

Singapore airlines marketing strategy analysis assignment

[Environment](#), [Air](#)



GROUP MARKETING PROJECT ASSIGNMENT| SINGAPORE AIRLINES| TEAM MEMBERS: | FANNI LIGABRIEL LOWLAKSHA MEHTALOW SEOW PIN| 17-Sep-11| | | TABLE OF CONTENTS| PAGES| | | | EXECUTIVE SUMMARY| 3| | | | 1| BACKGROUND| 4| | OVERVIEW OF ORGANISATION, PRODUCT AND BRAND| | | | 2| ENVIRONMENT ANALYSIS| | | 2. 1 PEST ANALYSIS| 5-6| | 2. 2 SWOT ANALYSIS| 7-8| | 2. 3 MARKETING MIX| 8-9| | | | 3| MARKETING STRATEGY EVALUATION| | | 3. 1 SEGMENTATION| 10| | 3. 2 TARGETING| 10| | 3. 3 POSITIONING| 11-12| | 3. 4 MARKETING CHANNEL| 13| | | | | RECOMMENDATIONS| 14-16| | | | 5| CONCLUSION| 16| | | | 6| REFERENCING| 16| | | |

EXECUTIVE SUMMARY This report is commissioned to do a study on the inter-relationship of the marketing strategies of Singapore Airlines (SIA), its prestige brand and its performance. We draw attention to Singapore Airlines since 1972; the introduction of Singapore Girl has become one of the leading icons for the SIA and this has developed a brand differentiation among other major airlines and established itself as the “ Most Profitable Airlines in the world. Over the past few years, although SIA has generally maintained its market share, the profits decreased significantly, and with further analysis, using PESTEL, it notably affirmed that SIA faces a challenging and unpredictable operating environment with instability in economic climate and tough competition which it has little control over. According to the business time (dated 12 Sept 11), SIA fuel cost accounted for more than half of its operating cost which eroded its profit margin.

Using SWOT, we have discovered that SIA tends to focus on the product enhancement rather than seeking what customers actually want, its latest product “ class beyond first class suites” has demonstrated the lack of

consultation. It poor adoption of new internet marketing concepts demonstrated on the poorly revamped website portal of SIA which has ignited anger and frustration of their customers.

With external factors like deregulation of the airline industries resulted in the low barriers of entry and poor understanding of budget airline economy allowing the budget airlines to seize the market shares of the budget-conscious travellers with their ever increasing of new fleets of the new aircrafts boosting better safety and fuel efficiency The report evaluates and concludes that launching their new advertisement campaign, refocused its “Singapore girls” image to differentiate itself and also launching a new brand “SIA-X”, to serve the medium and long haul sectors to tap on this budget segment of the market.

This will offer an alternative option for consumers compared to Air Asia and Jetstar. This differentiates the low price budget segment from its economy class segment, thereby possibly reducing the pricing pressure. It is also evident that SIA needs to address the basic of marketing concept that is to understand the needs and wants of its customers. 1. BACKGROUND The birth of Singapore Airlines Limited (SIA) was established since 1972 after the split from Malaysian Airlines. In the same year, the icon of the Singapore Girl was formed to create a common symbol to facilitate the airline marketing and advertising campaign. Singapore Airlines was in a different position than most other airlines at the time. There were no domestic routes to serve it was forced to immediately start competing with international airlines for routes, getting access to airports, securing flight slots and landing rights, and

attracting a new customer base. ” (Martin-Roll-Business & Brand Strategist)
Even since then, SIA has evolved itself to be one of the most reputable brands around the world, differentiated through its young aircraft fleets spreading its wings over five continents.

SIA spread its wings from a regional airline to the present world airline leader and also to be the first company to launch the “ super jumbo” Airbus A380. (Singapore Airline official website) SIA has fought bravely through countless of economic challenges and uncertain operating environment and has emerged itself as the leading airline in terms of innovation, safety and maintaining consistent profitability despite the volatility fuel prices, economic challenges and tight competition.

2. SINGAPORE AIRLINE’S ENVIRONMENT ANALYSIS

SINGAPORE Airlines Ltd operates in the global environment with continuous exposure to risk and uncertainty. To better assess how the micro-environment influence and affect SIA, PESTEL analysis is used as a method of environment scanning to provide an overview to better address the future directive the company. PESTEL ANALYSIS a. Politics/Legal i. Increase in recurring safety lapses and terrorist threats led to tightening of aviation regulations resulting in higher compliance cost. ii. The deregulation of airline industry led to lower barriers of entry.

