

Exploring marketing with delta airlines as a case study flashcard

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



Airline Industry. Phase 1 is that of fragmentation and this is purely due to logistics reasons, rather than the result of any marketing strategy. This results in transportation of bulky goods from one region to another being relatively expensive and for a consumer product to achieve national distribution, a favorable ratio of weight and bulk to value is required. This phase happened before the 1850s and the market size is restricted due to a lack of information, and it is characterized by a high margin and low volume.

The second phase of unification is the rise of mass marketing, with high volume and a low margin, which is the direct opposite of the first phase of fragmentation. The placement of this phase is possible due to firstly, the development of the railroad and the telegraph and secondly, innovations in manufacturing technology. All the above innovations led to a more effective transportation and communication network that lowered the cost of mass marketing products by significant percentages.

There is a rise of standardization with advances in manufacturing technology, and it is now possible to produce in great volumes and also, in small packages. Phase Two occurred in the period 1850s to 1880s, and during this period, brand marketing and management grew in importance.

Manufacturers attempt to transform the name of his product into a kind of superman brand. The products of this phase not only aimed at national distribution, but also strived to attract all consumers using a single brand or product, that will be regarded as standards. Richard S. Toddle, "The fourth phase of marketing: Marketing history and the business world today," In Toddle, Richard S. And Jones, Geoffrey, editors, The Rise and fall of mass

marketing (London ; New York : Rutledge , 1993), p. 19 2 Richard S. Toddle, New and improved : the story of mass marketing in America (New York: Basic Books, 1990), p. 14 The third phrase is that of segmentation. The innovations that led to this phrase after the sass Is made possible by radio and television advertising.

There were also major changes In America culture that Influenced consumer demand. Commercial advertising through television showed that certain programs appealed to certain classes of viewers. This meant that the opportunities for segmenting markets, that is, concentrating the selling appeal on one particular group of potential customers who might be defined by their age, Income, and education (known as demographics) or by heir lifestyle (known as chirography's) were greatly enhanced. Been The symbol of the standard bearer of changeless, ageless Americana. 4 Commercials were no longer about characteristics of the products, but of the people portrayed as using them, and this led to the development of the Pepsi Generations for example. All this saw the breakdown of the whole American mass market developed in Phrase Two to spilt into numerous product categories from necessity items to up-market consumer-durables. Segmentation also occurs at the retail level. This phrase is characterized by high volume and value pricing.

The key developments of the railway, telegraph, production technologies and television advertising, are external to corporations, but yet they manage to capitalize on them and turn opportunities into profits. This is how market segmentation evolved. Marketers are sensitive to changing times and they

capitalize on opportunities and turn the situation around to a positive one, in terms of fulfilling the company's objectives. This is the second proposition put up by Toddle, that of Entrepreneurial visions, of which risk-takers need to make investments and turn their visions into reality. Robert D Bezel and Jean-Louis Loco, Polaroid France in Steven H. Star, Nancy J. Davis, Christopher H. Lovelace and Benson P. Shapiro, editors, Problems in Marketing, (New York: Managerial, 1977), up. 191-213 4 Richard S. Toddle, "The fourth phase of marketing: Marketing history and the business world today," in Toddle, Richard S. And Jones, Geoffrey, editors, The Rise and fall of mass marketing (London ; New York : Rutledge , 1993), p. 18 5 Richard S. Toddle, " The fourth phase of marketing: Marketing history and the business world today," in Toddle, Richard S. ND Jones, Geoffrey, editors, The Rise and fall of mass arresting (London ; New York : Rutledge , 1993), p. 21 Another important proposition put up by Toddle is that of Managing changed. Consumer tastes and the external environment are constantly changing. Corporations have to be flexible and adapt quickly to the unstable environment facing them. Competition can come from other corporations in terms of either trying to beat the firestorms with the same strategy, or trying to change the rules. 5 Toddle proposes a fourth phrase of marketing and this is due to information technology.

Elementary, is the price of the lack of information; and the information evolution is lowering that price in the factory, in the distribution system, and at the point of sale. 06 This is the stage of Micromanagement, which is hyper-segmentation, of possibly every customer as a component of a

segment of one. Supply is able to increase due to information technology, but, at the same time, demand for micromanaging is increasing. Consumers are becoming more and more demanding and they expect to get what they want, thus there is a rise in customization.

