

A study on
consumers behaviour
for inflight travel
marketing essay



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According to a report on Asia-Pacific travelers in 2005 by Tax Free World Association (TFWA), 93% of these consumers purchased a luxury or branded item while travelling, out of which 10% of these consumers would have purchase an item onboard the plane. The inflight catalogue placed behind the passenger's seat may seem insignificant to the general population, but it is in fact a big business in the world of travel retail. Inflight travel retail is a superstore onboard the plane, providing a wide array of items that passengers can purchase at massive discounts (up to 40% off city prices), travel exclusives and all at their convenience while flying to their destination.

Airlines and consumer goods companies are targeting at this market segment to increase their revenue. Understanding consumer behavior and passenger profile allows these marketers to utilize their resources effectively. This dissertation undertakes a marketing research approach with the intention of using the results to improve the effectiveness of marketing activities for inflight retailers.

Background

In 2012, Singapore Airlines (SIA) was awarded the Best Inflight Retailer in the Asia-Pacific Airline Retail Conference (SIA, 2012), voted by delegates from the airline retail conference. This is however not reflective of its sales volume or passengers' satisfaction. Despite strong recognition given to SIA for its excellent inflight retail services by professional retailers, inflight travel retail has not been the focus of SIA's operations lest any mention in its annual report. On the contrary, Cathay Pacific (CX), a 5-star airline in the Asia-Pacific region based in Hong Kong, has a dedicated team of specialists that focus on

its thriving in-flight sales program (Salian, 2010). Unlike CX, the inflight retail onboard SIA is externally operated by DFASS under the retailer named Kris Shop (KS). DFASS is a multinational concessionaire providing the business model, marketing strategies, inventory and training to selling crew in SIA (DFASS, 2013).

Research Questions

This research investigates how consumer behavior affects in-flight travel retail sales. Results from this research will provide insight for consumer goods retailers and airlines to increase in-flight travel retail sales.

What is the passenger profile of SIA?

What are the marketing strategies that Kris Shop apply to increase inflight travel retail sales?

How does consumers' behaviour affect inflight travel retail?

How can companies increase their inflight travel retail sales?

Research Objectives

This study aims to

To determine passenger profiles of SIA

To identify the marketing strategies applied by Kris Shop

To establish the relationship between consumers' behaviour and inflight travel retail

To suggest future marketing directives for inflight travel retail

Research Scope

The research scope specifies outbound passengers from Singapore who fly with SIA.

Research Model

Central to this research model (figure 1) is consumer behavior. Consumer behavior is influenced by endogenous and exogenous factors (Lane and Piercy, 2004). Endogenous factors are psychological influences such as motivation, perception and attitude. Exogenous factors include socioeconomic, cultural and group influences. Passenger profiling is a collection of quantitative information (Teichert, Shehu and Wartburg, 2008). Data typically include socioeconomic status, attitude and preferences of passengers. Review of current marketing strategies applied by inflight retailers provides a reference to compare consumer's preferences and what is currently being offered. Hence the gap between passengers' expectations and existing marketing strategy would provide insights for marketers to improve marketing effectiveness thus increasing inflight travel retail sales.

Passenger Profiling

Inflight Travel Retail Sales

Consumer Behavior

Marketing Strategies

Figure 1: Proposed research model

Literature review

A focused review on inflight travel retail, passenger profiling, marketing strategies and consumer behavior was conducted for this dissertation proposal.

Inflight travel retail

Many airlines now derive more income from their on-board commercial activities than from their conventional transportation business. Inflight travel retail has become a central importance to the competitiveness and long-term survival of the airline industry (Kerby, 2010). Experts in this field noted that passengers tend to spend more when they are flying, boosted by the holiday mood unlike how price-sensitive passengers are when it comes to airfares (Straits Times, 2010). Airlines are competing through innovative ways to expand their in-flight sales by engaging technology and retailing to the ground (DFASS, 2013). While most inflight shoppers purchases were pre-planned, in-flight shoppers tend to be more impulsive, more brand conscious, more price-conscious, less risk perceptive and possess a positive attitude towards advertising than non-shoppers (Huang and Kuai, 2006). However, a search on databases including JSTOR, ProQuest and ScienceDirect found limited literature on consumer behavior and marketing strategies influencing inflight travel retail sales, thus this dissertation study is proposed.

