

MARKETING APPROACHES FOR INCREASING THE COMPETITIVENESS OF AIR TRANSPORT

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Introduction

At the beginning of the third millennium global civil air transport has all the classic traits of the branches undergoing a process of cardinal changes. Over the past 25 years, air companies' activity on the market has changed noticeably. In the conditions of liberalization multiple forwarders have turned out to be unprotected on the market after decades of being favored by the state. State air carriers which traditionally had complete maintenance provided by the states, had to get disaccustomed to this situation. Many governments reduced or outright eliminated state property in air companies through privatization. Simultaneously, air company customers became harder to please in terms of the quality of passenger transport services.

All of this necessitated the use of global distribution systems and modern scientific and technological achievements, as well as the search for new marketing approaches by participants in the air transport market in order for them to secure their positions on it and enhance their competitiveness.

The characteristics of air transport marketing are largely determined by the market's specificity. This market has a rather complex structure where several internal and external connections are interwoven. It is an open system, i.e. a system whose elements interact with the external environment. At the same time, it acts as an inseparable part of a more general system of global economy.

In the context of the dynamically changing situation on the global air transport market, an increasingly noticeable differentiation of global air companies is taking place – if the situation is difficult for some of them, others definitely prosper, since they have successfully developed their strategies and have found their place on the market. This is accomplished through in-depth knowledge of market mechanisms, the principles and methods for market research and economic conjuncture, the basics for strategic planning and the complex influence of the enterprise's competitive positions in the conditions of the modern market. This is the knowledge that marketing provides in its capacity as a market concept for managing the production and realization of products and services.

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Peter Drucker defines marketing as a business philosophy which is aimed at fully satisfying customers' needs and desires [1].

When defining their service, aviation enterprises have to create their own brand, choose destinations and compile a flight schedule to secure the necessary level of service. When developing prices, the air company decides that it will exercise NET tariffs or gross rates which will provide discounted tariffs and stimuli; it has to choose reservation systems and sales channels, distribute resources among the agents and their own contacts, analyze the possibilities for direct sales, etc.

When popularizing its service on the market, the air company also has to deal with issues regarding advertisement, public relations, participation in exhibitions, stimulating the sales agents, using the Internet, organizing clearance sales to attract customers, etc.

The first step of air carriers is to identify their customers, determine and analyze their needs and desires, as well as the situation on the market. Their studies have to be aimed at researching the market at the moment, the competitors' behavior, the peculiarities of the external environment. It is also necessary to foresee future changes in customers' needs due to the dynamic nature of the aviation market.

When identifying customers' needs, a target segment on the market is selected, followed by an analysis of the strengths and weaknesses of the competitors; subsequently, air companies proceed to form their goals and strategies, on whose basis tactical plans of action are created and control is exercised over their execution.

After defining the strategies, the next stage involves the production of the service, determining the price and the sales system which will define the services that will be offered on the market along the line of carrying out the chosen strategy, the determined prices and the channels for carrying out and establishing contacts between manufacturers and customers through the distribution system. The concluding stage of marketing is the actual sale.

The expanded 8P marketing-mix, which allows the realization of the principles of managing relations with the air company's customers in the classic 4P model, additionally includes more 4P, namely: Packaging (a service package of tour operators or a complex company offer about flights, ground transfer and hotel accommodations); Programing (an individual approach towards customer offers, micro-marketing in the form of guided advertisement); People (serious personnel attitude, reliability of processes, changing attitudes towards the company in a positive direction after the first flight); Partnership (joint advertisement, participation in alliances, customer benefits, sponsorship). Air carriers should not neglect the importance of the connection between the model's various components. For example, it is obvious that a product cannot be produced without

acknowledging customers' needs. Sales also cannot be realized without fully understanding customers' needs, as well as the specificity of the product.