Consumer choices will increase and it is every marketer's hope to sell any potential customer precisely what they want and to ensure they get maximum satisfaction. It is no longer necessary to convince consumers to purchase the standardized products that the factory has made. However, disadvantages of micromanaging must be noted. The latter may result in an overfull of choices and consumers become confused, as differences diminish. There is also the problem of shelf space or that of the limitations of distribution. Scarce resource in the form of shelf space has to be allocated by the retailers, and thus products cannot just keep increasing. Ramekin for airline decision-making. During the period 1979 to 1983, the deepest world recession created many problems in the U. S Airline industry. Among these were rapid expansion of fuel prices, which increased the operating costs of airlines. Slot restrictions caused by the walk-out of air traffic controllers in August 1981 also posed a problem. The U. S recession resulted in a general weakness in air traffic and yields. This 6 Richard S. Toddle, " The fourth phase of marketing: Marketing history and the business world today," in Toddle, Richard S. ND Jones, Geoffrey, editors, *The Rise and fall of mass marketing* (London ; New York : Rutledge , 1993), p. 27 is an indicator that the external environment that airlines are operating in, is thoroughly unstable. Economic upturns and downturns are expected. When the Airline

Deregulation Act was passed in the United States on October 1978, the airline industry is faced with overcapacity and fare wars, and it is impossible to maintain yields. But, lessons have been learnt since the last world recession for the U. S airlines. One New York analyst comments that 01 have never seen an industry so well prepared for a recession. Airlines now are sensitive to the capacity cycle and even though the industry has a number of new aircraft on the way, there are no excessive commitments for new capacity. A lot of flexibility is built into the aircraft deals and airlines have older, fully depreciated aircraft that they can either hold on to or retire, in the face of overcapacity. There are now two new weapons open to the North American majors that they did not possess in the last downturn. The first is that of the regional Jet that revived the regional airline industry, and is a potential new market.

The second is the low-cost airline-within-airline operations, such as Delta Express and US Airways new Metronome. The majors are able to compete with Southwest, who can ride out a secession well because of its dedication to keeping costs down and knowing its markets well. 7 Delta Express, the airline-within an airline, launched in 1996, was started not only to protect the mainline carrier from increasing low-fares competition in America but also to prove to Wall Street that Delta management can be innovative and progressive as well. The Just Plane Cookies, shaped to resemble aircraft, became the signature of Delta Express.

Delta Express offers lower salaries than those at the mainline, but it is launched to motivate Delta's employees once again, after the trust factor

has been broken, with the 7. Program as an attempt to cut costs drastically during the last industry downturn. Some 65% of Delta departures from Orlando are now delta Express flights and the market is so important to Delta Express that the carrier now occupies the whole wing of a terminal at Orlando Airport. Delta Express releases the creative skills of their people and this boosts employees morale.

Innovations are created this way as the management is able to respond immediately. The key to making Delta Express work is to define the boundaries 7 US majors aim to break the cycle, 0 Airline Business, January 1999, p. 2 so that the customer differentiates between their product and that of the mainline. Delta Express operates a point-to-point service that is not part of the mainliners network. Delta Express gains leverage from being able to offer Delta Similes frequent flier points. About 70% of the customer mix is leisure and Delta Express has since moved fares, and they constantly reassess processes to keep costs down.

Keeping costs down as an airline that is a business unit of a major carrier remains a serious challenge. However, the advance seat reservation facility that Delta Express offers is a useful advantage over both Metronome and Southwest, but the most obvious success of Delta Express is the way it has helped revived the spirit of Delta. 8 Even though the industry remains intensely competitive now, major carriers has a route system well suited to their individual strengths, and fewer carriers are on the verge of bankruptcy, unlike the financial crisis that we saw in the sass and early sass.

AID carriers are using much stronger yield management systems which allow them to offer discounts without giving away their product through ruinous price wars, says Raymond Needle, an analyst at INNING Bearings in New York. The problem of ticket discounting that led to great uncertainty in airlines revenue forecasts as a result of deregulation, is no longer a big problem now, as a result of stronger yield management systems. With a better outlook for traffic, the prospect of low rates of capacity growth in the near future and a manageable level of new aircraft deliveries, there seems to be better times ahead.

0 Successful airlines are market-oriented airlines, who are well-led with the temperament setting a clear, sound and long-term strategy. The potential available markets are identified and which market segments to exploit are decided, and the whole of the corporate resources are devoted to meeting the product needs of those identified market segments. This is the application of the marketing theory. But, first of all, what is marketing? Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.

11 There is a need to differentiate

8 Express Yourself, o Airline Business, February 1999, up. 56-57

9 US majors aim to break the cycle, 0 Airline Business, January 1999, p. 51

10 Chris Tarry, 0 Time to Break the Cycle, 0 Airline Business, June 2000, p. 4

11 U. K. Institute of Marketing, quoted in Wiltshire (1978), p. 1 between consumer and industrial marketing. The former consists of items of a relatively low unit price and there is usually not much contact between the consumer and the producer.

