

# Hong kong airlines marketing plan for india assignment

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The purpose of this project is to develop an international marketing plan for Hong Kong Airlines to expand to the India market. The first part of the project will cover the current marketing mix and strategies of Hong Kong Airlines, as well as the SOOT analysis. The second part will analyze the India market and explore the feasibility for Hong Kong Airlines to enter this market as a low-cost carrier, or commonly known as a budget airline. It will be followed by some foreseeable challenges, with the relevant remedial measures.

## 2. Current Marketing Mix

This section will illustrate the current marketing mix of Hong Kong Airlines.

**Product/Service** Hong Kong Airlines is a full service carrier which provides both scheduled regional flights and cargo services within the Asia-pacific Region. **Price** The airfare for Hong Kong Airlines is relatively lower than that of its competitors such as Catchy Pacific and Dragon. **Place** Hong Kong Airlines is a Hong Kong-based airline with its main hub and corporate head office at the Hong Kong International Airport. It uses the banning flower, the emblem of Hong Kong, as its logo. **People** Hong Kong Airlines emphasizes that their staff are young and energetic. It is expected that the size of employees will reach 2, 600 in the near future.

**Physical Evidence** As of February 2013, Hong Kong Airlines' fleet consists of 25 aircrafts with an average age of 3. 9 years. This is relatively new when comparing with other airlines. **Processes** Hong Kong Airlines adopts both direct and indirect process - direct online sales via its corporate website and indirect sales via travel agencies. **Promotion** Currently Hong Kong Airlines promotes mainly via advertising, incentives, customer relationship

management and public relations. Advertising Hong Kong Airlines does both <https://assignbuster.com/hong-kong-airlines-marketing-plan-for-india-assignment/>

hard and soft selling through digital platforms, including its corporate website, Backbone, Webb and Mobile APS.

Positioning as a young and enthusiastic airline, Hong Kong Airlines has invested a considerable amount on online channels in order to reach its potential customers. Besides, Hong Kong Airlines has utilized television commercials, printed advertisements and advertorials in magazines.

Incentives Hong Kong Airlines collaborates with local travel agencies, such as China Travel Service (Hong Kong) Limited. The travel agencies bundle air tickets with hotel accommodation and offer seasonal packages with appealing discounts. Customer Relationship Management Hong Kong Airlines has a customer loyalty programmer - the Fortune Wing Club.

The membership Bennett TTS include air award r baggage allowance to its frequent flyers. Public Relations demotion, priority check-in Andean RA Hong Kong Airlines highly involves in charity projects and sponsorship events. For example, it has launched the fund raising programmer, Fly ; Care, which aims to subsidy athletes for preparing the 2016 Brazil Paralytic Games. It has also received various service awards such as the Capital Weekly Service Awards in 2012. The majority of Hong Kong Airlines' passengers are middle-aged males, with annual income below RMI 50, 000.

They are generally value-conscious customers who are looking for reasonable service level with a relatively low airfare. Figure 3. 1 summarizes some features of Hong Kong Airlines' passengers. Geographic Segment | 84% from Asia-pacific region, with Hong Kong constituting 36%. |

Demographic Segment I Gender \* Male; \* Female ; 30%Age \* Below 50: \* 31

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-SO: 60% Annual Income Level on ARM) \* Below ask: 23. 3% \* kick: 31. 5% \*  
kick: 9. 4% \* 8. 9% \* ; kick: 14. 9% | Travel Purposes \* Business travel: 71% \*  
Vacation/others: 29% | Figure 3. 1 Segmentation of Hong Kong Airlines'  
Passenger

Competitors of Hong Kong Airlines High price Low price Low service quality  
High service quality Figure 3. 2 Perceptual Map of Competitors The vertical  
and horizontal axes of Figure 3. 2 represent price and service level  
respectively. Hong Kong Airlines is located at the bottom right corner  
because it provides reasonable service level with competitive price. Dragon  
and Tiger Airways both operate on similar routings as Hong Kong Airlines.  
With Dragon positioning as a premium brand while Tiger Airways being a  
low-cost carrier, they are selected for a more detailed competitor analysis.

Dragon Dragon is an international airline based in Hong Kong, which is a  
wholly owned subsidiary of the flagship carrier of Hong Kong - Catchy Pacific.  
It aims to offer customers enjoyable and comfortable flying experience via its  
full scope of services and quality cabin products Its customers' demographic  
profile is very close to that of Hong Kong Airlines: 85% of the passengers live  
in Asia-pacific and 30% of them live in Hong Kong; 66% are males and their  
average age is 41 -year-old; and the average personal monthly income is  
around SUDS, OHO.

They are service-sensitive and less price-conscious. More than half of the  
passengers are frequent travelers who fly for more than 6 times annually.

