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Name: **Enrolment No:**	UPES UNIVERSITY WITH A PURPOSE

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2021

Course: Aviation Marketing Management — **Semester: VI**
Program: BBA(AVO) — **Time: 03 Hours**
Course code: TRAV8006 — **Max. Marks: 100**
Instructions:

SECTION A

		Marks	CO
I	**Answer All the questions:**		
	1. Marketing is used to described B2B or Firm to firm marketing in airline Business a. Consumer Marketing b. Industrial c. Individual d. Corporate	**5**	**CO4**
	2. In analyzing a Airline marketing environment it is usual to use the model known as____________ and __________?	**5**	**CO2**
	3. Acknowledge that effective control of _____________is one of the most important drivers of profitability in the airline industry, and act to establish and sustain such control.	**5**	**CO3**
	4. _____________is a marketing philosophy whereby a firm gives equal or greater emphasis to the maintenance and strengthening of its relationships with its existing customers as it does to the necessary search for new customers.	**5**	**CO4**
	5. To build a strong Technology system in Airline business, the enterprise should have -------------------------- and Product Management.	**5**	**CO3**
	6. The fact that Tangible brand values can often be easily matched means that powerful brands cannot be based solely on them. Brand power is normally dependent on _______________ values	**5**	**C03**

SECTION-B

	Answer the below mentioned Question		

	1. Explain all the types of Airline Pricing strategies with example?	**10**	**CO2**
	2. Mention Stages in the Application of Marketing Principles to Airline Management	**10**	**CO4**
	3. Explore each component of the PESTE model in an airline context?	**10**	**CO2**
	4. In many aviation markets today, airline managers are facing the challenge of change and adaptation. They were formerly able to enjoy the reassurance of regulated conditions, with limited competition and only a very slow pace of change, elaborate these challenges and issues by domestic and global carriers.	**10**	**CO1**
	5. Porter proposes that successful Focusing can come about in two ways. Some Focusing firms achieve a defendable position by adding a great deal of value, which allows them to cover high production costs and still sustain profitability, illustrates both of these positions for the airline industry?	**10**	**CO3**
SECTION- C (20 marks)			
Q	Answer All the questions		
	The growth of the aviation industry has seen a rapid increase in low-cost carriers (LCCs) commencing operations, threatening the sustainability of a number of legacy airlines. The response to this challenge and threat has been for legacy airlines to create an airline-within-airline (AWA). High levels of autonomy, clear strategies, complimentary route networks, appropriate resources and minimal cannibalisation are identified as the primary attributes required for a successful AWA operation. Legacy airlines whose AWA strategy failed in the past often did not operate with all these essential attributes, which resulted in their AWAs undermining and competing directly with their own operations. Aviation is a fast moving, dynamic and ever changing industry that requires airlines to constantly be innovating and pre-empting events in order to remain competitive. Over the years the airline industry has been challenged by occurrences from within the industry such as industrial action and improved technology as well as from external sources (e.g. government directives, regulatory bodies, the environment and terrorism). The advent of the low-cost carrier (LCC) in the early 1970 s had a profound effect on the airline industry and the way that network airlines operated (Detzen et al., 2012). LCC's were nimble organisations that had clear future orientated strategies that could easily adapt to the changing market conditions. This was particularly important as it allowed for a sustained competitive advantage over rivals to be achieved (Pearson et al., 2015a, Pearson et al., 2015b). At the core of LCC strategies were simple streamlined product offerings, high capacity aircraft, mono-aircraft fleets, and efficient crewing methods (Button and Ison, 2008, Graham and Vowles, 2006). The cumbersome network carriers struggled to compete with		

these fast moving carriers with their low overheads and high customer satisfaction. As a result, these network carriers had to significantly alter their own operations in order to remain relevant and survive (Graf, 2005). Their response was to create an Airline-Within-Airline (AWA).

