

Market research and analysis etihad airways marketing essay

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



Having been regarded as the national airlines of the country, Etihad Airways stands tall as the leading airline service provider in UAE ever since its establishment by Royal Decree in Abu Dhabi in the year 2003. The airline company holds the distinction of becoming the fastest growing airline company in commercial aviation. The company has a Board of Governors to govern it with HH Sheikh Hamed bin Zayed Al Nahyan as its chairman. The company's accolades know no bounds after having won the ' World Leading Airline' Award in the year 2009 by the World Travel Awards. Also, the company holds the distinction of being awarded as the ' Best Long Haul Airlines' at the 2010 Business Travels Awards. Moreover, in 2009, Etihad was given the award of the ' Best Marketing Strategy' by the Middle East Business Achievement Award'. With so many awards in its bag, it is high time for the company to follow a market penetration strategy and add on more customers to its current tally. The company is headquartered at the capital city of UAE, Abu Dhabi. As far as the Asian destinations are concerned, Etihad covers markets in the Indian sub-continent, Middle-East and South East Asia. Fortunately for the company, all these markets are on a growing spree in terms of their GDPs, which facilitate the use of airlines especially in the first class and business class segments. The company officials have guaranteed on time performance of 91% of Etihad Airways. The company's revenue collection for 2009 was more than 2. 3 billion USD. The market penetration spree in the company can be seen from the fact that it reported a growth of as high as 24. 5% in passengers' revenue as compared to 22% which is the industry average. (Etihad Airways, 2010)

Product Value Proposition: A Comparison with the competitors

The company's competitors can be best seen in their degree of challenge that they pose to Etihad Airlines by virtue of a thorough competitors' analysis using Michael Porter's five force analysis. This can be done as follows:

Threat of Substitute Products: The competitors in this category have been identified as Jet Airways and Oman Air. As per the recent global recession, it has become a mind-set for all the companies to opt for flying at low costs. In fact there are passengers who are ready to go for flights that offer no fringe benefits either.

Threat of Rivalry: The competitors in this category are Emirates Airlines, Air Arabia and Fly Dubai in terms of market share which is the biggest threat to the company in terms of its market penetration strategy. As these airline companies are increasing their number of fleets each day, competition is getting even tenser.

The Threat of New Entrants: With UAE and its Asian counterparts advancing at a growth rate better than elsewhere, there is a huge likeliness that new commercial airline companies would open in sometime. So, this would increase the various reasons for which the customers would prefer switching.

The Bargaining Power of Suppliers: With Boeing and Airbus being the only two suppliers in the category, there is a large degree of dominance from

these suppliers. This can only be reduces of the company succeeds in its marketing penetration spree and buys more fleets as necessary.

The Bargaining Power of Customers: This is comparatively low in the aviation industry. The customers generally have to pay the price that is asked. Here, price reduction can be a good way for better market penetration. (Etihad Trumps its Competitors, 2010)

The following table illustrates the competitors of Etihad Airways in the respective product segments:

Product Segment

Competitors

Low Price Luxury (1st class)

Jet Airways, Oman Air

Number of flights available for Business class

Emirates Airlines, Air Arabia and Fly Dubai

Better Communication facilities for both 1st class and business class (indirect competition)

Telecom and Holiday Cruise Line

Lounge & Spa and Chauffeur driven facility for 1st class and business class on and near airport

Emirates Airlines

Competitor Analysis

As we have seen in the previous analysis, the direct competitors of Etihad Airways are Emirates Airlines, Air Arabia, Fly Dubai, Qatar Airways, Gulf Air and Oman Air Airlines in UAE and other Middle East regions. As far as its other Asian competitors are concerned, Singapore Airlines also poses a big threat. The biggest of all is Emirates Airlines.

Also, the company has a number of indirect competitors. They can be in Telecom Industry and also Holiday Cruise Line Industry. Telecom industry has made communication so easy that video calling is so easy and cheap that people would not need to go to places for meetings. Some Holiday cruise Line industry players like Carnival Cruise Liners and Star Cruises have taken up the job of not only transportation but providing hotel facilities and other amusement facilities, beyond Etihad Airlines' reckoning. As far as direct competitors are concerned, with Emirates, customers receive larger value for it being more than 25 years old in the industry, for Air Arabia, this is because of its cost leadership strategy while the other competitors offer same value as Etihad Airways. This needs some change of strategy by the company.

Market Share

Market share would determine the position that Etihad Airways would have in front of its competitors in the Asian Market. This has been shown in the following table:

We can see that for both Business Class and First class which the company quotes as Etihad Pearl Business and Etihad Diamond First Class, the company has a good degree of market share immaterial of the fact whether the market growth is high or low.

