 Airline of the Year by Skytrax. Analysis of current marketing situation PEST 1. Political After 97 Regression the Cathay Pacific management has tended to the localization. In addition the SWIRE group is willing to give the Chinese-funded financial group to increase in Cathay Pacific owns stocks the quantity, central was not unnecessary to maintain two furniture scales in Hong Kong the

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Airline to come the mutual competition. Nowadays, they merge will be a best method and the opportunity. Henceforth Dragon Air impedes

Cathay Pacific political record duty to be possible to draw a close period. The political environment of Hong Kong is stable. 2. Economic Many customers choose travel usually in peak season like holiday and summer. The demand is very high in this period. This industry demand and profit quite affected depends on Economic. The economic downturns make people purchase power lower and not spending money in travel, because travel is not a must activates for their life. Their spending patterns will spending into something is a must like buying daily food etc.

To respond this, Cathy Pacific offer some discount in these period. While the economic is good, even the price of ticket increase, customer still willing to spend the money to travel. Also, the demand affected by global economy because Hong Kong is an international city. Also, if the customer income is higher, they will choose some expensive seats to travel such as Business Class. If the consumers' income level is lower, they can select economy class. They can have various types of seats for difference consumers. 3. Social Cathay Pacific Airways has received the Total Caring Award 2009/10.

They endeavored to be a responsible corporate citizen by contributing to community, caring for employees and protecting the environment. For caring for the community, they motivates its staff to serve the community in different areas through the "CX Volunteers" and they provide flagship youth programs such as "I Can Fly", enhances the aviation knowledge of young people and encourages them to serve the community, and "English on Air",

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which helps to improve the spoken English of secondary school students. They made a wide range of charitable donations, providing charities with flight tickets, other in-kind donations and professional advice.

Regular beneficiaries include the Cathay Pacific Wheelchair Bank, the Life Education Activity Program and Orbis. For caring the environment, they reduce the impact of its operations on environment. The airline worked to reduce carbon dioxide emission by modernizing its fleet, adopting flexible routes and reducing weight on its aircraft. They also the first Asian airline to launch a carbon-offset initiative, named "FLY greener" allows passenger to pay to offset the emissions generated by their travel. 4. Technological Cathay Pacific is dedicated to technological excellence for its products and services.

It was one of the first airlines to provide in-flight email. It also offers online ticketing and check-in, a downloadable timetable, and the notify flight paging service, which delivers real-time flight information updates to customers via email or on their mobile phones. The permit scheme enables Taiwan residents to apply for Hong Kong visas via the internet and collect them upon arrival at Hong Kong International Airport. Its in-flight entertainment system offers more than 20 video channels and an audio/video on demand system for First and Business class passengers.

It was voted "World's Leading Use of In-flight Technology" in the World Travel Awards 2003. SWOT 1. Strength Cathay Pacific is a well-known brand name of the airline company with 64 years history. It grown significantly over the years, and have a lot of experienced in global expansion and obtained

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numerous worldwide routes. It have strong financial backup, they have enough capital in their investment and operation. The company has the well-developed information technology system to manage and support its international logistics operation.

Therefore, Cathay Pacific Airways can see how their individual products perform within Hong Kong, or even at other countries at a glance. IT also supports its efficient procurement. Also, the organization has a dynamic team to support its daily operations. The services that provide by Cathay Pacific are extremely good and recommended by the passengers. They will offer nice and unforgettable travel experience to their passengers. Cathay Pacific Airways is able to deliver good customer care, services as the limited amount of work would mean plenty of time to devote to customers.

Also, it has large pool of well-trained of labor force. Cathay Pacific lead consultants have established a strong reputation within the market because it always is the best airlines recent years. Its market share in Hong Kong market near 50% and to become more strong and extensive company size after takeover of the dragon air. 2. Weakness Cathay Pacific's weakness would be on its organizational structure that has become in efficient as the company become more complex. It decreases productivity in some areas they control. It operates globally, but its presence is located in only few countries worldwide.