1. The Strategy of Air Carriers Within the Alliance

In the last 30 years numerous new processes have occurred in global economy and trends have been observed that, in the future, over the next few decades, will define the state of overall economic life in the modern world.

One of the primary trends in the development of global economy is globalization, which is also manifested in the creation of large transnational corporations. The globalization of economy is a process of gradually overcoming the relative economic detachment of individual countries' national holdings and their integration in a future uniform market global economy.

The pros and cons of globalization are apparent, especially regarding the reduction of expenses and the extinction of national identity; it is undeniable, however, that globalization is an objective economic process.

Perhaps the only branch of global economy – global in nature and simultaneously almost avoiding the globalization processes – is air transport.

The purpose of joint activity contracts is to create competitive advantages for partners by complementing services offered by members and realizing large-scale economies, especially in the field of maintenance and marketing, simultaneously preserving their identity. This way of work is preferred predominantly in European and Asian air companies, even though American companies also seek cooperation with other partners. Contracts have various forms, including equity in capital. On this occasion, Colin Marshall, chairman of British Airways, states the following: "... without equity you can never be sure of the union's stability".

The aviation business is originally consolidated through alliances and gradually through serious joint ventures and mergers. British Airways is a typical example of implementing a company's strategy for development through alliances' use of the system. British Airways uses various alliances to make sure that it will continue heading this trend. This requires the development of the global network, providing perfect customer service through this network and distributing the brand's quality across the world. British Airways is the only air company to realize this trend. In recent years the strategy used by air companies has been putting more emphasis on striving towards growth, committed to a partner alliance with other air companies. Partnership methods have various forms – from contracts for code sharing, where an air company places its code on the sector in which the partner air company flies, to the equity stake agreement, which means that each partner gains a profit equal to the other. The benefit of code sharing is that the flight of a passenger for whose travel a multi-sector ticket has been is-

sued is sold as one flight. It is formed in a ticket only once at the beginning, with schedules coordinated to provide easy transfer.

On a national level, various mergers and acquisitions are definitely apparent to air companies, but international freights are regulated by the Chicago Convention for Civil Aviation, signed in 1944 [2], when no one had an idea about transnational corporations. Quite the contrary, in the Convention serious attention is given only to the national sovereignty of the participants, more specifically to the rights of a significant portion of the property and effective control on the part of the air companies that determine the air company's nationality.

As a result, the political system blocks the objective economic development processes in the branch, where mergers and acquisitions are equally as important as the emergence of new air companies.

Realizing the advantages and disadvantages of giant economic structures, air companies, despite all adversity, have chosen the way of integration. Some major airlines were originally based on the concept of alliance. For example, by sharing the principle of cooperating instead of competing, Sweden, Norway and Denmark created the integrated SAS1 company as a national carrier of all three countries.

In the 1980s air companies chose a globalization strategy for their activity. Some of them sought quick growth of traffic along international flights (American Airlines). Other air companies absorbed their competitors, thus searching for their own growth: Delta Airlines bought out Western Airlines (1987); Northwest Airlines bought out Republican Airlines (1987 US Airlines, US Air and Piemont) and achieved a merger. During this period air companies in a single country would merge together because international law did not allow the acquisition of commercial rights for associations with over 25% foreign participation [3].

Alliances are outlines for multilateral commercial cooperation in which carriers combine their route networks and harmonize other business processes. The idea is to build a route network with the most comfortable and convenient passenger freights among flights of different companies, as well as harmonize the quality of passenger service during flight. Additional means for attracting and retaining passengers are coordinated through a program for loyal customers, ensuring mutual acknowledgment of union members, bonus miles in addition to the ones accumulated by the flights of other carriers (despite that, the practice of dropping a mile from the program for the program has not been permitted yet). As a result, passengers take full advantage of the services of a major air company, providing a wide route network and a program for bonuses.

Despite that, multiple problems arise in the development of unions/alliances: air companies have different strategies for their development, varying levels of the quality of service, uncoordinated flight schedules and different tariff systems. The solution of these problems requires a lot of time and effort on the part of all air company employees.

