

Cebu pacific paper

[Business](#), [Company](#)



Case Context Cebu Pacific Air owned by the Gokongweifamilyand established in 1988, is the provider of most domestic flights in the Philippines. In 2000, Cebu Pacific Air was able to go international and expanded operations to Asia-Pacific countries. It owns 45% of the market share, and is among the top 5 in growth in terms of passengers carried and served. The airline company is known for its promo fares, where one can save around 40% to 50%, if flights are booked early. For the longest time, Philippine Airlines, Cebu Pacific Air's competitor, dominated the local airline industry.

Through the liberalization program, the latter was able to enter the market and gain its share of customers and passengers. In response, PAL adjusted its prices to compete with the others, and focused its strategies on cheaper last-minute bookings. Cebu Pacific Air gives importance to customer value, and addresses it by providing hassle-free online reservations, on-time flights, comfortable flying experience, etc. Named as the " World's Number One Airline" by an e-newsletter, the airline has been growing and has continued to make its mark in the Philippine airline industry.

Its emphasis on the importance of the customers has helped Cebu Pacific Air to be successful in proving that it is indeed one of the top airlines in the country. MacroEnvironmentPrior to the Philippine aviation industry liberalization in 1995 under Executive Order 219, state-owned Philippine Airlines enjoyed virtual monopoly with the country's adopted policy of 'one country, one airline' imposed during President Marcos' administration. The industry remained uncontested between 1973 and 1994 compelling the government to regulate fares to prevent PAL from engaging in monopoly pricing.

In the years following liberalization, the domestic airline industry has attracted as many as five entrants but this has dwindled to three. Currently, the Philippine aviation market is mainly served by Cebu Pacific Air (CEB), Philippine Airlines (PAL), Airphil Express (APX) and ZestAir. As of August 2011, CEB is the market leader and holds 45 % domestic market share, followed by PAL with 22%, APX with 19% and ZestAir with 12%. Seair also takes a small part of this market such as by serving flights to Batanes. The impact of liberalization on the domestic industry is mixed.

Departure frequency increased in the most profitable markets, while smaller communities either lost service altogether or experienced sizeable declines in departure frequency and capacity. Furthermore, some markets served by a single airline have relatively higher fares. In the recent economic crisis, many foreign countries and the rest of the world were affected. The Philippines, however, was not greatly hit by this recession. Even though we fared better than the others, it cannot be denied that we were still affected.

Many multinational companies shut down their operations in the country, such as Intel and Goodyear. Also, many overseas Filipino workers from the United States, United Kingdom and the Middle East were forced to leave these countries with no promise of return. It also affected the Philippine Stock Exchange since it closely followed other stock exchanges from around the world, particularly NYSE. All of these resulted in great fears among the citizens. Filipinos are now more frugal and conservative in their spending habits.

The economy experienced dwindling demands of different products, which resulted to more production cuts, succeeding layoffs, and more layoffs. Filipinos started looking for products and services that would provide more value to their hard-earned money. As people are now starting to go back to the basics, leaving the extravagant lifestyle behind, companies now face the problem of losing their customers, even their loyal ones. Thus, many of them started offering products that would exemplify true value for money. More so, discounts and promos have boomed.

Cebu Pacific was no exception to this scheme. As many people considered air travel as something they could live without, the industry faced a bigger problem of attracting customers. The “Piso Fare” that they launched in 2005 was already a big help to company. More and more people are choosing Cebu Pacific over other airlines, such as Philippine Airlines. What is important now is for travelers to get to their destinations in the most affordable way possible, and the company was able to offer them a low-cost yet high-quality service that perfectly catered to the needs of their clients.

SWOT Analysis Strengths The key strengths of Cebu Pacific are on its strong market positioning, lean cost structure, ability to reap scale efficiencies, healthy brand equity, and balance sheet strength. The heights of Cebu Pacific’s victory over its competitors cannot be attributed to the aggressive low-pricing strategy that it blazed per se. The ability of CEB to identify the objects that are of value to their customers, and extend those perquisites at low cost is of tantamount importance in the airline’s success.

Cebu Pacific customers also get their value through the airline's very convenient online reservation and payment system. This, equipped with the company's partnership with banking firms as well as servicing companies such as LBC and Rustan's, as well as its rigorous promotion in social networking sites, allows the customers to access information regarding CEB's prices and low promo fares and easy payment. Equally valuable is also the management's employee training which reflects the company's strong customer-centered, team-based orientation. Weaknesses

To allow for its promotional activities such as low-fares in domestic and international travels, Cebu Pacific must also cut some costs on some segments of its operations. Either by cutting some operational costs or personnel costs, this would have an immediate impact to the image that the company is trying to project. With the entry of relatively smaller airline companies in the industry that can afford to compete CEB in low-pricing makes the airline company vulnerable to price wars, and this pressure increases the vulnerability of the airline to maintain its image.