However its business in European countries & USA are limit. Cathay Pacific Airways' airline services push through across many sectors, the company may lack the flexibility that some of its more focused competitor's possess. It

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is one of Hong Kong's largest airline companies but has a weak control of its empire, despite its IT advantages. Some of the company's weaker branches lack market presence or reputation. Some of the personnel still lack the essential skills base in many areas and company will have vulnerable to the temporary losses of its vital staff like being sick and leaving. . Opportunity Opening new locations and branches offer Cathay Pacific Airways the opportunities to exploit market development. The company continues expand its business in different counties. Examples are creating new consumer markets, such as those in China and India. Taking over, merging, or forming strategic alliances with other airline companies are the opportunities for Cathay Pacific Company while focusing on strong markets like Europe or the Greater China Region..

The relaxation of Chinese policy in outbound tour and thus more Chinese people go for outbound trip via plane, and people are looking for luxury flight experiences also become the opportunity of Cathy Pacific. 4. Threat Being a global airline company, it will face the political problems of different countries and facing many competitors in the market such as Oasis, Oriental, and Virgin blue etc. Another problem is the fall of the production cost of other airline services; this is affected by manufacture cost fall. The reason is they outsourcing the work to the low-cost countries around globe so there are a competition in prices.

Both problems affect the company seriously. Also Not all ports in China are open for Cathay to land high cost of petroleum and increase cost of airport tax in some airports increase the pressure of adding price also become a

threat for Cathay Pacific. Michael Porter's Five Forces Model Rivalry among Existing Competitors (-ve) Cathay Pacific such a large international airline, which nearly fly to every part of the world. Basically all big airlines are potential competitors of Cathay Pacific. The top competitors of Cathay Pacific Airways include American Airlines, Singapore Airlines and Emirates.

The rivalry in the airline industry is intensive. South East Asia and Middle East is one of the important markets for Cathay Pacific, but Emirate and Singapore airline are also the major players in the region. The former is the top rated airline in the world. It has strong financial support while the latter is a well-established company with good fame. Dragon Airlines is one of the popular airlines in HK. However, it is not counted as Cathay Pacific competitors since Dragon airline is an associate company of Cathay Pacific who has 19% of ownership.

North America and Europe are the another two major markets for Cathay Pacific, according to the organization structure, American Airlines and Qantas Airways can be a threat for Cathay Pacific. Threat of New Entry (+ve) In fact, the airline industry is one of the most expensive industries. It is pretty tough to break into the airline industry as it requires huge capital on manpower and its fixed and operation cost, for example, organization needs to purchase or lease new airliner bodies and engines regularly.

In addition, airline industry has a very complex operation, such as the numbers of routes, not many business people willing to invest in this industry. Moreover, the airline industry is saturated that there is hardly space for a newcomer to enter the market. Bargaining Power of Buyers (-ve)

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There are various airlines flying to the same destination, all airlines are competing for the same customers, which mean customers are presented with various choices. Customers have very strong bargaining power in the airlines industry.

Most of the customers are price sensitive and not particularly loyal. They may not stick with a particular brand. They can make choices according to the personal preferences, price ticket, convenience and the level of comfort of the airways. Bargaining Power of Suppliers (-ve) The suppliers of Cathay Pacific Airways are the aircraft and engine manufacturers, labors like pilot and the fuel providers. There are few suppliers in each group listed but their input is critical to the airlines industry. Threat of Substitute Products or Services (+ve)

For sure that, there is no substitutes products for airplane, customers must rely on the airplane if they go for a long distance travel in terms of time, money and convenience. It is impossible to ask the customers to take ground transportation, if the destination is far away from their starting point. There is definitely no alternative of airways unless it is a short distance or regional travel. For short distance travel, customers may travel by train or bus, but in terms of time, most likely customers will away these substitutes. Therefore, the threat of substitute products is low, and it is positive to Cathay Pacific.