In the conditions of globalized economy, if air companies have not made an effort to gain significant benefits in the competition with other air companies by entering into alliances/unions and have not discovered partners, they will not achieve the necessary level of competitiveness.

2. Strategic Marketing Approaches of Air Companies

2.1. Segmentation of the Passenger Freight Market

Every marketing operation is carried out by giving an account of the market situation and the air company's position on the market. Market situation is a combination of conditions and circumstances which create a specific situation on the market. Market conjuncture is a state of the market or a specific economic situation that has developed on the market at the moment or for a limited period of time under the influence of a complex of forces, factors and efforts.

The state of the market can be characterized through a system of quantitative and qualitative indicators, with every one of them reflecting a specific side of the market situation.

The main market situation indicators include: market scale – its capacity, sales volume, number of competitors; degree of equilibrium – the ratio between demand and supply; type – exclusive, competitive; dynamic – changes in key market parameters, their vectors, speed and intensity, main trends; degree of commercial activity – aerial transport volume, growth rates; level of stability of main market parameters in dynamic and space; level of market risk; the competition's power and range; market cycle, i.e. the market's position during a certain stage of economic or seasonal cycles; average rate of return – the ratio between revenue and invested capital.

The most important market characteristic is the demand for transport. Short-term or long-term prognoses of air transport largely depend on the accuracy of the analyses of the newest trends in the aviation industry and working conditions, as well as the economic and demographic factors that have a direct influence on the air company's service prices.

Air transport volume prognoses are done on a macro-level by using economic and mathematical models, followed by a detailed calculation of the air company's expected share on a micro-level.

Prognoses implement the following methods: qualitative methods (questionnaires, studies, expert assessments); quantitative methods (correlation analyses, analyses of regression, factorial statistical analyses, economic-mathematical modelling, etc.); methods for making optimal decisions (game, queuing theory).

Most mathematical methods are based on percentage changes in the causal factor and percentage changes in traffic (the elasticity of traffic volume towards various factors).

The first model is the dependency of transport demand on the economic activity of the importing country. Limitations include: fluctuations in exchange rates and air transport expenses, which makes this form of international exchange ineffective; commercial restrictions and quotas; restrictions on night flights and trade with specific countries.

The second model makes it possible to fulfill prognoses for the production volume in the exporting country.

After creating the prognoses for air traffic in the whole country, the next goal is to determine the air company's share in these freights. For example, Boeing analysts have determined that air companies' share on the market is a function of schedules, comfort levels for passengers and the air company's image.

The air company's share on the market is proportionate to the flight factor which is equal to the product of the number of the air company's positions on said market, the number of stops and the frequency of flights per week for said air company.

In conclusion to everything outlined in the current paragraph, the following perspectives for the development of the air transport market can be brought forward:

Business trips – there is a strong interdependency between economic growth and the number of business trips. Since global economy is moving in the direction of globalization and is constantly growing, international business faces increasingly stronger competition which requires personal contacts and meetings, even though the development of communications technology contributes to their reduction. There is every reason to permit further growth of the number of air travels for business passengers.

Tourist trips or vacation trips – the following circumstances in favor of tourism development are outlined: the increasingly free movement of people and opportunities for travelling to previously inaccessible places; the development of global economy is accompanied by the increasing income of citizens and the resources they spend for vacations; families that use air transport for tourist trips are few but they have a high income, which allows them to travel more frequently; life expectancy grows in developed countries, pensioners are still full of energy and have enough free time and resources at their disposal for tourism; tourism is still one of the priority directions for citizens to spend free resources.

Potential future barriers for tourism development include: population reduction in highly industrialized zones, the limited capacity of leading global airports, terrorist activities in air transport, the obsolescence of most global resorts, etc.

However, based on the foregoing, it can be concluded that the perspectives for the development of the global air transport market are favorable.

