Name: **Enrolment No:**	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2018

Course: Aviation Marketing Management **CC:TRAV 8006**
Semester: III
Programme: MBA AVM
Time: 03 hrs. **Max. Marks: 100**
Instructions:

SECTION A

S. No.		Marks	CO
Q 1	**Answer the following questions (a to d abbreviations) 2 X 10 = 20**		
A	AIDA is an acronym that stands for ____________________	**2**	**1**
B	TRACER is an acronym that stands for _________________	**2**	**1**
C	TOD	**2**	**1**
D	POP	**2**	**1**
E	Anything that can be offered to a market for attention, acquisition, use, or consumpti on that might satisfy a want or need is called a(n): a. idea. b. demand. c. product. d. service.	**2**	**1**
F	What is Aerotropolis?	**2**	**1**
G	Cognitive dissonance occurs in which stage of the buyer decision process model? a. Need recognition	**2**	**1**

	b. Information search c. Evaluation of alternatives d. Post purchase behavior		
H	The fact that services are sold, produced, and consumed at the same time refers to which of the following service characteristics? a. Intangibility b. Inseparability c. Variability d. Perishability	**2**	**1**
I	If a company (considering its options on the product/market expansion grid) chooses to move into different unrelated fields (from what it has ever done before) with new products as a means to stimulate growth, the company would be following which of the following general strategies? a. market penetration b. market development c. product development d. diversification	**2**	**3**

J	An airline's schedule requires clearance by DGCA, prior to implementation. Yes/No	**2**	**1**
	SECTION B **Answer any 4 questions**		
Q 2	**Write Short Answers** **4 X 5 = 20**		
A	Describe the five dimensions of service quality.	**5**	**2**
B	Briefly mention the outline of airport marketing plan.	**5**	**2**
C	How does passenger profiling benefits the airports and other stakeholders?	**5**	**2**
D	What is POD? Explain with suitable example.	**5**	**2**
E	Describe different ways to position a brand.	**5**	**2**
	SECTION-C **Answer any 3 questions**		
Q 3	**Long Answers**. **3 X 10 = 30**		
A	Create a brand position Bull's Eye for Indigo Airlines to demonstrate its market leadership.	**10**	**4**
B	Analyze how airport use strategic and operational marketing to gain competitive edge.	**10**	**3**
C	"Set-up in our Airport Area because it's better than the others". Evaluate the statement using TRACER model.	**10**	**4**
D	For Indian airports, aeronautical revenue accrues primarily from airlines. However, the larger airports are benefiting increasingly from related businesses, both aeronautical and non-aeronautical. Explain what these elements are, and as the newly appointed marketing strategist for a metro city airport, what would be your recommendations for revenue growth.	**10**	**4**
	SECTION-D		
Q 4	**Answer both the questions** **2 X 15 = 30**		
	CASE STUDY For most of the past 75 years, air travel has enjoyed a substantial advantage over alternative modes in speed and convenience. But in today's world of heightened security and congested skies, the hassles and complications of booking, boarding and departure have stolen much of the time advantage conferred by higher point-to-point speeds. Customer dissatisfaction with the increasing difficulties of flying has made many travelers eager to try new or different alternatives. The increasing complexity and time involved in air travel comes at a time when government-subsidized high-speed rail in many nations has negated some of air travel's speed advantage, at least over short-to-moderate distances. Combined with ease of booking and boarding, the		

A	usually lower cost of high-speed rail, where available, has made it an attractive option for travelers. Further, many companies now substitute telepresence in place of meetings that would previously have required in-person attendance. Travel management companies often work to integrate telepresence into their corporate travel solutions. Substitution would be a problem in and of itself. But the financial picture for airlines is further darkened by commoditization. Airlines, more focused on immediate operational challenges, have failed to sufficiently differentiate their products and services to appeal to the specific needs of their diverse customer base, making it a struggle to increase revenue per passenger kilometer. While this was poor strategy in the past, it will become completely untenable if either the threat of substitution continues to grow or a competitor begins to offer truly differentiated, compelling and well-targeted service-based products. How can airlines combat these multiple challenges and position themselves for prosperity in the coming years? A cornerstone of any preservation strategy to guide the industry through economic turmoil must be a dedicated commitment to maintaining cost discipline. This is an essential step to be undertaken before embarking on any program of change. To break the cycle of commoditization and to compete more effectively against substitute travel providers, most airlines need to increase the degree of segment specificity that defines their marketing program. Product development must be undertaken with only specific target customers in mind. All subsequent efforts to reach and serve these customers must also be unique to the specific needs of the chosen travel segment. By targeting narrower customer segments, airlines will find that, over time, their products and services will stand out from their competitors, and the customers they attract will be more willing to pay a premium for the differentiated experience delivered. Another viable response to the threats of substitution and commoditization is to increase the level of journey integration between airlines and other travel service providers. An airline that elects to pursue this strategy will coordinate more closely with other modes, such as hotels, airports, and public transportation providers, to provide consumers with a more integrated travel experience. This is a service no travel provider currently delivers. It should provide an enhanced customer experience that will enable airlines to compete more effectively against substitutes. Finally, for the truly transformational play, an airline can elect to move forward aggressively with both higher degrees of segment specificity and increased levels of journey integration. These carriers will find themselves delivering specific segments products that satisfy the unmet desires of travelers for a seamless travel experience. Properly implemented, we believe each of these strategic options can provide transformational results over the long term. **QUESTION** Evaluate the reason why the global airline industry can no longer afford to ignore substitution and commoditization.	**15**	**4**
	CASE STUDY		

