

# Easyjet's market segmentation



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Market segmentation is the research of breaking up general market into clientele subsets or segments, which's in segment distributing similar characteristics and desires. Segmentation in general engages significant market study and can therefore be expensive. It is performed predominantly in primary business with highly differentiated merchandise lines or assisting huge markets. The little enterprise tends to find out the segment it serves best, by the test and mistake of considering with customers and supplying goods more and more apt to its specific clientele.

EasyJet is intended to be " simple" and trouble-free (easyGroup, 2008).

EasyJet airlines fare differentiation has been the key to profitability. It is small a British airline, it has carved its niche in short-haul flights with low prices and no frills. It started its operation in 1995 with three Boeing 737 connecting three Taxes cities. Soon after the company grow to 157 planes, a route network to 37 cities and annual returns of \$2 billion. Flying from minor airports and stay away from the major airport hubs, put easyJet on a side from the direct rivalry with other airlines. For instance easyJet operates between cities and internationally by offering point-to-point short flights. It has been capable to keep its fares at a low level because, it operates one type of Aero plane (The 737), thus eliminating expenses of maintaining of different types of plane. And it offers strictly no frills, i. e. luggage or other belongings. As a result easyJet can fly one passenger for 6. 8 cent per mile (American 8. 8 & United 9. 6 CENT).

ReÑ•eĐ°rÑ ħ ĐžbjeÑ ħ tive

This assignment focuses on a cheap, no frills, UK based Airline company called easyJet. Despite of economic crises, it enjoys the increasing cashflow and market share growth with its poor brand (easyJet, 2009b).

### Critical Literature Review Based On easyJet Air Line Industry

EasyJet offers cheaper flights and “CHEAPER” in one of the big way a company can set apart its offering. Color orange is becoming the synonymous of the firm easyJet, as it has become worlds most low-cost and useful airline (Alamdari and Fagan, 2005).

Event

## **Time**

First flight

November 1995

Appointment of Ray Webster as Managing Director

March 1996

First international flight (Amsterdam)

April 1996

One million passengers mark passed

October 1999

easyJet floated on London stock exchange (shares six times oversubscribed)

November 2000

Online bookings reach 80% (highest proportion in the world)

2001

Stelios announces he will step down as Chairman

April 2002

easyJet acquires GO (becomes largest low-cost airline in Europe with 81 routes)

August 2002

easyJet announces that it will grow aircraft capacity by 25% per year until 2004

October 2002

easyJet exceeds £1 billion turnover figure for first time (fleet size = 44 aircraft)

2004

Two profit warnings

Early 2004

Ray Webster announces intention to retire as Managing Director

May 2005

Icelandair acquires stock in easyJet

October 2005

(Source: extracted from Jones 2005)

Figure 1: Milestone events in easyJet's development over time

The firm can also create value by offering something that is Better, Newer and Faster. "Better" means that a company is offering outperforms its rivals' offers; it usually engages an improvement of the existing products/ service in a minor way. "Newer" means developing the unique solutions that don't exist from before, it usually involves higher risks than a simple improvement but also chance of higher gain. "Faster" means cutting down the time of performance or delivery in the process of using or buying a product/service.

Companies that differentiate their offerings solely by cutting their costs and price may be making a mistake, for several reasons. Firstly "cheaper" products are often viewed as inferior in quality. Second the firm may cut the services to keep the price down, and this action may alienate buyers. Finally a competitor may will usually find a lower-cost production site and offer an even cheaper version. If the firm did not distinguish it is offering in any other than price, the competitor will soundly beat it.

The company must know about their goal and what they want to achieve with the product/service they offer to their clientele.

For instance if easyJet has selected its target market and market spotting watchfully, then its marketing mix strategy, counting price will be fairly

simple. EasyJet always target short distance flyers, i. e. business class people. As mentioned earlier easyJet is hitting passengers who can drive to their destination, but rather than driving company's offerings are such that they can easily fly their way. A top limit on the price that the company can charge for its offered product/services is set by Demand and the costs of the company sets the base.