When preparing a strategy plan, it is necessary for the air company to, primarily, collect detailed information about the market, then segment the market and evaluate the strengths and weaknesses of the air company and its competitors. At the next stage, the air company starts defining its goals and development strategy; long-term and short-term plans are designed, and their execution is regularly monitored. If there are any deviations in the real indicators from the planned ones, the reasons for these deviations are determined, leading to corrections in the air company's activities or to a change in plans.

In order to develop the air company's strategy and assess the real volume of air transport, it is necessary to segment the air transport market and carefully analyze the air company's capabilities for developing the distributed segments. Market segmentation is a process of dividing the market into individual groups of consumers who demand various goods and/or complexes of marketing effect on the market (marketing mix). The segmentation is followed by the selection of the target segment, i.e. segment analysis based on their appeal for the air company and a selection of one or more target segments for the subsequent marketing work. After that, the goods are positioned on the target market segment and the respective marketing mix is developed.

It should be noted that demand analyses and prognoses are very rarely done for every individual market segment, even though it is obvious that the demand for air transport for each segment depends on various factors. Most frequently global air companies implement the following types of segmentation into their practices:

Segmentation According to Flight Duration

Segmentation according to flight duration is vital to air companies. Air companies provide long-distance flights for customers with higher level of service, raising tariffs in the process. Problems arise with the determination of the distance, after which the quality level of the service has to be improved. When segmenting the market, passenger air companies often do not take into account route lengths and flight duration. A study has been carried out [4] which has resulted in the determination of varying sensitivity in passengers regarding schedules and the level of service, depending on flight duration. As a result, the study has helped determine that during flights that last under 2 hours, 60% of the passengers react primarily to the convenience of schedules. Therefore, in order to carry out short flights, air companies have to choose small planes with high frequency of flights and create convenient schedules. Since the short-distance air transport market is highly competitive, passenger desires must be carefully studied and taken

into account. Another conclusion from the study involves the fact that with the increasing length of flights (over 5 hours) passengers pay more attention to how comfortable the chairs are, to the interior design, to the plane's noise level, to in-flight customer service – before and after the flight. Additionally, this market segment is characterized by low price elasticity of demand, i.e. tariff reductions do not help increase traffic.

Segmentation of Passengers According to the Culture of the Passenger's Home Country or Country of Residence – out of all three varieties of segmentation of the aerial passenger market, this is the most important one. Business passengers from Northwestern Europe, North America, Japan and Australia have common typological traits: middle-aged men, smartly dressed, with high personal income, carrying only hand luggage. Business passengers from developing countries, however, often differ from the aforementioned model – they are usually businessmen who travel to cities where consumer goods are cheap; they buy large quantities of these goods and take them to their countries for resale and profit. Such business passengers are interested in ticket prices, free luggage sums and cargo freight tariffs.

Cultural traditions also define passengers' attitudes to national carriers. Studies show that in Germany passengers are very patriotic and usually prefer Lufthansa. In the UK or in Russia, for instance, passengers do not have clearly defined preferences [5].

Segmentation of Passengers According to the Purposes of Trips helps differentiate two main segments: business passengers and tourists.

2.2. Positioning of Companies for Achieving Competitiveness

Segmentation reveals the air company's capabilities on the market. On this basis the air company selects the most attractive segment or segments which have to serve the goal of marketing strategy in order to achieve the desired results.

Air companies can implement one of the three strategies for market coverage: undifferentiated marketing, differentiated marketing and concentrated marketing [6].

By implementing the undifferentiated marketing strategy, air companies neglect the differences of the various market segments and, on the whole, supply the market with a single offer. They focus their attention and efforts on what unites customers' needs, not what differentiates them. This strategy requires air companies to develop a marketing plan that will reach the largest possible number of customers. Mass distribution and mass advertising are the primary tools for creating an excellent image for the air company in the eyes of consumers and, respectively, for minimizing the expenses for marketing studies and for developing new products. In the conditions of modern competition, most marketing experts question the implementation of this strategy because the fierce competition will

take place between the giant carriers, which is obviously unfavorable for a small air company, for instance. It has to focus on smaller segments and market niches, where the differentiation of transport services is preferred.