Passenger profiling

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Teichert, Shehu and Wartburg (2008) found that airline passengers can be classified as four categories as illustrated in figure 3. They also proposed that marketing strategies for the customized product packages should be aligned to the attitudes and socio-demographic profiles leading to a specific set of preferences in the respective customer segments. Balan (2007) also suggest that organization's customer profiling should be done by examining buying behavior, lifestyle and customer value.

Figure 3: Classification of airline passengers

Marketing strategies

The marketing process includes understanding the marketplace and consumers, designing a customer-driven marketing strategy and integrated marketing mix (Kotler et. al., 2009). Swarbroke and Horner (2007) suggest that marketing activity should concentrate on adapting product offering to particular circumstances of target segment needs and wants. Wunker (2011) further recommends key levers to marketing strategies including asymmetrically attacking competitors, securing distributors, emphasize new financial formulas and develop staff competencies suited for the environment. Hence marketing strategies should be closely associated with consumer behavior and remaining competitive in the business environment.

Consumer behavior

Understanding consumer behavior allows producers and marketers to produce the right product and sell them with marketing strategies that would

appeal to consumers. Foxall and Goldsmith (1994) suggested a sequence of problem-solving stages in consumer behavior as illustrated in figure 2.

Figure 2: Consumer behavior in problem-solving stages (Foxall and Goldsmith, 1994)

Researchers divide reasons for purchase into hedonic and utilitarian motivations. Hedonic consumption involves a multisensory, fantasy and emotive responses with one's purchase, whereas utilitarian consumption is motivated by a task with product acquisition as a goal (Huddleston and Minahan, 2011). Swarbroke and Horner (2007) argued that consumer perception is all that matters as it determines their actual behavior, therefore, organizations need to understand consumer's perception about individual products. Perceptions are however beyond the control of retailers and producers and can sometime be based on a prior experience (Huddleston and Minahan, 2011). Hensher, Louviere and Swait (1999) proposed that consumer's stated preferences enable investigation of new product features or combinations of features which do not yet exist in the market. Geuensa, Vantommeb and Brengmanc (2004) also found that travellers can be incited to consume by environmental factors. Hence marketers can work on environmental factors to influence consumer behaviour. Across cultures, consumers who are more collectivistic are likely to be more satisfied with an impulse purchase when another person is present at time of purchase compared to more individualistic consumers (Kacen and Lee, 2002). Holding other factors constant, Asia-Pacific travellers who come from more collectivistic society are likely to be more satisfied than travellers from other regions. Travellers also valued the utility and souvenir

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characteristics of products, ranking brand-name, utility, and low-cost products as factors contributing to consumer satisfaction (Perng, Chow, and Liao, 2010).

Section 2

Research methodology and strategy

There are two approaches to research, inductive and deductive. An inductive research is by drawing a conclusion from an empirical study by observing and generalizing from a set of data while a deductive approach refers to a process of drawing conclusions from other propositions or from data on the basis of logical reasoning (Boyce, 2002). Four research strategies are illustrated in figure 3.

Research strategy

Characteristics

Exploratory

Conducted for a problem that has not been clearly defined

Descriptive

Describes characteristics of the phenomenon

Explanatory

Establish causal relationship between variables

Multi-methods

Triangulation of results by using different methods at different junction of the research process

Figure 3: Characteristics of the four research strategies

Qualitative research

Research methodologies can be classified into two categories, quantitative and qualitative. Qualitative approach involves gathering a large amount of data about a small number of subjects, it assumes that reality is socially and subjectively construct and the researcher has to uncover meanings rather than testing hypothesis (Veal, 2005). Qualitative research can be used to explain personal experiences of individuals, focus on subjects' own understanding and interpretations, and are presented in a narrative form which makes it more interesting for non-experts. The methods used to gather qualitative information include observation, informal, unstructured and in-depth interviewing, and participant observation (Veal, 2005).

Quantitative research

Quantitative research involves the gathering and analysis of statistical data where researchers use numerical evidence to draw conclusions or test hypotheses (Veal, 2005). Relatively large number of subjects is necessary to ensure reliability of the result and analysis of the data is usually done by computer software. Hence the sample study represents a larger population and results are generalizable. Data sources include questionnaires-based, surveys, from observation or from secondary sources, such as sales data (Veal, 2005).

Proposed research method

Based on the research methods identified above, a deductive approach, explanatory strategy and quantitative method shall be selected and used for the dissertation.