Any company desires to charge a price that cover up its cost of production, distribution, and sales cost, including a fair give back for its hard work and risks (Gary Armstrong & Phillip Kotler, 2005).

easyJet each aircraft on average is 2. 2 years old. They fly almost new planes and fuel-efficient (Airbus Press Department, 2006). EasyJet has frozen its cost, by flying only one type of planes i. e. 737; as a result it is able to eliminate the maintenance cost. Companies who use different types of planes their maintenance cost is usually high. EasyJet is the first carrier and it proud on it, when it charges its customers for even a cup of coffee (Sager, 1998).

Secondly easyJet do not offer its passengers any kind of free food, for example lunch, dinner or any snack, but only a bag of peanuts. In June 2005 easy lounges were introduced, even though passengers had to pay for that as well, but it resulted in the attraction of business travelers.

Moreover, Reusable tickets, first come first served basis, seating in high density and single class cabin (Sager, 1998). Unlike British Airways or any other high class Airlines, easyJet is a classless airline. Facilities are all mutually same for all customers, which in turn helps easyJet management to

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work out the exact cost. EasyJet has adopted Value Pricing technique. In Value Pricing companies offer a high product for a reasonable low cost. EasyJet provides a comfortable flight and friendly services, for the cost of almost one-third of its competitors, though one without frills. EasyJet is also one of the Airline industries that posts profits on a consistent basis. Due to very low prices it's very difficult to compete it on prices base. (Simplicity in pricing structures and convincing the customer that the airline is " doing one thing and doing it will" (Laura Ries President of Rise & Rise quoted in Nigam, 2008). EasyJet knows about this fact that's why it does not compete on prices alone, rather it has one of the best on time flight records in the industry because it passes by the most crowded hubs. It can offer additional flights to business travelers with busy timetable, for the same cause. EasyJet stands itself as a " fun" airline that breaks regulations but not promises. The support of consumer is conditional on the ability of firm to exhibit its alignment with the society's behavioral norms, ideology and moral standards (brown & Dacin, 1997; Carroll, 1999; Managing & Ferrell, 1999). EasyJet is always keen on time and punctuality. Thing that matters most for the business travelers is " time", it facilitate its segment customers in cutting flight time by avoiding busy routes.

" Question haunts industry as low-fare carriers taken hold of market share, and high costs, low productivity begin to squeeze the life out of some Airlines" (Aviation Week &

Space Technology New York; Nov 18, 2002). By observing the past two years while most of the industries were suffering by the hard time of recession, Airline like easyJet was enjoying its maximum earnings. Which opened the <https://assignbuster.com/easyjets-market-segmentation/>

eyes of the other airline industries and they realized, that they don't have any strong hold on the market shares compare to these low cost airline industries like easyJet.

Emerging slowly but surely is a domestic industry that eventually could be dominated not by traditional hub-and-spoke airlines, such as United and Delta, but by low-cost carriers like easyJet. Some of them could become shadows of their previous slaves. Moreover, one could argue that UK Airways, who has lofty fixed cost and low productivity, was in fact the first victim of the low-cost carriers.

It has been assumed that By 2017, the domestic market share of the " Big six" plus British Airlines will fall from 75% (2008) to 50%. And by the end of 2020, it may get settle by 45%. By 2013, Edmund S. Virgin Airline will be the British largest UK Airline, and passing other emerging airlines easyJet will grow to be the third largest UK airline by 2020, depend on the degree of difference in growth rates of the two groups of carriers (Begley, 2002). On 11th November 2006, The Times suggested that easyJet were successful in capturing the business market.

EasyJet should take this in consideration that where it should respond by ceding niche-market or by competing ground low price to the new contestants. Short-haul routes and facilitating good customer service might help easyJet to be dominant over its new competitors.