By implementing the differentiated marketing strategy, the air company focuses its activities on several market segments and develops individual offers for each of them. Differentiated marketing guarantees more sales than undifferentiated marketing. However, the increased profit is accompanied by growing expenses because air companies have to develop marketing plans, carry out market studies in order to make prognoses, analyze sales, development plans and advertisements for each individual segment.

The third strategy – concentrated marketing, is especially attractive for air companies with limited access to resources. Instead of pursuing a small share on the big market, the air company acquires large shares on one or more smaller markets. This strategy holds a lot of risks because the chosen segment can suddenly contract.

When choosing a strategy for marketing coverage, air companies have to take into account the following factors: the air company's resources, the market's degree of homogeneity, the competitors' strategies, because if the competitors resort to market segmentation, undifferentiated marketing could lead to negative effects.

After selecting its target market segments, the air company has to decide what positions it should take in these segments. The positioning process consists of three stages: determining a set of possible competitive advantages on which the positions could be based; choosing the right competitive advantages; and popularizing the selected position on a carefully chosen target market [7].

Air companies can differentiate their products or offer ones similar to the products of the competitors. Differentiation could be achieved, depending on: physical attributes, the level (set of components) of the service, personnel qualification, location or brand.

Differentiation by physical attributes can be illustrated through the example of the air company that offers on a specific line a plane exclusively designed for servicing first-class passengers. The plane contains a bar, soft furniture, a cinema hall and other attributes which cannot be found in traditional first-class saloons on flights by other air companies.

Differentiation by the level (set of components) of the service. The air company can make hotel reservations for passengers during flight, provide ground transport for delivering passengers and their luggage to the airport, etc.

Differentiation according to personnel qualification. The air company can achieve a high competitive advantage by hiring and training the best employees. The company's employees who contact with the clients have to be competent and possess the necessary skills and knowledge. They have to be polite, friendly and

well-mannered, serve customers with care and propriety, respond immediately to their demands and help solve their problems.

Differentiation by location. International air companies often use their location as a distinctive trait among competitors on the market.

Differentiation by brand. Buyers can differentiate one product from another even if they appear identical thanks to the air company's brand. Brand is especially important in aviation because the company's reliability and the trust in the safety of its flights are irreplaceable conditions for successful work on the aerial transport market.

When choosing suitable competitive advantages, the air company has to answer numerous questions:

- How many advantages to advertise? – Too many advantages water down the air company's idea; an insufficient number of advantages will give an incomplete idea about it. Positioning through inconsistent ad campaigns will result in the formation of an ambiguous image for the air company;

- What are the advantages? – Not all distinctive peculiarities matter and justify the time invested in them. Not every difference is a good parameter for differentiation. The air company has to fulfill the following requirements: importance, uniqueness, superiority to others, authenticity, profitability.

Once it has defined its intentions, the air company has to aim its position towards the attention of the target customers. The development of an effective position requires a long-term, consistent program, as well as constant support for managers, employees, and sales agents.

To summarize everything outlined in the present paragraph, it can be concluded that, when designing strategies for the positioning of air companies, they have to assess their competitive strengths and weaknesses and choose a position that gives them an advantage over competitors. At the present stage, due to the dynamic of the air transport market, this is becoming an increasingly difficult task.

3. Marketing Strategies of Air Companies

After conducting market research with selected segments, the air company chooses the target segment and positions its product in it. The right choice of the target segment is possible only if the air company's marketing strategy is properly developed.