Conclusion (2+ve, 3-ve) After looking into each factor, the conclusion is that Cathay Pacific Airways is a business which is not attractive and not profitable. It got 2 positive impacts and three negative impacts. Business Portfolio Analysis Major measures of industry attractiveness/ business

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strength are showed as follows: Industry Attractiveness Business Strengths

1. Have a high market growth rate
2. Demand seasonality
3. Numerous entry and exit barriers
4. Sensitivity of market to price
5. Huge capital
1. Large market share
2. Well-known brand
3. Promotion effectiveness
- . Distributive effectiveness ???
- Extensive coverage
5. Relative market position ???
- Safety
6. Personal skills refer to the service provided by the airline stewardess

Weighted Score for Industry Attractiveness Industry attractiveness

criteria Relative importance weightings Point ratings Weighted scores

1. Market share 0.392.7 2. Suppliers 0.392.7 3. Operation costs 0.130.3 4.

Growth of market 0.261.2 5. Ease of entry 0.130.3 Total weighted score 7.2

Weighted Score for business strength Business strength criteria Relative

importance weightings Point ratings Weighted scores

1. Image 0.392.7 2. Product synergy 0.130.3 3. Experience 0.240.8 4.

Business model 0.392.7 5. Brand 0.130.3 Total weighted score 6.8

Plot the scores in the GE Matrix Business strength

Comments/implications of situation of such business units

Cathay pacific has a strong position in the market size. With its suppliers and image, Cathay pacific should heavily invest in

Hong Kong which is expected to have reasonable good in business model.

However, Cathay pacific will encounter some difficulties in Hong Kong,

particularly the challenges from local players. Growth Strategy

Cathy Pacific use growth strategy aimed at winning larger market share,

even at the expense of short-term earnings and increase sales. Intensive

growth strategy Market Penetration Cathy Pacific recently does the following

promotion. For example flight Bangkok Smart Saver from HKD2, 180;

Singapore Smart Saver from HKD2, 550; etc. These offers expire on 31 December 2010. For packages: Taipei Promotio - 2 Nights from HKD1, 999. Etc. This strategy is effective, it heavily to have brand switching from competitors because consumer will try the services based on the price.

Price will affect them to choose the services. Cathay Pacific has two loyalty programs: The Marco Polo Club (The Club), the loyalty program, and Asia Miles, the travel rewards program me. This strategy is effective because these programs retain loyalty customer, because they can earn benefit if they use more the services. In promotion Cathay Pacific now following a trend among many airlines to improve its brand image to customers and shareholders with social media, including Facebook, Flickr, to share ideas with customers.

In addition, it has launched a virtual tour to enable passengers to experience Cathay Pacific's new cabins and services without even having to step aboard the aircraft in order to build up customer total services experience. Market development Cathay Pacific serves 48 destinations and Cathay Pacific Cargo serves 59 (including 48 destinations served by Cathay Pacific) destinations in 29 Countries across Africa, Asia, Europe, North America and Oceania etc. in order to expand it market share. It is an effective strategy that can capture more customers.

In order to use the resources effective we suggest that cancel some airlines or reduce the frequency which with less people uses it. Product development strategies Cathy Pacific recently use the following strategy in product and services development, in catering it provides more choose of food in

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different classes. In flight in every seat, offers the latest Hollywood blockbuster movies, popular Asian and Western TV programs, music and games. In addition, the airline provides a range different newspapers and magazines from around the world, including the airline's award-winning in-flight magazine Discovery.

Passengers with visual impairment can request for Hong Kong's South China Morning Post in Braille to be available on board. On medium- and long-haul aircraft featuring the new cabin designs, Studio CX provides Audio/Video on Demand for every passenger and offers up to 100 movies, 350 TV programs, and 888 CD albums in 24 different genres, 22 radio channels and more than 70 interactive games. All passengers on regional aircraft are offered up to 26 video channels, 22 audio channels and 15 games on a cycle basis.