The latter is characterized by smaller number of buyers and unit prices are high higher and there is direct contacts between the producer and the buyer. What is being market-oriented? Marketing investigation is done to gain a thorough knowledge of the market segments that the airline is interested in going into, and areas of unsatisfied consumers wants and needs will surface. An airline may also consider going into a market segment where consumers wants and needs are satisfied less than their expectations.

A collection of competitors actions is important also in this initial stage of the application of marketing theory to real-life corporations. Next, a firm needs to define its marketing strategy and this starts off with the firm's objectives, that include both corporate and social ones. The corporate mission is then established which defines the broad area of activity of which the corporation is concerned. The corporation then needs to adopt a marketing plan, that consists of what consumers want and need, imitators actions, the strengths and weaknesses of the corporation and the opportunities and threats posed by the external environment.

Marketing communication is important to secure sales of products in particular markets and marketing, a corporation must make a choice between deploying its own resources or hiring services. The internal organization is important and thus the appropriate corporate management structure must be established and also the application of appropriate personnel recruitment and training policies. The external organization will consist of others not in the corporation, in the role of marketing, such as services f consultants in market research.

The marketing mix is the combination of the four controllable variables, of product, price, place, promotion (the four AS) that an organization creates to satisfy its target market. Airlines need to offer a range of products such that they are better placed due to the probability of a downturn in some markets being counter-balanced by upswings in other markets. An important reason for product and market diversification is due to Synergy. Lot is the term used to describe a situation where a firm producing several products is able to do so more effectively than a set of firms tit each firm concentrating on a single item. 12 Most airlines pursue the total market strategy, that is the attempt to provide services for significant parts of the business, leisure and freight segments. Even though this strategy gives great opportunities to airlines, there is the problem of designing products which meet the conflicting requirements of the different segments. The business market segment requires a wide route network with good interconnections and a high flight frequency, and thus costly products. High seat accessibility is required as well, but high prices are charged for this segment, due to the relative price elasticity of demand.

The leisure market, on the other hand, competes based on prices and this results in price instability and very low yields, and leisure demand will only peak during only a few times a year. Its products can be offered comparatively cheaply though. However, the leisure market is potentially the largest segment of the total airline market, and its longer prospects are better than that of the business segment. As for the freight market, an all-

freight airline should concentrate on large and bulky items that are too large to fit into the lower holds of even wide-bodied passenger aircraft.

Overnight delivery of urgent parcels by Federal Express, has also proved to be highly successful and passenger airlines cannot compete since the proportion of their flying is done in the daytime. Frequent Flier Program(OFF) as an Airline Marketing Strategy The starting point of a successful OFF is to lay down the airlines aims and structure first. The main goal will most likely be to increase seat sales through generating repeat business among loyal customers or attracting new customers.

The OFF database can be a source of marketing information and it can be used as an additional source of revenue through the trade of OFF points with associated partners. There is also the opportunity for consumers to differentiate products in a world filled with too many consumer choices, as in Toeholds fourth marketing phrase. The program needs to be accessed regularly to adapt to constantly changing market conditions and redeveloped if necessary. Airlines should not focus too narrowly on one particular objective and risk damaging the whole scheme.

Thus, they should work 12 Stephen Shaw, Airline Marketing and Management, (Malabar : Krieger , 1988, CHECK), p. 16 program as a key marketing tool and internal support need to be won. The OFF also needs market acceptance and thus the program structure needs to meet the expectations of the consumer, who looks to the awards and service benefits. Flexibility is important in the unstable economy, as in Toeholds proposition of

Managing changed. Delta has long introduced a non-expiring policy for its miles, and Air France was the first European major to adapt this change after being influenced by its alliance with Delta.

Customer service is also very important in OFF programs and quality management needs to remain under strict airline control. The elite program catering for the customer segment of frequent high-yield travelers, enable the airlines to keep their best customers. OH successful OFF must be one that is based on clear strategic goals, and that achieves a balance between them supported by an attractive program structure benchmark against best global practice. 0 13 For example, Delta has started a strategic alliance with Aeronautic, Air France and Korean Air. They call themselves Ecosystem.

The agreement outlines the formation of an enhanced marketing relationship among the carriers. Steam airlines have a reciprocal frequent flyer program, extensive costarring network and the best growth potential of any global alliance. Steam With four airlines now working together to continually improve customer benefits, Steam compares very favorably. Steam is the first alliance built around customer needs and is currently one of the world's top three global airline alliances. Steam has strong hubs in key markets where 80 percent of the world's traffic flies.