Business environment in the airline industry While, in the past, the airline industry was characterized both by high growth rates and governmentally regulated protectionism, the liberalization of the airline industry in the EU has lead to the development of a highly competitive market (Doganis, 2006, 10). The most obvious evidence for increasing competition is the market entrance of low-cost carriers who touted generally a simplified fare structure with lower ticket prices capturing thus significant market shares of ca. 10% in Europe and 20% in North America. According to Doganis (2006, p. 22) Ryanair and easyJet, the dominant LCCs in Europe, grew their passenger traffic at an average rate of over 40% p.a. between 2000 and 2004. Many network carriers, such as British Airways, were failing to operate profitably. While the LCC initially targeted the leisure segment, there is evidence of an increasing number of business travelers flying with these airlines. Several studies indicate that the traffic mix of economy, business and first class passengers has changed over the last 10 years. Under these circumstances, knowing customer preferences and predicting their choice decisions becomes an ever more important consideration for the marketing policies of airline companies.

The highly competitive environment leads to customer behavioral changes. In the past, the airline industry has relied on a combination of high-paying business travelers and price-sensitive economy passengers. Since the ‘‘old days’’, the proportion of economy passengers has risen, while the average fare of these passengers has fallen by a third (Swan, 2002). Business passengers are tending to choose tickets based on prices. A survey of short-haul business passengers found 40% of this market to be price elastic and to make extensive use of LCC tickets (Mason, 2002). The market changes have had an impact on leisure travelers' behavior as well. The market entry of LCCs has added new segments of price-sensitive passengers to the market, causing an increase of the popularity of ‘‘short breaks’’ in the last few years. The number of holiday packages is decreasing because LCCs offer leisure travelers the possibility of traveling at more attractive times or more flexibly and of organizing their holidays by themselves (Mason, 2005). In the upper-echelon of the market, jet sharing companies offering expensive but efficient and reliable connections between economically important cities have made pathway into the senior manager market. These effects were amplified by the establishment of the Internet as a new distribution channel. The rise of Internet tore down the barriers of the availability of competitive ticket price information. Distribution costs also decreased due to the lower number of intermediary agents in the transaction processes. Thanks to lower search and transaction costs, customers can directly influence the price because they can access the fares of dozens of airlines, for any destination, with route and time of departure. In spite of these drastic market as well as demand changes, network carriers based their marketing activities on a two-class customer segmentation in business and leisure travelers. Business travelers were assigned to fully refundable tickets, leisure travelers to low priced tickets. Today, proportionally more travelers than in the past choose economy-class products (Mason, 2005). Increasing price sensitivity has led to reduced average yields of airlines and to excess capacities in the market. These factors intensified competition and in turn were amplified by external market shocks such as higher kerosene costs and economic shifts in western European countries (Inglanda et al., 2006). Due to a

	lack of focus in product policy, network carriers and LCC often aim to reach the same consumer segments. Network carriers were hence obliged to revise their business model by adapting to the low-pricing strategies of LCCs which obtained a significant cost advantage. However, the cost-reducing measures of network carriers are ineffective for handling the needs of both traditionally differentiated segments. As a consequence, business customers buy products that do not satisfy their quality expectations and leisure travelers receive over-engineered offerings that surpass their quality expectations, but not fulfill their price expectations (Lindstadt and Fauser, 2004). This is likely to lead to further erosion of market share on both sides. Given the inherent cost structure of network carriers, they should strive to better serve those customers who are not focusing on price alone but who seek tailored product offerings. Our hypothesis is that these customers are ill served and that they are in demand for new product offerings which combine utilitarian as well as hedonic features. In sum, airline companies are faced both with major changes in their business environment and the changes in customer behavior. The class flown seems to be no longer an appropriate indicator for identifying discriminately heterogeneous customer segments. Traditional segmentation of passengers in business and leisure is becoming obsolete because preference spectra within both classes are becoming wider (Alamdari and Mason, 2006). New segmentation techniques are needed for identifying different segments which represent homogeneous customer preferences and which are responsive to targeted product offerings. In the next section we present a brief definition and a review of segmentation methods. Following this, we will apply a new way of segmentation to an especially important market population: the frequent flyers of a network carrier. **Question** Analyze the role of customer segmentation in airline industry.		
B		**15**	**4**