This resulted in emerging low frills budget airlines competition and differentiation in pricing models. (Fred L Smith Jr) iii. Changes in the international political landscape has aroused political tension among the

state-owned airlines which compete for growth and market share. In some cases a restriction in no sky policy. b. Economic iv. Bargaining power of buyers increased as more substitutes are available. v. Competitive in pricing strategies due to stiff competition. vi. Changes in Air tariffs and taxes coupled with high fuel cost affected the performance of airline industry. vii.

Uncertainty in economic climate and weakening of major currencies against the strengthening of Singapore dollars resulted in high operating cost and lower margins. (SIA 2010 Annual report, Pg 176) c. Social/Environment viii. Changes in propensity to spend based on wages and cultures. ix. Emerging markets from the new rich “ China and India” x. Demography shift to more younger and well-travelled travellers who have more disposable income to spend on luxury travels. d. Technology xi. The adoption of bigger and more sophisticated energy aircrafts such as A380, Boeing 787 by major airlines resulted in stiff competition. ii. There are better in-flight technology enhancements to address customers’ needs. xiii. The advancement of IT technology leads to 24/7 e-commerce services which better serve the customers efficiently. xiv. Availability of other mode of transports such as the high speed rail created alternatives for travelers. In order to assess the SIA current and future strategic fit with the environment, the SWOT analysis is used . SWOT ANALYSIS- e. Strength xv. SIA offers premier flying experiences providing world class customer service. xvi. SIA provides efficient in-flight services through constant enhancement in technology. vii. Creation of “ Singapore girls” as a sustainable brand differentiates SIA from the other airlines. xviii. SIA has won the World’s Best Airline award from Conde Nast

Traveler 21 out of the 22 times. (SIA Official website) xix. Attractiveness to premium customers for its young fleet aircrafts, maintaining a very young fleet of aircrafts f. Weakness xx. SIA focused fully on mainstream advertisement unlike Air Asia which taps on the Online Advertising. xxi. The national carrier tends to focus on the product enhancement rather seeking what customers actually want. xxii.

SIA is relatively slow to change in adopting new concepts. xxiii. The national carrier is not responsive to customer's feedback. g. Opportunities xxiv. There is a booming market for travel industry. xxv. Differentiated itself using the strong brand image. xxvi. Sophisticated air freight services and good maintenance team on its airplanes increase credibility. xxvii. Travelers are more concerns in relation to safety in choosing public traveling methods. (US terrorist / Russia air crash) xxviii. SIA adopts new Technology and constantly seeks alternate energy thus living up to its a social responsibility . Threats xxix. Fluctuations in foreign currencies and rising oil price and unpredictable weather climate have impacted the performance of the organization. xxx. Economic stability across the regions has affected the profitability of SIA. xxxi. There are other cost effective alternative transportation means such as train, coach, budget airlines etc. xxxii. Deregulation of the airline industries resulted in the low barriers of entry xxxiii. IT Technology such as online/phone conference calls, to certain degree, possibly reduce the needs of business travelers to physically fly out.) MAJOR MARKETING MIX AFFECTING SIA To address whether the needs of the customers and company objectives are met, the crucial marketing mix are addressed. i.

Product - Singapore airline is a service industry that does product differentiation from others through its 2 to 4 classes (Suite, First Class, Business and Economy classes) with its Krisflyer loyalty membership, in flight entertainment, fast check in and limousine services and lounge usage services. However, SIA failed to engage what customers actually want and seek their feedback before enhancing their products. j.

Promotion - Singapore Airlines promotes itself through mainly mainstream media like television ads for awareness and major newspapers for its promotions, as it believe that its targeted audiences are mostly less social online savvy. SIA will lose in touch with the younger generations who are mostly IT savvy. k. Pricing - Singapore airlines provides pricing discrimination for its different class of passengers, with the economy class paying a very small price as compare to the First Class pricing through justification based on its premium services, specialised passenger perks and treatment.

This will result in complex pricing models suitable for different classes of targeted segments. l. Extended marketing mix for Service industry People - One of the strong points of Singapore Airline is their world famous hospitality service by its aircrews especially strong branding with its " Singapore girls" image. SIA needs to constantly provide excellent service in order to live up to its brand image. m. Physical Evidence The brand emerged even strongly especially backed by strong endorsement and recognition from leading travel industries and magazines for it excellent service.

