

# The marketing strategy of air arabia tourism essay

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



The company Air Arabia which is chosen in this report is a public company. This report also gives information about how the company works internally and externally. The main hub of the Air Arabia Company is in Sharjah, U. A. E and Mohamed V Airport in Casablanca, Morocco. This report will also give you the financial Information of the company and also about its competitor's financial status like its sales, profit, and market share. Air Arabia is world's First and Largest Low Cost Carrier (LCC) to operate in Middle East and North Africa. It operates in more than 40 countries worldwide and has segmented its target market in Middle East, Indian Subcontinents, South and Central Asia, Africa and Europe. The report also gives complete information about the company's Strength, Weakness, Opportunities, and Threats and also about its Product (Services), Price, Place and Promotion. Last but not the least, the report has showed the position of the company in the current market, evidence of the company's success and prospects for future growth/success.

Air Arabia

Introduction

Air Arabia is the first & largest Low Cost Carrier (LCC) to operate in Middle East and North Africa. Air Arabia started its operation in October 2003 and holds a portfolio of successful business. The Main Hub of Air Arabia is Sharjah Airport, UAE and Mohamed V Airport in Casablanca, Morocco and later on announced its third hub in Egypt. The current CEO of Air Arabia is Adel Ali who was named as ' Airline CEO of the Year' for 3 years. Air Arabia is named as Best Low Cost Carrier at many Airline Awards. Air Arabia is a listed

company on the Dubai Financial Market. The current Air Arabia slogan is “ Air Arabia, Pay Less Fly More”.

#### The Market Environment:

Air Arabia has spread its wings from its hubs; Sharjah Airport, UAE and Mohamed V Airport in Casablanca, Morocco and Egypt to over 65 destinations spreading across Middle East, Indian Subcontinents, South and Central Asia, Africa and Europe.

Air Arabia is in Airline Industry and has maintained a portfolio of successful business till now. The Airline Industry provides with Air transport services to passengers who want to travel to different countries which are covered by Airplanes in much less time. It also provides with air cargo facilities.

#### The Competition

The Main Competitors - Air Arabia has many competitors such as Emirates Airline, Etihad Airways, and Air India Express but out of all these the main competitor of Air Arabia is Jazeera Airways.

Sales and Profit Trend - Jazeera Airways faced a Net Loss of 8.2 million in the year 2009. In the year 2010 the company is still operating in loss of 4.4 million in the first quarter and a loss of 4.7 million in the second quarter.

Market Share - Jazeera Airways head office is in Kuwait. It also had its hub in UAE but because of it facing loss in the previous year it had decided to close down the UAE hub. So now it only controls from Kuwait.

Target Market - Jazeera Airways is a low cost airline that targets the people with low income.

The Company

Sales and Profit Trend - Air Arabia's company profits in the year 2009 were AED 452 million. In the year 2010 the profits of the company in the first quarter were AED 50 million and in the second quarter were also AED 50 million. The company is building up a strong network route which is helping in growing its sales.

Market Share - The following graph shows Air Arabia Profit generated worldwide.

GCC - AED 63. 28 million

Middle East - AED 63. 28 million

North Africa - AED 49. 72 million

Central Asia - AED 22. 6 million

Europe - AED 94. 92 million

Indian Subcontinents - AED 158. 2 million

Business Sector - Air Arabia is a public sector company with its share listed on the Dubai Financial Market (DFM: AIRARABIA).

SWOT analysis -

### Strengths -

Air Arabia is the first low cost carrier in the GCC region. Given the huge investment required in setting up an airline, competition will need time to be a significant threat.

Sharjah Airport gives significant waivers to Air Arabia in the form of landing and parking fees.

Despite a very young history, net profits have been increasing at a CAGR of over 200% since 2005. The company managed to generate its first net profit in 2005 after starting operations in late 2003.

### Weaknesses -

Less number of planes

Hub location - A deterrent for residents of other emirates in UAE other than Dubai.

Fuel prices account for roughly 38% of total operating costs for Air Arabia. The price hike in crude oil is expected to continue affecting the airline.