Like all airline companies, and especially because of its big operations, Cebu Pacific heavily relies on forecasts of volatile fuel prices to produce sound business decisions and pricing. Lastly, industry commentators are disappointed that the strong brand and marketing platform of Cebu Pacific lacked scale in terms of fleet size. Opportunities The 21% year-on-year international passenger growth on the year 2011 opens a wider door for Cebu Pacific to increase its market share. Offering foreign travels exclusively

on selected destinations allows Cebu Pacific a wider market and a more flexible marketing mix.

The company's financial stability, sustained growth, and good brand image allow the financing for more expansion in the products and services they offer which is tantamount to put down competitive pressures from its competitors, both via costleadership and product differentiation. Cebu Pacific is strategically positioned for this as it has a strong domestic network that is able to offset headwinds to the international network. Reaping the benefits of scale efficiencies may be realized through this expansion.

Finally, with its biggest competitor facing internal labor concerns as well as concerns on solvency and liquidity, the airline can choose to increase market share profitably at the expense of this competitors—instead of only positioning to stimulate and grow the market. Threats That low-pricing schemes such as the PisoFares became a trademark for Cebu Pacific is threatening the airline's brand of acquiring an inferior image against its more expensively priced competitor products. Its customer segment that caters for businessmen and other high-profile class are at the expense of its extensive marketing promotion on cheap fares.

Also, the company's profit margin has been slowly declining as it engages in price competition with relatively smaller airlines such as Air Philippines and Zest Air. While both competitors have been investing for expansion, CEB must stand prepared while pursuing for a higher market share and leadership. Finally Cebu Pacific must strategically position its cost-cutting strategies such as outsourcing, as recent moves to outsource some noncore

operations of other airlines that has been encouraging from a cost-saving perspective has ensued labor disputes and strikes which showed the insensitivity of such a move.

Problem Through tedious research and careful analysis, we have proven that Cebu Pacific exhibits cost leadership as it was able to cut prices to deter the entry of new entrants and at the same time able to offer low prices to powerful buyers. (See Porter's Generic) Competitors are always on the look as to how they can catch up and perhaps Cebu Pacific may be threatened by competitors copying their low cost strategy. With this, how can Cebu Pacific maintain to be the market leader when time comes that competitors have already adopted their low-cost strategy?

Marketing Mix Product Cebu Pacific Air provides its customer both domestic and international flights to fifty two destinations. Company with its slogan it's time everyone flies tries to keep what they have been promised to its customers by offering a wide array of products and high quality of services aside from air fare to keep their customers loyal and to attract new ones. Cebu Pacific Air does not only provide travel through air but it provides tours for both land and water by building tie ups with travel agencies and hotels.

This tie ups provides its customer travel packages with hotel rooms at a discounted price, which make all the fun. Furthermore, the flight does not include a meal but they offer a fun shop where the company sells hearty meal, cold sandwiches, savory snacks, quick snacks, cold drinks, and hot drinks which are changed monthly for variety. Branded souvenirs such as stuff toys, watches, bags, etc. can also be purchased via online or inside the

plane. Moreover, other services include seat-selector, sport equipment fee, TravelSure insurance, prepaid baggage, rent a car, and buy event tickets.

Cebu Pacific Air always keeps on improving its existing products while introducing new products to tailor fit its products to its customers for more satisfaction and to gain customer loyalty. Price As the barriers to entry were lifted, new players can now easily enter the market to serve the domestic routes. Many benefits were gained by these actions, particularly in the reduction of air fare. Cebu Pacific used its pricing systems to gain a competitive advantage in the industry. It continuously strives to offer low prices, yet also continuously maintain the level of service it promises to deliver to its customers.

One of the main strategies of Cebu Pacific to attract customers was its low fares offered on a year-round basis, such as its “Piso Fare” and LiteFares. This made air travel more affordable to Filipino passengers. This move is considered to be a lethal one for its competitors for it captured a big portion of the market. And although competitors soon followed suit, it was already too late and Cebu Pacific had already gotten a strong position in the market. To compensate for such big discounts, flights that are booked closer to the actual date are fully priced, but they are still comparably lower than those of its competitors.

For Cebu Pacific, they value the things that matter most to their customers, such as training of their pilots and crews, aircraft maintenance, and on-time reliability, such that passengers will not pay for trivial things, such as paper tickets and free meals. They focus more on the practical and essential

matters to be able to offer their services at low prices yet still earn returns on them. Place Cebu Pacific Air has strategically placed most outlets where passengers can book their flights in business centers, near or inside malls, hotels, and airports.