Tiger Airways Tiger Airways is a low-cost carrier based in Singapore. Low-  
cost carrier refers to airline that provides limited scope of service with low

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airfares. The airfare is meant for the transport service only and customers have to pay extra for baggage allowance, food and beverages etc, if required. For example, Tiger Airways offers a buy-on-board program, Tiger Bites, for customers to purchase food and beverage.

Tiger Airways operates between Singapore and some regional destinations in Southeast Asia, Australia, China and India. Their passengers are price-conscious and less service-sensitive. 4. SOOT Analysts Strengths Hong Kong Airlines can enjoy strong financial support from their parent company, Hanna Airline, which is the largest privately owned air transport company in China. Operating in a relatively small scale, Hong Kong Airlines can be flexible and responsive to the market changes.

Its young fleet includes both short / medium haul aircrafts (AWAY) and long haul aircrafts (AWAY-200 ; which can support routings between Hong Kong and Asia-pacific ports. Figure 4. 1 AWAY-ass's Coverage (from Hong Kong) Figure 4. AWAY-ass's Coverage (from Hong Kong) Weaknesses Hong Kong Airlines has a weak financial management. The Hong Kong Aircraft Engineering Company Limited has stopped providing services to Hong Kong Airlines due to its inability to settling the bills.

This forces Hong Kong Airlines to turn to another aircraft maintenance service provider - China Aircraft Services Ltd. Hong Kong Airlines is also weak in operational management. The Hong Kong Civil Aviation Department has frozen the fleet expansion plans of Hong Kong Airlines since August 2012 due to safety concerns, and advised it to consolidate the existing operations Witt current delete size. With a relatively small scale of operations, Hong

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Kong Airlines has a rather weak bargaining power with its suppliers of aircrafts, fuel, and aircraft maintenance services.

**Opportunities** The tourism industry in Asia-pacific region is expected to expand due to the fast economic growth, and the implementation of the intra-regional policies in tourism development. Currently the intra-regional traffic constitutes around 78% of Asian tourism, with budget airlines account for 24.9% of Sais's total passenger traffic. The Hong Kong Tourism Board will invest around HIKED million in opening up new sister sources in five new markets - India, the Middle East, Russia, Vietnam and the Netherlands. These developments in tourism will definitely increase the demand for air travel.

**Threats** There are keen competitions in the aviation industry, involving both the market leaders and low-cost carriers. One of the major operation costs for an airline is the fuel cost, which has a great impact on an airline's profitability. If the crude oil prices return to the peak of SUDSY- odd or higher, some small-scale airlines, like Hong Kong Airlines, may be unable to survive.

**5. Expansion to India** This section comprises an analysis of the India market, a marketing plan for Hong Kong Airlines to expand to India and some foreseeable challenges.

**Market Analysis** To expand the business of Hong Kong Airlines, entering the India market as a low-cost carrier would be a considerable option based on the factors below: Increase in Indian outbound travel The number of Indian outbound travel has been increased from 5.4 million in 2003 to 12.5 million in 2010. The World Tourism Organization predicts that India will account for

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50 million outbound tourists by 2020. Figure 5. 1 Outbound Traveler

Numbers of India Depreciation of Indian rupee The Indian rupee has been depreciating and cheap air tickets are becoming more preferable for the value-conscious Indian tourists.

Increase in the popularity to low-cost carriers The demand for cheap air tickets has made low-cost carriers more popular in India. In 2012, 37% of the Indian leisure travelers travel overseas via budget airlines. No low-cost carriers available between Hong Kong and India Despite the wide coverage amongst the Asia-pacific areas by existing low-cost carriers, currently there are no direct flights between Hong Kong and India operated by any low-cost carriers. Change in Indian aviation policy In September 2012, the Indian government has eased the restriction by allowing foreign direct investment up to 49% in private Indian airlines. 013-2014 Work Plan of Hong Kong Tourism Board (HACK) To open up new visitor sources for Hong Kong, the HACK has been actively developing new markets, including India. The proposed marketing budget for India in 2013-2014 will be HIKED 3. 4 million. The above factors have illustrated a growing market for low-cost carriers in India, which is not yet fully accommodated by existing airlines. Together with the open-up policy of Indian government and the marketing plan of HACK, it is a favorable opportunity for Hong Kong Airlines to expand its operation into India as a low-cost carrier. Remarks: There are rumors that Hong Kong Airlines' sister airline, Hong Kong Express, will reliance itself as a low-cost carrier in the near future. However, no relevant official announcement has been made by either the Hanna Group or Hong Kong Express. Regardless, this project aims to propose Hong Kong Airlines to enter India as low-cost

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carrier; any future development plans of other subsidiaries of the Hanna Group should be investigated separately. ] International Market Plan Objectives This plan serves to reliance Hong Kong Airlines as a low-cost carrier in India.