### Opportunities -

With a firm order for 34 aircraft and an option for 15 more, Air Arabia is poised for growth. The airline is expected to add more destinations to its portfolio.

Competition is still young when compared to Air Arabia which gives the company time to further solidify its positioning as a quality LCC.

The UAE and the GCC as a whole is focused on attracting tourists to the region. As the region grows with the rising price of oil, the accessible market for Air Arabia also expands in the long-term.

Threats -

Being the most significant component of operating costs, energy prices can seriously hamper Air Arabia's performance. Airlines around the world are struggling because of rising energy costs.

Low LCC penetration in the region makes the pie very large however new LCCs are on their way to make the division more diluted in the future. New LCCs include Sama, Nas, RAK Airways and Fly Dubai.

Due to limited choice in aircraft suppliers, airlines are sensitive to delivery schedules of aircraft. The delivery of the 34 ordered aircraft is originally meant to commence in 2013.

The Company's Marketing Strategy

Segmentation - Air Arabia has been spread worldwide through three hubs namely Sharjah Airport, Mohamed V Airport in Casablanca and Egypt airport. Air Arabia is in Travel and Tourism industry which is further divided into Travel industry which provides with travel facilities to passengers who want to travel to other countries whereas Tourism industry which help with Hotel reservations.

Targeting - Air Arabia targets people with low income who would like to travel the world which could not be possible as the air freight is high. But nowadays people with good income have also started traveling in Air Arabia as it helps them to save for better future.

Positioning - Air Arabia has positioned itself in the market in such a way that has kept it far ahead of its competitors. Air Arabia and Jazeera airways are in competition but still demand for Air Arabia is high as it provides cheap ticket price.

Growth Strategy - Air Arabia has planned to expand its Sharjah hub by Investing 2.0 billion in new aircrafts which will increase the number of planes to 34 by 2015. this expansion will also increase the frequency of flights on certain routes, i. e. doubling the number of daily flights in most cases.

#### The Marketing Mix

Product (Service) - Air Arabia offers many services to their customers according to the target segment they belong to. They provide with online booking which reduces the time of a customer to go to any agency and book a flight. Air Arabia also provides with hotel-reservation service and recommends the best options for customers according to their needs and budgets.

Price - Air Arabia is using a low cost strategy, which is to offer lower price than what other airlines in the market offer. It uses this strategy because it

targets people from low to medium-income level who are willing to pay less in order to fly more.

Place - The main base of Air Arabia is in Sharjah, UAE. It has more three hubs which are in Morocco, Egypt and Jordan. Air Arabia also has an Online Website through which customers can book their flights, check the latest offers and book an accommodation in a hotel during his/her travel.

Promotion - Air Arabia always advertise in local and international, Arabic and English newspapers and magazines because their target audience are people from all nationalities. It advertises in business, family and social magazines worldwide to reach their target audience who have different interests. Air Arabia has created a website offers many services such as the online booking, which allow customers to select particular seats or service from their home. Furthermore, Air Arabia advertises in many websites from different fields such as the MSN messenger and the Gulf News.

#### Evaluation of the Company's Strategies and Tactics

Current Market Situation - Air Arabia being the First and largest Low Cost Carrier in the Middle East and North Africa have put themselves ahead of their competitors. The company's services are being demanded by many customers due to whom in 2010 the Net Profit of the company in third quarter increased to AED 136 million.

Evidence of Company's Success - The Company's profit in the year 2009 was AED 452 million which had been decreased from the previous year. But the



company's growth strategy shows that it will be successful in the coming years.

Prospects for future growth/success - Air Arabia have invested AED 1.7 - 2.0 billion on new aircrafts to increase the number of planes by 2015. This investment will increase the frequency of the flights on certain routes.

### Conclusion

Air Arabia has been growing in Travel and Tourism industry with a vision to offer better services and to be the best airline on every route it flies by improving a strong network route. Thus, it has many target segments of people with low to medium- income levels that are looking for low air fares. The ambition of Air Arabia is a fleet expansion of 50 aircrafts by 2015 and also establishing more hubs to link the whole Arab world to Africa and Europe