Passengers will continue to enjoy the benefits of their home airlines while traveling on any Steam airline, with more choices of flights and departure times, plus all frequent flyer program and lounge benefits. Steam offers customers worldwide access, improved choice and convenience, insistent

service and the ability to be recognized and rewarded for their loyalty.

Immediate benefits include reciprocal frequent flyer programs, worldwide lounge access, 13 Ravine Bacchanalian, 0 Keeping the high Fliers, 0 Airline Business, June 2000, p. 93 and the combined network of Aeronautic, Air France, Delta and Korean Air.

By yeared, benefits will include priority baggage handling, preferred seating for our elite frequent flyers and other benefits based on our extensive employee training program. Aeronautic has long been recognized as a market leader and the preferred hooch in air travel for passengers in the Mexican and Latin American markets. Joining the alliance with like-minded partners allows Aeronautic to expand its international route network and better serve the needs of passengers as they travel on both business and pleasure throughout the world.

Air France's hub at Charles De Gaulle International Airport offers an extensive schedule of connecting flights to points throughout Europe, Africa, Asia and the Middle East. It is the best-positioned hub in Europe for transatlantic passengers traveling beyond a European gateway. In addition, the airport offers great potential or further capacity growth. Delta's hub at Atlanta Hartsfield International Airport offers passengers more destinations. Customers have access to a global network of 5, 390 flights each day to 356 cities in 57 countries on Delta, Delta Express, Delta Shuttle, the Delta Connection carriers and Delta's Worldwide Partners.

Korean Air's hub in Seoul is the best Asian hub for Steam, offering service to 78 cities in Asia. Korean Air's upcoming hub at Seoul's new Incheon Airport will be the future leading hub in Asia and one of the few major hub airports in the world with room to expand. Steam is a multi-lateral, global alliance among the four airlines. In addition, each carrier will continue to have bilateral relationships with airlines in their respective markets. Steam plan to explore all synergy possibilities. Steam has tremendous potential in the area of cargo.

Delta and Air France have already announced a Joint agreement, and plan to expand this to a multi-lateral level. This is the fulfillment of the total market strategy mentioned above, and strategic alliances enable a pool of resources together to serve more routes and consumers, especially when Steam is the first alliance built around customer needs. History of Delta Airlines Delta Airlines began modestly, as a crop-dusting outfit in Monroe, Louisiana, in 1928, the first professional crop duster in the nation. Delta was founded by C.

E Holman, who headed the company for 38 years, until his death in 1966. He moved Delta's headquarters to Atlanta in the early 1950s and that hub became the heart of its operations and ultimately the course of most of its management. Even though Delta actively opposed deregulation, it entered deregulation with a number of strengths. By growing, it has elbowed its way into the Big five. Delta has expanded significantly in the Southeast by acquiring Citizens and Southern Airlines in 1953. It expanded north with its acquisition of Northeast in 1972.

And in 1986, Delta joined the stampede to merge by acquiring Western Air Lines, Hubble in Salt Lake City. Because Delta paid its workers well and had never laid any off, it enjoyed relatively amicable labor relations and had few union contracts. That enabled it to enjoy high productivity, excellent service, and high worker morale with little turnover. Delta's greatest asset of all was its people. While deregulation has brought the industry tremendous labor strife, labor-management relations were egos at Deltas Atlanta headquarters.

In 1986, Delta's workers dug into their pockets and bought the company a Jet. A Job with Delta is security for life, but Delta's salary expenditures were high and they were saddled with the largest labor expenditures in the industry. But, Delta has been blessed with profitability, except in 1983, when it made a loss. This loss is because a market survey in 1982 revealed that Delta had acquired a reputation for being hightailed in the new regulated environment. Hubs The question of hub-and-spoke networks has been a central issue in route planning under deregulation.

Many airlines have based their planning on the idea that if they build a major hub, with large numbers of flights in and out of it, it will be very difficult for a newcomer to break in, as they will be able to match the wide network. This is the first-mover advantage in one of Toeholds propositions, not mentioned above. The limitations to this concept is that passengers prefer to take direct flights rather than At Hartsfield Airport in Atlanta, Delta Airlines operates and it can claim to be the sites single-airline hub in the world, with 600 daily departures.