It aims to raise public awareness of the company's new positioning in the India market, with the ultimate goal to increase revenue. Target Audience This plan will target the potential customers in lambi and Delhi, which are the two cities containing the most outbound travel population in India - 33% and 26% respectively. Entry Strategy The ideal entry strategy will be cooperating with a local airline or company in the arm to Joint venture. It will reduce the risk to investment, and also serve to comply with the local government's policy on foreign direct investment.

However, Hong Kong Airlines needs to be very careful in choosing the right local partner as most of the local airlines are suffering from severe financial problems. Therefore, it would be preferable to resemble the capital partnership between Air Asia and the Data Group in India. Market Strategy In view of the strong cultural differences between India and Hong Kong, Hong Kong Airlines will adopt a localized market strategy and compete as a market niche amongst the existing competitors. Marketing Mix The table below summarizes the marketing mix which Hong Kong Airlines will adopt to enter the India market.

Prices \*Low | Product ' Service | \* Limited | Place \* Local back office \* Online channels | People | \* Local employees | Promotion | Direct Advertising \* Digital marketing: website, Backbone \* Interactive marketing \* Outdoor

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promotions \* Membership programmability Advertising \* Cooperation with other organizations / companies: Hong Kong Tourism Board, Indian's Ministry of Tourism & travel agents \* Product placement in films | Figure 5. 2

Summary of Marketing Mix for Hong Kong Airlines' expansion to the India Market As a low-cost carrier, the airfare will be much lower than its rivals.

Product The scope of service will be limited - the airfare will only include the transport service. Customers will be required to pay extra for the others, such as baggage handling, in-flight catering and entertainment. Hong Kong Airlines will set up local office in India, mainly for back-end operation but not customer-facing. Instead, it will utilize the online channels to approach the customers because there is a continuous increase in the number of internet users in India - from 5. 5 million in 2000 to 100 million in 2010.

People In terms of people, the company will recruit local employees to address the cultural differences between Hong Kong and India. The promotions can be classified as Direct Advertising and Indirect Advertising; the former refers to advertisements that reach the public directly, while the latter includes cooperation with other organizations and companies. For direct advertising, Hong Kong Airlines will utilize the digital marketing channels by setting up website and Backbone page specifically for India; besides having a fast growing amount of internet users, India also has the world's third largest Backbone community.

Interactive marketing activities, such as games and contests, can be introduced through these channels. The company will conduct outdoor promotions, like billboards, to respond to the cultural characteristics of

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Indians - collectivism and the preference of public space. Hong Kong Airlines will expand its membership programmer, Banning Miles, to India to retain customers and build a customer database for future promotions. Customers will be offered purchase discount upon accumulating certain amount of credits, wrought participating in the promotion events, such as referral.

It is different from other customer loyalty programmers, which customers can redeem complimentary flights or lifestyle awards with flying miles. Since Hong Kong Airlines will operate as a low-cost carrier offering low airfare, it would be difficult for the company to offer excessive complimentary awards to customers. As for indirect advertising, Hong Kong Airlines can cooperate with the Hong Kong Tourism Board and the Indian's Ministry of Tourism to promote Hong Kong Tourism to the Indians, and vice versa. This tie in with the current strategy of HACK to explore ewe visitor sources in new markets, including India.

The company will also cooperate with local travel agents to provide low-cost travel packages because 60% of Indians used to purchase air tickets through travel agents. Also, the depreciation of rupee induces demand for cheap travel packages. Since Plywood, the Hindi-language film industry, is one of the largest film product centers worldwide, Hong Kong Airlines will cooperate with the local film production companies for product placement. Potential Challenges The cultural differences between India and Hong Kong may obstruct the understanding and effective communication with the potential customers.

Recruitment of local employees and learning from the local partner(s) will help ease the cultural impact. Another challenge will be the high burden on operating cost due to the high taxation on luxury in India. Travel is still being regarded as a luxury in India and the tax on Jet fuel is 70% more than that in other countries. So Hong Kong Airlines needs to ensure a high passenger load factor on each flight and to strictly control other costs in order to leverage the overall operating costs. 6. Conclusion Hong Kong Airlines is currently a full service carrier in Hong Kong targeting value-conscious customers.

In order to expand its business, entering the India market would be a favorable option for the company because of the various opportunities of the India market - the increase in India outbound travel, depreciation of Indian rupee, no existing direct competitors, change in Indian aviation policy, and upcoming work plan of Hong Kong Tourism Board. In view of the market situation, the marketing plan of Hong Kong Airlines will rely on the company as a low-cost carrier in India, targeting the two cities with most outbound travel population, in the form of Joint venture.

It aims to raise public awareness of the company's new positioning in the India market, with the ultimate goal to increase revenue. The marketing mix will be - offering low airfare; providing limited scope of services; setting up local back office and utilizing online channels; as well as recruiting local employees. A wide range of direct and indirect advertising will be adopted, which includes online marketing, outdoor promotion, membership

programmers, cooperation with other organizations and companies, and product placement in alms.