The current marketing environment of the airline industry assignment

Art & Culture

Travel for both business and leisure purposes grew strongly worldwide. Scheduled airlines carried 1. 5 billion passengers last year. In the leisure market, the availability of large aircraft such as the Boeing 747 made it convenient and affordable for people to travel further to new and exotic destinations. Distribution channels In all areas of marketing links must be made between the customer and the product. These links are known as distribution channels. Airlines use a variety of these channels.

All of them are giving rise to particularly intense debate at the present time, because the different channels result in different costs, and cause they vary in the extent to which they allow airline to exercise proper and necessary control of the channel. S, Shaw (Airline Marketing & Management, Fifth Edition, Page 194). Global Distribution Systems (Eggs) It's impossible to talk about distribution channel in the airline industry without mentioning Eggs. For nearly twenty years, the subject of Global Distribution Systems has been a controversial one in the airline industry, and it remains so today.

S, Shaw (Airline Marketing & Management, Fifth Edition, page 204). Until the early sass, contact between airlines and their distribution outlets as mainly by telephone, this was both time consuming and costly and became unsustainable as the industry grew. As the sass preceded, the first, pioneering carries set out to automate airline/travel agency contact. In order to do so, direct links were provided from each agency location into the airline's reservations computer. Instead of phoning, agents could use the keyboard of Visual Display Unit to make bookings direct with the airline concerned.

Besides saving a great deal of time, this also gave agent visual confirmation that required reservation had been made. Airline today In the old, regulated environment, European airlines relied on external channels (travel agents, consolidators, tour operators) to distribute up to 90 percent of tickets. Distribution via these channels typically cost an airline 1 7 to 20 percent of the ticket price, accounted for by travel agency commissions (Including bonus “ overrides”), computer reservation company booking fees, credit card fees, and the airline’s own costs (such as its salesrooms).

Since then, CROSS technology and economics have changed a lot: thanks to the development of alternative distribution channels, such as the airlines’ Internet websites or their call centers, consumers have nowadays access to a multiplicity of information and booking channels for air transport services. About 40% of all airline tickets in the E are booked via alternative channels and about 60% via travel agents and Cross. Bookings made via the major global distribution systems (G ADS) accounted for 64% of all airline passenger revenue in the U. S. In 2008 for U.

S. Point-of-sale transactions, but the figure has dropped below 50% in Europe, according to (Minted report realized 2008) in the size, role and value of Eggs in travel striation. The decline in Europe has been sharper, falling from 56% in 2006 and 51% in 2007 to 47% in 2008. The decline is attributable, in large part, to the rapid growth of low-cost carriers, such as Ryan, that rely exclusively or primarily on direct bookings. 69% of the nearly ?? 1 8 billion in air travel sold by European Lacks in 2008 was booked via their own Web sites.

Deregulation and open skies Throughout its history, the airline industry has been constrained by decisions made by politicians and governments. Government have controlled where airlines can fly, and aspects oftener product planning and pricing policies. ‘ They have also had a major involvement in the industry through the ownership of airlines. They have always had a role in regulating airline safety standards, a role that remains important and, principle, relatively non- controversial. For many years, and in almost all aviation markets, government controlled airlines’ route entry and capacity and frequency decisions.

In recent years, substantial regulatory reform has taken place, giving carries the challenge and the opportunity of responding to a free economic environment. In describing the system Of economic regulation Of the airline industry, a fundamental distinction has always been between the regulation of domestic services which are solely under the control of one government, and international services, which require the agreement of at least two. Until relatively recently, almost all domestic travel market were highly regulated.

The Agreement replaced and superseded previous open skies agreements between the US and individual European countries. Deregulation is also stimulating competition, such as that from small, low cost carriers. The Ex.’s IANAL stage of deregulation took effect in April 1997, allowing an airline from one member state to fly passengers within another member’s domestic market. Beyond Europe too, ‘ open skies’ agreements are beginning to dismantle some of the regulations governing which carriers can fly on certain routes.

Low-Cost Airlines in Europe Budget airlines' have been one of the main drivers of growth in intra- European travel, over the past decade. However, after a period of rapid expansion, it seems that the sector is now reaching maturity and that the growth is likely to slow down in the coming years. The low-cost business del is geared to short-haul routes, which allow for a quick turnaround of aircraft. As such, Lacks are increasingly in competition with other modes of travel, especially rail, which has undergone a substantial upgrading in recent years.

