

# Classic airlines marketing solution

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Classic Airlines is considered the 5th largest airline in the country commanding a fleet of more than 375 jets that serve over 240 countries with 2300 daily flights coming in and out. In the 25 years Classic Airlines has been in business, it now employs over 32, 000 employees and has earned \$10 million on \$8. 7 billion in sales. (University of Phoenix, 2007) Ever since September 11th 2001 and the fall of the economy, airlines have seen a major decrease in sales and flying activity. As time has progressed it has picked up a bit but the cost of fuel and labor costs have been on the rise which has been difficult for some airlines, one such being Classic Airlines.

Classic Airlines has always been one of the top airlines known for their exceptional customer service and frequent flier program. However, since the rise of fuel and labor costs, the board of directors has mandated a 15% cost reduction over the next 18 months. This cut is strictly meant for having the funds to keep up with the fuel costs as well as labor costs and cutting down some of the funds for any other programs or activities being run by Classic. One of those programs that are being cut is the revisions of the Frequent Flier Program that their customers have grown to use and love.

Even though Classic is still standing their ground, due to the uncertainty of flying and the rise in air prices, Classic has seen a 19% decrease in their number of Classic Rewards members and a 21% decrease in their flights. They have also noticed that a lot of their customers have been jumping ship and running over to their competitors who have better prices and services. The board is not taking into consideration that their customers are the reason for their success and is not budging on trying to work the cuts out to where it doesn't affect the new revisions of their flying rewards program

to bring back their loyal customers as well as trying to gain new members. The Classic Team is trying to devise a plan that will show the board that they can still make their budget costs without going over and that in the end it will still provide a measurable return on the ROI. (University of Phoenix, 2007)

**Issue and Opportunity Identification** Classic Airlines is facing a few serious issues and even though they are still maintaining a profit, they are slowly starting to lose their customers to competitors due to better services and cheaper prices. Classic needs to find a way to create a better rewards program without dipping into the budget that the board of directors wants to keep. One of the major problems for Classic is when Amanda Miller took over as CEO when the former CEO Jack Broadway retired. Amanda's attention is more focused on the Operational Side of the company and not so much for the marketing side.

She is determined that their budget is going to be solely for the fuel and the labor and feels that the Marketing and the customers should come in second place. Catherine Simpson who is the CFO of Classic is Amanda's right hand man and agrees with Amanda on the operational side of things. The rest of Classic's Executive team deals mainly with customer service and employee satisfaction. Kevin Boyle who is the Chief Marketing Officer for Classic has been assigned the task to revise and restructure the rewards program so that Classic can not only maintain the customers they still have and offer them a better service but they can also persuade new customers to come on board and fly their airline.

Kevin also has to create a plan when working on this program that shows that they can still make a measurable Return on their Investment. Classic also needs to work on their employee morale and maybe offer their employees a chance to get involved with the Rewards Plan restructuring. Since the uncertainty of Classic's Future, the employees have not been living up to their full potential and this is not only starting to hurt the employees but Classic as well.

**Stakeholder Perspectives/Ethical Dilemmas** There are many stakeholders involved with Classic Airlines that all have concerns and issues over the future of Classic. Some of these shareholders are, Classic Airlines, the shareholders, the executive team, the consumers and the employees.

Due to the drop in profits, the shareholders have been very concerned over the lack of new investors. The executives, especially Amanda and Catherine believe that they know the customers best and even though revisions to the Rewards program can be made, they should be made without having to spend a single penny so that they can still meet their budget. The consumers feel that since Classic had to drop due to budget cuts some of their customer service help, they no longer care about the wants and needs of their customers and this has been causing a lot of their loyal customers to jump ship and go over to their competitors who do offer the services they need.

Classic has been approached by Latin Airlines to form an alliance with them and help them with their decision making and restructuring of the new program since their airline is known best for their customer service. If Classic decided to join forces, this could help tremendously with the budget cuts but

on the downside, Classic would now have to make decisions that could not only affect them but Latin Airlines as well and they would not be able to freely decide what is best for their company without running it by Latin Airlines as well. So, even though working with this highly reputable airline could really help make things better for Classic, consumer and financial wise, they would be giving up their right to solely make decisions on what is best not only for their consumers but for their company as well.

**Problem Definition** By recreating customer satisfaction, Classic will be able to continue its success in the airline industry and bring forward more profits for their shareholders. This will also help with bringing back the loyalty of their customers as well as possibly gaining new ones. **“ End-State” Vision** In order to regain their customers trust and loyalty, Classic will have to take advantage of their Customer Relationship Management System they have in place.

This should help Classic be able to bring back their past customers as well as gain some new ones. If the system is used correctly, this should also work within the budget they have been given and the shareholders should once again start seeing the ROI. Classic’s employees would have to be motivated as well to bring forth the best customer service attitudes they have in order to keep Classic’s customers happy.

**Identifying/Assessing the Alternative Solutions** The goal right now for Classic is to gain back their customer’s “ Total Customer Satisfaction” through the services they have to offer. According to Kotler & Keller, 2007, “ Satisfaction is a person’s feelings of pleasure or disappointment resulting from

comparing a product's perceived performance (or outcome) in relation to his or her expectations. If the performance falls short of expectations, the customer is dissatisfied.

If performance matches expectations, the customer is satisfied; if it exceeds expectations, the customer is highly satisfied or delighted." Classic has been known in the past as one of the best in customer satisfaction but since the downfall of the economy and the most recent budget cuts that has hurt their customer service department as well as services; they are falling behind in that area. They need to now step up and create a program that will bring back their past customers as well as bringing in new customers.

Some of the ways they could do this is by offering double rewards for new customers up to 6 months or offering more perks for their existing customers like free baggage check ins or double or triple points on their birthdays. Free companion tickets after reaching so many points or upgrades to first class. These types of incentives will help Classic reel in and persuade more customers to come on board.

The second thing Classic needs to do is work with their employees. They need to offer the employees some incentives and reassurance that they are restructuring the company to where it will regain its popularity status and once again maintain its title as the 5th best airline in the world. They need to get their employees more involved with the restructuring process as well as offer more incentives and promotions. The employees are the ones who keep the customers coming back, without them, Classic might as well close their doors.