Data collection

Secondary data

Secondary data is defined as existing fact and figures that are available for people to access and use (Boyce, 2002). Such data are essential in any research process, particular in the research design, enables researcher to ensure the validity and reliability of their study. It is inexpensive and easily accessed compared to primary data.

Primary data

Most market research embarks on obtaining primary data through surveys, focus groups and in-depth interviews. Surveys can be used to assess opinions, perceptions and attitudes (Glatthorn and Joyner, 2005). A survey questionnaire collects quantified data for decision making, provides transparency, presents information succinctly, possess comparability and captures complexity (Veal, 2005). Administration of standardized survey questionnaires is also an economical way to collect large amount of data. In focus groups and in-depth interviews, small numbers of carefully selected people give their opinions in detail in an informal and unstructured setting (Boyce 2002). Collection of primary data is usually more costly and time-consuming than secondary data.

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Proposed data collection

This dissertation would require both primary and secondary sources of data. A questionnaire shall be used as it is good for explanatory research (Veal, 2005). The questionnaire would consist of questions that include personal profile, self-reported buying behavior and spending capacity. The questionnaire will take the form of a self-administered on-line survey and captive group surveys from SIA passengers through travel agencies and on board the flights. Respondent-completion questionnaires are cheaper, faster and relatively anonymous; however it risks frivolous response (Boyce, 2002). Secondary data would include observations of the marketing strategies applied by DFASS, sales reports and literature on consumer behavior and travel retail.

Sampling strategy

Sampling helps to determine the corresponding value of the population and is essential in marketing research (Bryman and Bell, 2007). SIA flies about 17million passengers each year (SIA, 2012). Although a larger sample would be more accurate and generalizable in its findings, it is impossible to survey all 17million passengers flying by SIA. Thus the sample population is framed as SIA passengers who travel outbound from Singapore during the period of survey with sample size of minimum 200 respondents. This number is derived by applying the conventional approach, which is the average size of marketing research studies. Due to time and financial constraints of the dissertation, a convenience sampling method is thus selected.

Data Analysis

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Data can be broadly classified as categorical and quantifiable (Bryman, and Bell, 2007). A likert scale will be used to collect categorical data such as preference of retail products and marketing strategies. The collected data from the survey questionnaires would then be statistically analyzed to test the hypotheses using SPSS (Statistical Package for Social Science).

Presentation

The findings will be presented using bar charts to present the passengers' profile, consumer preferences and pie chart to show the breakdown of sales items in DFASS and other data figures to support the dissertation.

Validity and reliability

Reliability is defined as the degree of stability exhibited when a measurement is repeated under identical conditions (Veal, 2005). Validity refers to the extent to which the measurement procedure actually measure the concept that is intended to measure (Veal, 2005). The aim of the study is to establish the relationship between consumer behavior and inflight travel retail sales. Hence cross-reference of primary and secondary data such as past experiments can help to determine the reliability of findings. The survey questionnaire will consist of scales for respondents to choose their best response that would be valid for marketers to use these results in implementing successful marketing strategies.

Access

Access to passengers requires collaboration with external organizations, namely SIA, DFASS and travel agencies. The researcher will have to budget <https://assignbuster.com/a-study-on-consumers-behaviour-for-inflight-travel-marketing-essay/>

for sufficient time to draw up a proposal structured such that the study can help to understand its passengers' buying behavior and boost SIA's inflight travel retail sales. Survey questionnaires can be distributed by travel agencies and collected by post, emailed to SIA passengers who purchase tickets online and administering the questionnaire in a captive group of passengers on board the plane who fly outbound Singapore via SIA.

Ethical Issues

A self-administered survey questionnaire will ensure anonymity and reassurance shall be rendered for online replies. In addition, respondents' information will be kept confidential as per university guidelines.

Proposed dissertation schedule

Activity

Aug

Sep

Oct

Week number

1

2

3

4

5

6

7

8

9

10

11

12

13

1

Literature Review

2

Finalise objectives

3

Research design

4

Devise research approach

5

Draft research strategy and method

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6

Develop questionnaire

7

Pilot test and revise questionnaire

8

Write in to companies

9

Administer questionnaire

10

Data collection

11

Data analysis

12

Draft findings

13

Update literature read

14

Complete remaining chapters

15

Edit dissertation

16

Submit to supervisor for feedback

17

Revise and finalise dissertation

18

Submission