This raises the service level expectations from its customers. n. Process The SIA excellent delivery of service process on-board translates customers' payment into value and utility through ensuring safety and comfort of its customers at all times. SIA constantly needs to enhance its processes to meet the rising expectations of its customers. **MARKETING STRATEGY OF SINGAPORE AIRLINES SEGMENTATION** This segmentation is to identify the groups of customers that are relevant to Singapore Airlines to ensure the product or service serve their needs.

With continuous globalization coupled with growing of international trades and blooming tourism, the world has become smaller and the pace of lives has quickened. Time-efficient transportation has become in huge demand, that's where air travel business comes in and play a critical role to fulfill the demanding needs to travel across the globe in a shortest time possible.

Singapore Airlines attempts to segment the market mainly by adopting the base of psychographic, behavioral and demographic segmentation.

By using psychographic, demographic and behavioral segmentation filters, especially consumers' concern level of socio economic status, lifestyle and benefits, loyalty status, to divide the whole air travel market into segments.

TARGET SEGMENT OF SINGAPORE AIRLINES Dividing the market into different segmentations, Singapore airlines then decided to brand itself as a premier flight carrier who puts its focus on corporate business, premium travelers who are socioeconomic status concerned.

Not only aiming for high end of market, Singapore airlines never forget to cater the leisure travelers who are willing to pay higher price for better in-flight service and safety, or who simply enjoy associated with the premier and glamorous brand name – Singapore Airlines. By adapting a differentiated segmentation approach, SIA keeps both its premium and economy travelers satisfied. This gives Singapore Airline a more complete market coverage.

POSITIONING Based on the above segmentation, Singapore Airlines will emphasis on their competitive advantages and position itself as a * premium priced carrier with good in-flight service and * innovative with many “ first time” services * high emphasis on flight safety. This can be seen from their taglines and slogans like “ With in-flight service that even other airlines talk about”, “ The Singapore Girl, a great way to fly” “ A Class Beyond First”

Within this main positioning Singapore Airlines then positions itself to cater for the differentiated segmentation that exists in this market and its diverse customer base

For premium travelers Singapore Airlines has introduced a host of perks that appeal to this category of customers who are willing to pay to travel in comfort and class. This includes the * Sky suites – bedroom concepts positioned beyond first class * Fully reclining business class seats * Special check in concierge for first and beyond classes For its vital economy (coach) class travelers Singapore Airlines watches closely to ensure this segment of more price sensitive travelers are kept happy as well by * Larger leg rooms in economy Quality on-demand in-flight entertainment that other airlines talk about * Enticing Krisflyer programme, offering more perks as you fly more

often and jump the tiers by flying with Singapore Airlines more and more For its corporate business travelers - Business and Economy * It appeals to companies by granting volume pricing for high volume corporate travel to meet corporate needs for competitive pricing and priority booking. * Attract employees of these corporate customers by frequent flyer cards.

BRAND LOYALTY Due to the very good positioning and “ first in market innovations” and excellent in-flight services Singapore Airlines has cultivated a brand loyalty that very few other airlines can enjoy. This is witnessed by the numerous awards given by many organisations to Singapore Airlines. (Singapore Airlines annual report 2011, 2011) | | This has been its strength. However it has been increasingly hard to maintain this brand loyalty due to accelerating expectation from its customers. **MARKETING CHANNELS**

Through positioning and cultivated brand loyalty, Singapore Airlines will carry out its marketing strategy for the various targeted segments via different marketing channels which is shown below. | Premium travellers| Economy travellers| Corporate Accounts| Print media - news papers / mass appeal| | X| | Print media - specialty magazines / targeted| X| X| X| On Air - TV ; Radio| X| X| X| Direct emailing| | X| | Direct contact B to B| | | X| Frequent flyer programme database| X| X| X| Travel agents| | X| X| Internet - SQ website| X| X| | Internet - Social networking (You tube and Facebook)| | X| | Internet advertisements on websites| X| X| X|

RECOMMENDATION TO ENHANCE POSITIONING APPROACH The above marketing approach is not without risks as evidenced from the PEST and