3.1. Strategic Alternatives for the Air Company

The planning and prognostication of the situation on the transport market is a base principle of the marketing concept. This does not contradict the principles for flexible reaction to the changing requirements of the market; quite the con-

trary – it is closely linked to it and it is a logical extension and addition because prognoses of market situations are the basis of marketing. Based on this, the principle for planning in marketing is realized through the development of special marketing strategies that define the most favorable pathways to work on the transport market for enterprises. “These strategies and concepts are the most creative part of marketing because they foresee new forms of management and placement of the production, supplies and resource insurance, reduction of risks in the conditions of unstable demand and they essentially guarantee the work stability of transport enterprises and, ultimately, a positive end result, i.e. profit “[8].

When designing their strategies, air companies are guided by topical policies globally, as well as by transport development strategies in the country.

In view of the purpose and goals of the present study, it is necessary to analyze the air company’s strategic alternatives in the different market segments:

An air company that predominantly services passengers for business trips – the advantage of this strategy involves having one market segment work, which allows the company to concentrate all its efforts entirely and simultaneously on the segment where profitability is several times higher than in other market segments. High earnings by themselves, however, do not guarantee a high profit. For instance, businessmen’s wish to make a last-minute registration for a flight significantly reduces the average loading of the plane and further raises the price of air transport. Moreover, businesspeople do not take business trips for New Year, Christmas or in the middle of the week, and vacationers will not use the services of “expensive airlines for businessmen“. The air company cannot achieve that complex effect of its activity which results from offering and carrying out several services simultaneously and which helps reduce production expenses to a level lower than the total value of several firms which produce such services.

The strategy of turning the company into an air company solely for tourists also has its advantages and disadvantages – the tourist market is a rapidly developing one, but with low earnings. The air company should strive to work with minimal expenses. The tourist trip market is characterized by significant seasonal fluctuations; for instance, there is a drop in the middle of the week, there is a strong dependency on the level of income, inflation, concerns about terrorist attacks on air transport, etc. To avoid the seasonal drop of transport and achieve a complex effect, the air company should work in different geographical regions.

The strategy of low-cost carriers (the so-called LCC) is based on reducing expenses and dropping additional services, which provides an opportunity for aggressive price policies and for offering the most beneficial prices for air carriage tickets – one of the most dynamic LCC markets is Asia where, during the 1995-2004 period, 17 new low-tariff air companies are formed. The business model of low-cost carriers contains several types of market positioning – defined (a specific service); a set of offered services; or through focusing on a specific

segment. The “pure“ model is hard to differentiate. For instance, some low-tariff air companies offer entertainment aboard the plane, takeoff from large airports, leather seats in the cabin, etc. Another example is Easyjet in Europe – it is aimed at business passengers. The air company offers flights with high frequency on large airports at reasonable prices, but not necessarily the lowest ones. There are also instances when global network air companies create low-tariff daughter companies. This concept of “Airlines in the air company“ does not always provide stable and foreseeable results.

The strategy of charter air companies is achieved if their main customer – and often the founder of the charter air company – is a tour operator. The activity of such air companies is focused primarily on the seaside or in resorts, but the business has a markedly seasonal nature.

An air company with complex/integrated market strategies that works in all market segments constantly makes efforts to diversify its activity and achieve a synergetic effect from said activity. The lack of such a strategy requires a lot of resources, but it is difficult to manage such a company.

The following typical mistakes are observed in the strategies of air companies:

1. Incorrect formulation of the air company’s goals – a well-functioning company is one which guarantees a high profit. A state air company or the national carrier should respect the requirement in order to cover its expenses and guarantee a profit, but without having to raise prices at the same time. The air company has to transport civil servants, but the transfer of resources from the budget for their transportation is usually delayed. The government often insists that the air company carry out freights along unprofitable lines to achieve its strategic goals or to solve social issues. This contradicts the principle of maximizing profits.