And recently Cathay Pacific change it flight seat design so that customer can have more space and more entertainment facilities. These strategies is effective because it draw customer interest to keep on use the services or new customer want to try their services Positioning Point of Parity Point of parity includes travel classes, meals, entertainment, internet services and In-Flight Health. In travel classes, Cathay Pacific use unique facilities and services to offer different cabin classes to ensure every customer have a most enjoyable trip.

In meals, Cathay Pacific selection different meals are designed by their award winning chefs. They provide a list of special meals is also included for passengers with special dietary needs. In entertainment, Cathay Pacific provides multiple languages movies and television shows to customer during

in the journey. In Internet service, it provides the laptop to customer use online service. In in-flight Health, Cathay Pacific work hard to find information on how to travel more safety and smart, including information for passengers who are not sure if they are fit to travel, travel health tips and important information for doctors.

Point of Difference Point of Difference includes Cathay Pacific World Rankings. Cathay Pacific currently ranks as the world's 3rd most profitable airline (net profit) and the 4th largest airline in the world by operating profit. Cathay Pacific is ranked 12th-largest in the world in terms of revenue passenger kilometers and 5th-largest in freight tone kilometers. In this industry, the corporate image and well-know are the most important between the customers. It's because the corporate can keep the customer loyalty and encourage the customer to re-purchases.

Positioning Strategies We will base on Cathay Pacific current situation to use two type of positioning strategies improve their service and image to increase competitive advantage. 1. Personnel differentiation Personnel differentiation is based on competence, courtesy, credibility, reliability, responsiveness and communication these six characteristics. Cathay Pacific always said " From the moment you pick up the phone to the time you step off the plane, you meet Cathay Pacific people who go the extra mile to make your journey special. So, I will suggest them to provide more courses to keep the quality and maintain their service. And, we think them can make some activities to staff particular to keep them loyalty. 2. Image differentiation Cathay Pacific is a well-known brand. It is the top popular in Hong Kong. And,

it currently ranks as the world's 3rd most profitable airline. So, Cathay Pacific has a well advantage to competitor. But it isn't enough, so I will suggest them make some charity activities to increase their brand awareness and do a one respondent corporate.

Perceptual Mapping Conclusion After we have done this project, we understood the PEST and SWOT of Cathay Pacific Airways. The result of macro-environment analysis is positive for airline industries but the result of SWOT analysis is ordinary because there are much strength and opportunities and some weakness and threats at the same time. Furthermore, we found out its attractiveness and profitability is negative result as Cathay Pacific Airways is a less attractiveness business and it is not very profitable.

And we used GE matrix to clarify the position of Cathay Pacific Airways, it can use the invest strategy as its score in both Business Strengths and Industry Attractiveness is strong and high. For the growth strategy, it used intensive growth strategy for winning large market share by market penetration and developing the market in different countries. The company usually uses the product development strategies. At last, the Positioning Strategies forms a perceptual Mapping by two factors. They are personnel differentiation and image differentiation.

The map shows an excellent position of Cathay Pacific than other airlines.

Recommendation Cathay Pacific Airways in some of the branches is lack market reputation in few countries. We can try to promote through advertisements, newspapers, magazines and televisions. After promotions,

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they can raise their reputation and well-known. Also, they can offer some discounts in order to attract current and new customers. In addition, Cathay Pacific Airways lack employee technology training, they can provide training courses that increase staff technology skills.

Finished the training, the passengers have more confidence and trust to travel by plane in the company. Appendix and Reference 1. http://en.wikipedia.org/wiki/Cathay_Pacific 2. <http://hk.search.yahoo.com/search?p=cathay+pacific&fr=FP-tab-web-t&ei=UTF-8&meta=rst%3Dhk> 3. <http://icanfly.cathaypacific.com/en/index.php> 4. <http://hk.knowledge.yahoo.com/question/question?qid=7006042501684> 5. <http://www.planeticketsnow.com/airlines/airline-info-cathay-pacific.htm> 6. <http://www.southalltravel.co.uk/Airline/Cathay-Pacific-Airways/> 7. <http://us.cathaypacific.com/offers/ChinaExperience/index.aspx> ~END~