The following graph shows the percentage comparison of the market share of each of the types of products or services that Etihad Airways provides:

Marketing Mix Strategies

Short-term Objectives:

To reach break even by the end of 2011 by decreasing costs at the same time increasing yield

To maintain customer value throughout

To start a status quo development of providing luxury at least costs

Long-term Objectives:

Increase profits by more than 5-10% every year

Increase customer value by 8-10% by the end of 2015

Increase the number of staffs by 15%

Also, the company can increase inbound holidays to Abu Dhabi by 2030 which would make it the only player in the industry

Product Strategy

As far as the first class and business class is concerned, Etihad Airways segregates its services as Etihad Diamond First Class and Etihad Pearl Business Class. This is integrated with actual staff provision and the multi-cuisine availability on board. The company's augmented products give it maximum competitive advantage. This has been diagrammatically represented in the subsequent diagram. Abu Dhabi being the centre of tourism for many, gives the company a location advantage. The company has chauffeur service for its customers not only at Abu Dhabi airport but other airports as well where the company's airlines operate. This is especially for the 1st class and business class passengers. Also, the company provides 24 hrs departure facilities and only an hour early arrival as against the normal 3 hour early arrival in other company's flights.

The potential product of Etihad Airways does not include lounge which can be developed over time so as to draw more customers in the targeted segment. The company also does not have the baggage at the door pick up facility. Once this is provided, it would be more convenient for the passengers to avail the facility. Also, hot-towel can be provided to passengers at departure to suit the likings of 1st class and business class passengers.

Price Strategy

The company has a market penetration pricing strategy so as to increase the market share in United Arab Emirates. If the company can deliver the same services at the same price as compared to Emirates Airlines and British

Airways, it has chances of achieving its break-even as it targets. Once, this has been done, the company can raise prices by about 5% and fall in the same category of customer perception as Emirates Airlines. This way the customers would also not consider the company as a low cost carrier which could damage the image of being a first class or business class carrier. (The Marketing Mix, 2002)

Place Strategy

Etihad Airways would not only avail booking facility at its main offices but also increase sales in general throughout the Asian region that it targets. Also, it can increase the volume of ticket distribution at its corporate website. This would enable the busy passengers of 1st class and business class to customize their air travel. The drawback in this regard is that the company does not have many sales agents. The company should look forward to appoint more sales agents and eventually increase its sales.

People Strategy

The company's staffs have been highly acknowledged throughout its flight services. The only problem has been in a certain case when a passenger was treated inferior to a staff when he required a better seat to facilitate his long-broken leg. Such issues need to be worked upon otherwise with the type of education and courtesy; the company has high prospects especially in the 1st class and business class sectors. The company has scored 91.5% in a survey conducted Ethos Consultancy on customer service benchmarking. If the company wishes to make the most out of the survey, it should further provide better training and development to its staff. Also, it must be kept in

mind that no matter how many flights the company increases, a customer would always go for better hospitality which becomes all the more important in the 1st class and business class services. The employees can work as catalysts to word-to-mouth marketing.

Promotion

The customers' perceptions with respect to the promotional strategies of the company are as follows:

Sales Promotion: The Company's customers prefer the option and bundled pricing efforts and the consistent updated facilities with respect to offers in this respect. This would help a long way in increasing market penetration.

Direct Marketing: By taking part in a number of travel and tourism events, the company's staff spread direct word-to-mouth marketing which has been a matter of great appreciation.

Sponsorship: The Company has also been amongst the pioneers in sponsorships by sponsoring in huge amounts at events like Abu Dhabi Grand Prix and also the Ferrari F1 team. The motorsports fans of the company were highly delighted at this step. Also the company's involvements at events like Abu Dhabi Golf Championship, Gaelic Athletic Association (GAA) have been appreciated largely by 1st class and business class customers.

The following graph shows the position of Etihad Airways as compared to its competitors:

Reasons for Etihad Airways' position among the competitors:

The company follows a market penetration strategy as against the skimming strategy by its biggest rival, Emirates Airlines. This gives the company an advantage of lower prices at the availability of same service. Hence, puts it in a better position to attract the market.

The company allows an integration facilities like chauffeur driven cars and spa & lounge along with courteous staff provision and multi-cuisine facilities which puts the company in a position ahead of companies like Air Arabia and Oman Air.

Also, with the company involved in many promotional strategies e. g.: sponsorship for F1, gives it a better market recognition in the Asian market as compared to the other counterparts like Jet Airways and Fly Dubai.

So, overall, the company has the advantage of a better position than most of its rivals in the respective categories. At this point, the company should position itself such that it becomes the preferred carrier in all the categories together as well.