2. Improving the image of the air company’s management – achieving maximum profit is impossible to do through the strategy for enhancing the image, fame and reputation of top managers. In this case, extremely ambitious steps could be taken to achieve unrealistic expansion goals in the air transport sector, which leads to bankruptcy (Laker Airways, Air Florida, Express Airlines).

3. The air company’s too narrow specialization – the work of a single market segment inevitably leads to reducing the air company’s future market share. For example, this was the situation in the early 1980s with air companies offering cheap passenger transport with minimal service – narrow passages and small distances between seats, lack of food, only hand luggage being allowed, etc. In the mid-1980s, with the growing economy of the U.S., earnings also began to grow. Air companies gradually started offering a much higher level of service for a small raise in tariffs (delicious food, free luggage freight, regulated in the requirements, regularity and punctuality during departure and arrival). At the time, pressured by the market’s conjuncture, they tried to attract business class passengers by offering a program for loyal customers. However, it turns out that by

working in the tourist segment, they have lost their reputation of an air company with an acceptable level of service among the business and they were unable to enter another market segment, which caused some of them to go bankrupt or be absorbed by others.

4. Excessive diversification – some air companies engage in activities that are not typical for aviation (hotels, car rentals) by investing a lot of money in them, but they have a hard time choosing experienced managers. For instance, in the late 1980s United Airlines created transport conglomerates by acquiring a car rental company. At the time the air company was supposed to secure next-generation planes for itself since its fleet had become obsolete. Its profit as a whole began to drop, which led to a reduction of the air transport market share in favor of American Airlines. United Airlines managed to increase its profits only after it dropped its non-aviation activities. American Airlines successfully diversifies its activity in non-traditional for air carriers directions, such as creating a pension fund, a mobile company and a firm which specializes in information technology. American Airlines' profits grow because the company can attract new customers whose business is exposed to factors different from aviation.

5. Too rapid or too slow expansion – if the expansion on the air transport market is too slow, prices increase due to the excessive growth of the air company's overhead costs. At the same time, the personnel will not be satisfied due to the lack of opportunities for career growth and increase in salaries. This makes the air company more vulnerable and creates market niches for competitors.

A small entrepreneurial air company combines two functions: developing a strategy and achieving its respective operative management for accomplishing the strategic goals. If it decides to expand, the air company will be more vulnerable in terms of the operative management by middle-level managers – they are inexperienced and not competent enough to manage on a larger scale. A rapidly developing company could have issues with safety, with management, with routine system repairs, with revenue calculation, with the reservation system, etc. A high dependency on attracted capital in the case of lack of personal resources is possible.

6. Incorrect definition of the strengths and weaknesses of competitors – when starting out its work on the market, a newly created air company should have a flexible marketing strategy in terms of plane ticket prices. When competitors reduce their tariffs, this will deprive the new company of its chances for success. The new company has to catch market trends quickly, which requires significant financial resources. It is impossible to start work on the market without a comprehensive assessment of the possible responsive steps of competitors and planning a relevant adequate reaction under these circumstances. It is necessary to research all options for action and assess the risk in the case of an unfavorable turn of events.

4. Analyzing the Marketing Approaches for Increasing the Competitiveness of Etihad Airways for the 2012 – 2017 Period

Throughout the first quarter of 2012 the UAE's national air carrier Etihad Airways shows good financial results and declares a 28% growth in its net profit, compared to 2011. Passenger traffic in the first three months of 2012 has increased with 500 000 people and amounts to 2,4 million. Etihad Airways achieves all its financial goals and meets expectations for the first quarter of 2012 despite the tense economic situation globally. The strategy for expanding the route network through agreements with the largest air carriers in the world and for investments in other air companies is expected to ensure a stable income and continue to encourage Etihad Airways' prosperity. Based on that, the strategy for the air company's development involves the future expansion of Etihad Airways' routes. Over the next 18 months, the company plans to open its first line in South America and start flights to Vietnam. The company also plans to increase the number of flights to Asia and Australia in the near future. The profits from air passenger transport show a 26,6% growth. This becomes possible thanks to the opening of new routes, commissioning additional flights and increasing the number of available ones. The flight employment index shows a 3.8% growth and reaches 76.5 %, which is the highest first quarter result in the air company's history.