The European Air travel today has many more cheap air travel options than a decade ago. The partial deregulation of air travel in Europe in the sass allowed the rise of low-cost airlines, and flying even short distances in Europe is often cheaper than taking the train. The days when national flagship carriers dominated air traffic and were regarded as national symbols are one, and the fierce competition from low-cost airlines has led to bankruptcies and mergers of several large and reputable airlines.

But with so many more airlines operating in Europe, comes the difficult choice for travelers to figure out how to get the best prices and the services they desire. Low-cost airlines have exploded onto the European market in recent years, and routes that were traditionally covered by national airlines now face the stiff competition of low-cost carriers. Current economic conditions The correct down fall of the economy has hit hard in all most every industry, UT has hit even harder at the European airline industry.

The air transport sector has been hit hard by the ongoing financial and economic crisis. Both demand and supply have been retreating at an almost unprecedented pace since early 2008. According to the DATA, international passenger demand fell by 5. 6% in January 2009 compared to the same month in 2008, which was a full percentage point worse than the 4. 6% year-on The current economic conditions cause consumers to make cutbacks. France, however, remains on a growth curve after several years of declining popularity.

City and short areas are increasingly popular as holidaymakers head for France for a quick- fix getaway. Even with the current economic conditions people are still using the air transport for quick getaway, ; European aril nest affected The hardest hit has been the flag carriers' who have suffered hugely due to the slump in premium and business travel, coupled with the sharp rise in fuel prices. British Airways Pl in November posted a larger than expected first- half loss and predicted revenue would slump by one billion pounds by the end of 2009.

Germany's Deutsche Lufthansa GAG in October provided a loom outlook for the airline industry and reported that its third quarter operating profit fell 21 percent. Air France-KILL posted a current operating loss of 543 million Euros for the six months ended in September, compared with a current operating profit of 592 million Euros for the same period a year earlier. Pricing and revenue management pricing is a crucial activity for the air transport industry as airplane seats a perishable commodity.

Before deregulation of the major air travel market, pricing were a relatively a simple matter, as carries generally enjoyed a monopoly, duopoly or at least a cartel situation with other carries on most routes. (Minted June 2009) Since deregulation, the focus has switched towards filling the aircraft, which has led to greatly increased price discrimination (charging different customer segments different prices). The results has been rising load factors but decreasing real yield, as prices charged to marginal customers can be brought down to very low level (e. G.

Ryan) since the marginal cost of carrying one more passenger approaches zero. (Minted 2009) Soaring fuel costs and impending EX. Emissions measures spell danger for the industry. Load factors are also slipping as a ' golden period' of fleet expansion threatens to cause a state of ' over-capacity. To maintain the cheap ticket model, carriers are going to have to drastically raise their ancillary revenues (in-flight sales, charges and add-ions) and increasingly expand into accommodation and transfer services, in order to cope with the economic and legislative storms they are flying towards.

Revenue management In the present deregulated, competitive environment, the airlines have been obliged to adopt relatively sophisticated techniques to maximize revenue room their customer base. Formerly called ' yield management; airline revenue management, as the marketing mantra goes, consists of, selling the right seat to the right customer at the right price", and can be summarized as follows: ; Forecasts demand, cancellations and no-shows for each market segment. Forecasts demand elasticity (sensitivity to price) of the various customer segments (as defined by the route, cabin class, time of day, day of the week or season of flight, as well as booking window) ; Optimists selling prices and inventory allocation depending on business requirements. Tailors quotes each specific competitive situation ; Allocates inventory so that the carrier does not turn away the most valuable customers or fly with empty seats when demand exists for them.

Quickly responds to competitive charges in the marketplace ; Manages overbooking of inventory to balance the risk of displacing passengers against the risks of flying with empty seats. ; Monitors overall revenue performance of the controls in order to explain results and guide future decisions. Conclusion To summaries: The airline industry marketing environment in Europe has mom long way: From change the law on deregulation and open skies, the growth of budge airline, and from the development of Global Distribution Systems.

The industry has had plenty of ups and down but beside all the airline industry remains a large and growing industry. A number of factors are forcing airlines to become more efficient. In Europe, the European Union (E) has ruled that governments should not be allowed to subsidize their loss-making airlines, despite this, the airline industry has proceeded along the path towards globalization and consolidation, characteristics associated with he normal development of many other industries.

It has done this through the establishment of alliances and partnerships between airlines, linking their networks to expand access to their customers. Hundreds of airlines have entered into alliances, ranging from marketing agreements and code-shares to franchises and equity transfers. The outlook for the air travel industry is one of strong growth. Forecasts suggest that the number of passengers will double by 2010. For airlines, the future will hold many challenges.