More than 20000 Delta passengers change planes in Atlanta each day. Each of Delta's arriving and departing waves consists of over 50 aircraft, requiring all four runways to be used simultaneously for arrivals and then for departures. 14 Delta's Mission Statement and Corporate Strategy Delta wants to be the Rollicked Airline of Choices and their strengths lies in the competitive edge of Delta's people, customer service as the cornerstone of their company, a strong route system, outstanding operations and fleet and ethical and honest actions.

Delta's vision builds on Delta's heritage and their vision results in sustained profitability that comes the opportunity for growth and advancement and the pride that comes from being part of an exceptional business organization. Delta has a Success Through Service training and that led to its achievement of a competitive advantage. Delta has built a legendary reputation for family-friendly, Outlasted customer service. Employees are loyal and contented members of the Delta Family. Delta has also led the industry in customer satisfaction ratings, providing passengers with a consistent, high-quality flying experience.

For example, Delta received the 02000 Grand PRI Customer Service Awards, whereby Teleconference, a Paraphrased customer relationship management company, honored Delta's Online Customer Support Desk with the U. S. 2000 Grand PRI Customer Service Award, for superior email customer service support. Delta also took second in the Transportation and Travel category for its telephone customer handling. Delta's fundamental belief about service to people, customers and personnel, remains unchanged. Delta personnel

treated one another as extended family and this concern is mirrored in the way Delta personnel treat customers.

Delta hires at entry level, so thus, managers are able to handle problems of their staff with empathy since they have been through that before. There is a strong tradition of employment security in Delta. 14 Pat Hanson, Global airlines : competition in a transnational industry, (Oxford : Buttonholer Henchman , 1996), p. 80 During economic slumps, extra staffing is redeployed into other Jobs and creative options such as Job sharing and voluntary personal leaves are also made available. Delta has a flat and thin management structure and engages in cross utilization and thus employees has a broader view of their company.

Delta emphasizes a lot on the people side of the profit equation and thus, it has a strong compensation structure that acknowledges the people side of business and the value of experience and draws and keeps the best people on the team. Team work is inherent in Delta and everyone respects one another. There is empowerment in the Job and employees are motivated to work harder and be more productive. The best measure of passenger satisfaction among U. S Airlines today is the number of complaint letters written directly to the Department of Transportation by consumers.

Since 1971 when that reporting began, Delta has maintained the best verbal record for passenger satisfaction of any major U. S airline per 100, 000 customers boarded. Delta knows the only way to achieve the goal of being the best at a time. 0 Importance of Information Technology Delta Airlines

have exploited the challenges posed by the millennium bug to overhaul its obsolete IT infrastructure with leading-edge technology that will help achieve operational excellence and give a big boost to customer service and even contribute to revenue performance.

The gate and boarding project which includes new computer systems and software, boarding documentation and procedures, is the ironstone of the airlines ongoing Airport Renewal program to modernize and standardized Delta's ancient airport technology and physical plant. Not only is the system simpler but it greatly enhances Delta's ability to recognize and regard its best customers or those needing extra attention. The system is tied to Delta's customer database, and thus the customers past history or possible dissatisfaction with Delta's services could be established and corrected for in the customers next flight.

The systems greatest value will be when things go wrong and people will be testified that they are handled well during those circumstances. Delta develops technology around process, rather than function. They have been planning and changing their technology around the customers, rather than the systems being functionally focused around reservations, airports and the Internet. Delta is ultimately interested in the Customer Experienced. Delta cuts costs by \$30 million per year, due to a standard technology infrastructure at all locations and thus expect to increase customer service significantly. 5 Delta continues evaluating emerging technologies that may further increase its customer services. Conclusion As shown in Delta's case above, Delta engages in information technology and now, they are able to

focus individually on every customer, and increase their customer service and this is characterized by Toeholds fourth marketing phrase 0 micromanaging. An airline is very service oriented and thus, consumers will not be confused in terms of numerous products emerging, but rather, they will be pleased by the excellent service they receive.

Delta has also been a well-managed company, whereby employees are empowered and teams are used to facilitate brain-storming and everyone's opinion is taken into consideration. Employment at the entry-level further enhances the ability to empathic with others working in other departments. Delta is also very customer-oriented and that totally encompass the marketing concept of putting customers needs and wants first. Delta is able to compete globally and become one of the Big five in America and has one of the busiest hubs in Atlanta.

All this comes from sound marketing principles, a mission statement of being the Rollicked Airline of Choices, a total market strategy in the business, leisure and freight market segments. Delta has also gone into strategic alliances in Keyset to further enhance customer service. Delta concentrated also on standardizing its operations through its technology infrastructure and this is part of Toeholds Phrase two where standardization is widespread.