

Evaluation of british airways current strategy

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



In numerous ways contemporary marketing activity of the airline is following conventional and well-tried methods, which reflect decisions concerning the product/service stipulation of routes, seat allocation and types, in-flight and ground-based services. BA has chosen those international multi-market segments, which it felt most comfortable and in which the company is able to avoid confronting companies that serve similar markets. BA refuses to be content with its current status quo, having such a strong commitment it foresees its own obsolescence by developing new routes, improving service quality and increasing expenditures for sales force, advertising and sales promotion relative to the markets growth rate. The airline has a proper breakdown of markets, and has found that few key-markets account for a very large share of its revenues. It follows a tailored strategy to meet environmental differences, reputation for high quality from medium to low relative prices complementing high quality that endows with economic leverage.

Product Strategy Airlines, such as BA, are an excellent example of the use of a company/corporation name as a brand following a single brand positioning strategy. Analysing the current position of BA and its marketing mix and seeking a new position for it that seems more appropriate. Product repositioning basically has two objectives, which are increasing the product life cycle of BA, and the other is to amend any positioning mistakes. In fact the product should not be seen as a physical item but a constellation of multiple services matching, to greater or lesser extent, the consumers' requirements. In addition, the company's corporate palette of red, white and

blue is being brightened and lightened, more closely drawn from the British Union Flag than the current scheme, to reflect the airline's British heritage.

It has a standard service with modification in relation to its product/service design. In relation to its new-product strategy, it is a leader in creating new products to serve its customers better (in relation to value marketing strategy) and for differentiating from its competitors; BA came up with the 'flat-bed'. It was advantageous for BA as it drove customer curiosity. The use of IT to support the horizontal diversification strategy played a key part in British Airways' transformation from an inefficient state-owned airline providing poor service to one of the world's leading air carriers. British Airway established Speedwing in the IT marketplace selling software and services to other airlines, in areas such as passenger reservations and check-in, flight operations and planning, revenue accounting, cargo and engineering-maintenance services, as well as systems development and integration, and mobile communications installation and support. BA took a 51 per cent majority stake giving them what they believed was a sustainable competitive advantage.

Pricing Strategy For its established service, BA tries to maintain the price since getting into price wars could lead to a great loss and, in turn, increasing price would make the airline lose out on its competitive advantage. A discriminatory pricing strategy is adopted where the services are sold to different passengers at a different price under different class (First Class, Business/Executive Class, World Traveller Plus and World Traveller), this is also known as dual pricing. It also implements an expected

pricing strategy where the price range that will be accepted by customers is found out, the response is then analysed and a price is fixed. In addition, BA has adopted a flexible pricing strategy in relation to its geographic market segmentation. Furthermore, the tickets have an odd pricing in which the price ends in an odd number or just under a round number for example \$49.

99. Many customers judge the quality of a product by its price. BA applies this in its pricing strategy by having a price normally in excess of those asked by near-perfect substitutes. This is done through prestige pricing which is available only on certain profitable destinations. Distribution Strategy Following an intensive distribution-scope strategy, BA makes its tickets booking and purchase available at all travel agencies (which basically acts a selling agents on commission) apart from their regional offices, and now even the Internet. BA uses a combination of both direct and indirect channel structure.

To minimize the number of intermediaries in the value chain, BA has resorted to selling tickets online where the customer does not need to pay commission to any agent or middleman. BAs strategy of vertical integration was one way of enhancing is distributions network by owning single or multiple terminals at certain international airports. However, this strategy of vertical integration was not much a strategic decision at New York's JFK Airport. Promotion Strategy BA facilitates its promotional strategy by advertising and public relations. BA spends an adequate amount of it annual turnover on advertising and sales promotion based on the use of percentage sales approach (breakdown method). BA chooses its media channel strategy

by advertising in newspapers, magazines, television, Internet, transit advertising and occasionally radio.

BA's media selection strategy is good in terms of quality of audience reached. When British Airways places online advertisements, it isn't going for a direct response. British Airways is an excellent test case for the effectiveness of brand advertising online. While the company did use standard animated banners and buttons, they thought to make them special in a couple of ways. Two of the banner ads — one featuring coffee being poured, and another showing wine being poured — were so-called synergy ads, which referred to the offline components of the campaign. The liquids were shown from the perspective of the person lying in the flat bed seat — an unusual eye-catching perspective.

The words “click to see the bed” appeared on these banners, allowing someone who had seen a television or print ad to take advantage of the Web to get more information about the seats. In other words, BA made efficient and effective use of the advertising-copy strategy. Competitive Strategy BA competes on the basis of its high quality attained through its break-through technological innovations. BA emphasised on the value chain innovation, regarding efforts to ‘re-invent’ the industry value chain can have a four-fold payoff: lower costs, better product/service quality, greater capability to turn out multiple or customized product versions, and shorter design-to-market cycles.

A stronger focus, however, was on cost reduction, which included stiffening price competition that gave BA extra incentive to drive down unit costs. BA

increased sales to customers in a mature market, by growing and taking existing customers away from rivals by providing complementary items, ancillary services and finding more ways for customer to use the product. As the domestic market matures, BA entered foreign markets where attractive growth potential still existed and competitive pressures were not so strong. BA expanded into such emerging-country markets as South America etc pursuing a focused strategy aimed at the fastest-growth segments within the industry. Strategic initiatives to leverage existing resources and capabilities of BA by entering new businesses with promising growth potential in gaining rapid market penetration.

Customer Service Strategy BA has to enhance its customer relations in terms of service, speed and most importantly quality of delivery. The Operational Research group is the largest private sector operational research group in the UK. The group acts as a fee charging internal consultancy for the various divisions of BA (this highlights the Delphi Technique). BA is divided into seven separate customer focused teams (key project areas are shown in brackets):

- o Airports (baggage handling, passenger services and terminal control)
- o Profit Development (engineering and cargo operations)
- o Revenue Management (inventory management and pricing)
- o Corporate (finance revenue, runway capacity, network development, corporate strategy and other central departments)
- o Operations (flights and services, operations planning and delivery, and crew resources)
- o Sales (world-wide sales and sales forecasting)
- o Marketing (relationship marketing and product development)

Although these teams are all located at London Heathrow, they

work in almost complete isolation to one another, highlighted by their disparate locations within the Heathrow site.

However, staffs are regularly front-line training and rotated between the teams and joint meetings are held on a frequent basis, ensuring that some level of cohesion is maintained. In conclusion, British Airways is a complex organization and the traditions and practices of product/service orientation, which was fostered by the monopolistic practices of a regulated industry, are not easily overcome. But good marketing, in its many forms, is increasingly seen as the key to the airlines' competitive success. The current strategies adopted by BA do have certain inaccuracies; however, they were fundamental in formulating the objectives and goals of the airline.