These locations are usually where travellers go to, making it easier and more convenient for them instead of going to a place which might be out of their itinerary just to avail of the company's services. Aside from this, Cebu Pacific Air has been able to ensure access to customers through online booking. With the growth and development of technology, the airline company has been able to capitalize on the convenience and availability of the Internet to easily reach customers. Promotion Low promo fares are the best known strategy that Cebu Pacific uses to gain ompetitive advantage over competitors. Specifically, they offer 1 peso flights not just for destinations in the Philippines, but also in some areas in East Asia such as Singapore and Malaysia. This promotions strategy is the most popular and most common thing that comes to mind when thinking Cebu Pacific Air. Aside from the traditional forms of promotions and above the line advertising, this airline also makes use of newsocial mediaplatforms through below the line advertising. Cebu Pacific Airlines is the first airline industry in the Philippines to make use of these new technologies.

These types of advertising make use of social networks and give more focus to certain niche markets. An example of this type advertising is Cebu Pacific Airlines' use of Twitter for announcements, ticket promos, and games for chances to win free tickets. Another form of this promotion strategy can be

seen through a viral video posted in YouTube of Cebu Pacific's flight attendants dancing to the beat of the song "Just Dance" by Lady Gaga. The special dance number was presented to the passengers after the standard safety instructions had been performed and aimed to give passengers a more enjoyable flight experience.

Having assessed Cebu Pacific Air's marketing mix; we can truly say that its success can be attributed to its low price strategy and loyal customers. CEB has employed strategies to make flying accessible to everyone. They have lowered their prices and yet did not forego the quality of their services. CEB has been loyal to its value proposition of providing more for less. CEB knows very well that customers will try out low-priced products but will be turned off if it does not deliver the value/benefit it promises.

And no amount of advertisement will change their perception of a product after a bad experience, even if you have the lowest price in the market. And so, CEB has never been lax in maintaining the other component of their marketing mix besides price as competitive as possible to always satisfy customers. Recommendation Competition from other low cost carrier airlines continues to saturate the market and poses a threat to Cebu Pacific. To fly higher and up and above this hurdle, we now give you our counterstrategy:

Cebu Pacific Air: Juan time, Big time! Juan time, Big time is a full blast strategy that banks on Cebu Pacific Air's Cost leadership and Filipino oriented service to retain its market leadership in the domestic market and eclipse PAL in the international market. In this full blast move, Cebu Pacific will continue to leverage on its constant seat sales and low pricing while

making sure that it delivers true value to its customers. Cebu Pacific always wants to provide exceptional, unrivalled service at notches higher than its competitors.

To achieve this, Cebu Pacific needs to fuel this four-fold ‘Juan time, Big time’ strategy to continue to fly high and long in delivering its promise in letting every Juan fly. Fuel 1: Juan with You With Juan with You, we strengthen the customer flying experience to encourage more future flights. We will filipinize the customer flying experience and do this by always being hospitable in our service. Cebu Pacific will not only offer air transport, it will also offer a satisfying, fun, and hospitable flying experience.

Doing so will increase the perceived value of the Cebu Pacific Air flying experience. Juan with you will be implemented along with these tactics: 1. First, it will strengthen its customer service arm, and assign an actual active CEB officer in operating its Facebook and twitter pages to more instantaneously answer and attend to customer questions and concerns. This will communicate how Cebu pacific values its every customer. 2. Second, it should make its flight attendants wear Filipiniana attire, especially in international flights. 3.

Third, it should structure a hip, dance number around the performance of its in-flight safety guidelines. The last two will easily solve the problem of tedium that may set in after long hours for waiting for the flight’s end. Fuel 2: The Juan Time Cebu pacific will lead in debunking the old Filipino time concept, where late is acceptable, even expected. We will put an emphasis on sticking to only one time, the Juan time, and provide incentives to making

its passengers arrive early to allow early boarding. Also, Cebu pacific should train its ersonnel to always be fast and efficient in their execution of their tasks to further expedite checking in. Cebu Pacific should strive to increase its on time performance level and again to improve the value offered to passengers, give customer points for every late flight arrival that customers may use when they also avail of Cebu Pacific's loyalty card program. Fuel 3: Juan with the World Cebu Pacific has already achieved to become the leading low cost airline in providing domestic flights. Its competitors, however, offer more international destinations.

With this, we recommend that Cebu Pacific tap on more international destinations as their consumers would be delighted to know a variety of international destinations to choose from. This way, consumers would choose them among its competitors. Fuel 4: My only Juan Since Cebu Pacific has already managed to become the leading airline. It should now focus on keeping its customers loyal. This they can achieve through mileage programs to acquire points that customers can use in availing other flight add-ons. With this mileage rewards program, customers will be attracted to more to avail of the other services of Cebu Pacific.

Thus, this strategy will make Cebu Pacific the top choice and the only choice of every Juan. With this four-fold full blast strategy, Cebu Pacific Air will indeed be able to increase customer perceived value through the perks it offers at the same time retaining its low cost pricing. Thus, despite the threat of competitors adopting their low cost strategy, customers will still choose

them over others for they are fully satisfied and truly delighted with CEB's loyalty of providing more for less to its customers. APPENDIX Bibliography