SWOT analysis. Singapore Airlines faces challenges from different areas constantly, not only from the intense competition of rivals, but the challenge of enhancing its tangible and intangible product and services. In addition it faces challenges in the external environment as well.) In the lucrative premium priced traveler segment where Singapore Airlines is entrenched, more and more 4 - 5 star airlines are trying to gain bigger market share. Singapore Airlines has led this segment in many ways, with many " first to market" ideas. However this edge is continually eroded. Competitor airlines like Emirates have now over taken Singapore Airlines by flying more A380s; Turkish Airlines exceeded Singapore Airlines by having the widest business class bed; Oman Airlines exceeded Singapore Airlines by having the longest. (Shashank Nigam, 2011). To overcome this, Singapore Airlines has to continually differentiate itself by " out innovating" its followers. Innovations needed to be carefully thought through and the airline needs to shake off its well known " aloof image" and listen to what its customers are saying. It needs to take into account of the needs and wants of the customers to minimize " marketing / product" failures. The " beyond first" suites concept has demonstrated the lack of consultation. (Shashank Nigam, 2009).

In another recent case there has been widespread anger and frustration at the revamped website portal of Singapore Airlines, with internet discussion groups full of angry loyal customers, some of whom moving to other airlines (Mark Caswel, July 2011, Business traveler website). Singapore Airlines also recognized that there was also a necessity to reinforce the " Singapore Girl"

image which it identified as its core “ sustainable brand differentiation” icon. (Shashank Nigam, 2011). 2) Budget travel - the other end of the market.

Globalization is an unstoppable trend and the demand of air travel has increased tremendously with it. Budget airlines has been a common norm in Europe and America for many years but has never reached the shores of Singapore to be a threat to Singapore Airlines. With the opening of “ free skies” came the birth of successful Asian budget airlines like Air Asia and Jetstar. Along with this came competition. This first started as an “ insignificant threat”, serving a segment Singapore Airlines had no interest in and was not positioned to serve.

Times have changed the budget airlines have grown and more importantly their services are “ not so budget anymore”. Some of the planes they fly are now newer than those in Singapore airlines fleet - meaning safety and fuel efficiency. By keeping a budget fare, with good “ not-so-budget” services, budget airlines have become a very attractive value proposition competing for full service carrier’s customers. One significant example of the effect of this is seen in the Malaysian airline scene where Air Asia has totally eroded away Malaysian Airline System market.

Singapore Airlines has recognized this threat to its economy segment, albeit it slowly. It has now come out with a new brand “ SIA-X”, announced on 25 May 2011 to serve the medium and long haul sectors to tap this budget segment of the market. This will offer an alternative option for consumers compared to Air Asia and Jetstar. This also differentiates the low price budget

segment from its economy class segment, thereby possibly reducing the pricing pressure on its economy class.

SIA needs to consistently maintain its service level and explore other brand extension if possible. Budget Pricing Premier Pricing Low perceived quality/service High perceived quality/service SIA-X Brand Re-positioning Strategies 3) Singapore Airlines has invested their resources to make more profitable product rather than creating rapport with their customers. Failure to create that bonding especially with their existing customers will derail them from value added information which will be crucial in their marketing strategy. (Brandconsultantasia's Blog) CONCLUSION

This report evaluates and concludes that Singapore Airlines as the leading airline in the world has the cutting edge to reinvent itself by developing into unchartered skies, especially the lucrative budget segments of the market and also to command a significant premium through its "Singapore Girl" quality services and embracing new mediums like social networks to sustain its brand equities premium differentiate from other competitive rivals by understanding the needs and wants of its loyal customers and reminding them, Singapore Airlines is "a great way to fly". REFERENCES 1. <http://www.referenceforbusiness.com/history2/38/Singapore-Airlines-Ltd.html> 2. <http://www.staralliance.com/en/about/airlines/singapore-airlines/> 3. <http://www.econlib.org/library/Enc/AirlineDeregulation.html> 4. <http://www.flyertalk.com/the-gate/blog/5483-the-end-of-an-era-at-singapore-airlines.html> 5. <http://www.iata.org/pressroom/airlines-international/december-2009/pages/04.aspx> 6. [https://assignbuster.com/singapore-airlines-marketing-strategy-analysis-assignment/](http://www.singaporeair.com/en_UK/about-us/sia-https://assignbuster.com/singapore-airlines-marketing-strategy-analysis-assignment/)

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