AWAs became a common method of competing with the world's growing number of LCCs during the 1980s and particularly the 1990s (Doganis, 2006). However, the high failure rate of numerous AWAs over the years suggests that these operations are far more complicated than many network carriers originally believed. AWAs require a significant amount of resources, personnel and market understanding to be implemented correctly and allow for sustained operations to occur. The US network carriers, namely United Airlines, Continental Airlines, Delta Airlines and US Airways all created AWAs which would ultimately fail, primarily due to incorrect fleet choice, competing rather than complimentary networks, and a lack of vision and strategic direction from management; all of which are critical attributes of a successful AWA strategy (Morrell, 2005).

One of the first successful AWA cases was that of Jetstar, which was established in 2003 and is the low-cost subsidiary of the Qantas Group. Seven years later in 2010 the Singapore Airlines Group acquired a majority stake in Tigerair for low-cost short-haul operations. The following year, Scoot was created which would serve as the group's low-cost medium to long-haul option. Tigerair became a fully owned subsidiary of the Singapore Airlines Group in 2016. All of these AWAs continue to be in existence, and allow their respective Group's access to an ever increasing pool of lucrative budget travellers and middle income passengers that they would not have had access to if they relied on their previous premium-only strategies. Ultimately, these AWAs have allowed the Qantas and Singapore Airlines Groups to attract short-haul and long-haul passengers at both ends of the price spectrum, which is a significant advantage over their competitors, particularly when premium demand softens during the periods of economic uncertainty.

At the core of the high failure rates for AWA strategy is the difficulty for the parent airline to successfully manage the concept of dual or multi-brand operations. If it is managed incorrectly, the result can include strategic incoherence, market cannibalization and duplication of resources. Observing the actions of the hotel sector from the hospitality industry can yield insights into how and why this industry can succeed in offering a portfolio of brands to their customers while airlines struggle to offer more than one. Hoteliers offer numerous brand options in order to best meet their guests' needs, as they recognise that a corporate city guest has differing expectations than that of a leisure guest. Therefore, the hotel operators create multiple brands that appeal to specific markets rather than expecting all

	groups to be satisfied with a single option. The same premise can be applied to airlines as the needs of low-cost passengers inevitably differ to those of premium passengers. In turn, airlines must alter their operations and create new brands and offerings to best meet the needs of different groups of travellers. This must be done in a sustainable manner to avoid causing confusion to passengers or cannibalizing other parts of an airline's operations, which was a significant issue with the early AWAs from the USA. In order to determine this information, a SWOT (Strength, Weakness, Opportunity, and Threat) analysis and a cost-benefit analysis are ideal methods of situational analysis. The organisation can use this information to determine new market segments, additional customer needs, the ideal number of brands to offer, methods to spread risks across the brand portfolio, and achieve greater levels of operational efficiency. The organization can also utilise this information in a strategic and targeted manner to develop a brand-portfolio designed to achieve a competitive advantage. With a successful dual or multi-brand strategy, an organization can offer products and services that meet the evolving needs of customers, thus improving loyalty and increasing market share. Conclusion The AWA strategy can be a useful strategic management tool for airlines to combat the continuing growth of LCCs as well as providing additional flexibility during exogenous shocks and industry downturns. However, should this strategy be adopted, it must be approached with caution as it can be a costly drain on resources as well as potentially harm an airline group's brand and reputation if implemented incorrectly. The Singapore Airlines Group and the Qantas Group have successfully proven that dual or multiple airline brands can be operated simultaneously without damaging other airlines within the same group, which in turn has allowed the two groups to successfully compete against the fierce low-cost competition in the Asia-Pacific region. This strategy has given each group increased operational flexibility to tailor their respective products and services to individual market segments rather than expecting the markets to accept a single premium product which they could only offer previously.		
1	Question 1- Suggest your opinion on AWA strategy as a competitive response with aircraft, products, and services that were designed exclusively to meet the needs of this new low-cost market segment.	**10**	**CO1,CO3**

2	Question 2- construct a useful and competitive strategy and management tool to use against rival airlines, both premium and particularly low-cost.	**10**	**CO4.CO2**