Regarding successful marketing, the air company realizes the importance of the partner strategy for increasing passenger volume for the first quarter of 2012. The air company's flights are full along all route networks. Joint partnership plays an essential part in increasing passenger traffic by providing 18% of the profit for passenger air freights for the quarter.

Etihad Airways signs a cooperation agreement with China Eastern Airlines which foresees joint routes and a schedule that is convenient for passengers of both air companies.

The air company's investments in Airberlin and Air Seychelles also show good results and Etihad Airways managers begin to realize all financial and price advantages from each air company merger. For instance, they understand that Etihad Airways and Airberlin will save millions of dollars by combining programs for purchasing Boeing 787. Additionally, the UAE's national air company gains more dividends as a result of its billion-dollar deal with the American company Sabre Airline Solutions.

In January 2012 Etihad Airways acquires 40% of Air Seychelles' stocks. This transaction allows the air company to update its fleet, expand its global network and increase the number of its sales all over the world.

In March 2012 Etihad Airways raises fuel taxes along all European routes to compensate for the expenses enforced by the European scheme for emissions

trading (eu-ets). Despite the reduced number of air cargo all over the world, Etihad Cargo's profits from cargo freights show a 12,2% growth.

In the first quarter of 2012 Etihad Airways also announces its new line to Washington, starts flights to Tripoli, Shanghai and Nairobi and it plans on starting flights to Basra and Lagos in the near future, as well as increasing the frequency of flights to Düsseldorf, Bangkok, Cairo, Kuwait City and Dammam. Plans are also underway to start additional flights to London and Kuala Lumpur. By the first quarter of 2012 the UAE's national air carrier carries out passenger and cargo flights along 84 directions in 54 countries across the world.

In 2012 Etihad Airways receives 7 new planes – three Airbus A320 and four Boeing 777. Therefore, by the end of 2012 Etihad Airways' fleet consists of 71 planes.

At the prestigious Skytrax World Awards 2012 Etihad Airways wins the top three categories for first-class service: "Best First Class", "Best First-Class Lounge Seats", "Best In-Flight Food in First Class". Etihad Airways wins these awards for the third consecutive year, which once again proves the high-quality service in first class and the air company's leading position in the luxury segment. During the Skytrax awards special recognition is given to the five-star restaurant in the first-class lounges, as well as the new position – personal chef who makes meals according to the individual preferences of each customer.

Thus, in 2012 Etihad Airways affirms itself at a very rapid rate as the youngest air company to assume its leading position in the list of best air carriers in the world and remains a leader in the first-class air transport segment. Receiving these three accolades is a huge accomplishment and a recognition for the high quality of the services offered in first class. It is the result of strategic decisions for investments in the perfection of personnel competencies – for example, main chefs and consultants servicing Etihad Airways' first-class guests are trained in prestigious culinary institutions and have worked in the world's top restaurants.

It should also be noted that in 2012 the air company also starts improving the system for ticket reservation and sales, flight registration and updating the website's version. In the implementation of part of a 10-year contract signed in 2011, Saber Solutions – one of the leading suppliers of technological decisions for the aviation industry, creates an ultramodern system for Etihad Airways. The perfection of the passenger service system is one of the most ambitious and technologically complex business initiatives that Etihad Airways has ever carried out. Over 6700 employees and partners of the air company undergo a preparatory training course for working with the new system. The new system integrates existing passenger services into a new platform created based on modern software which includes functions for reservation, electronic payment and a flight registration system for passengers. The system update concludes on February 24, 2013.

Based on that, the air company's development strategy involves the further expansion of Etihad Airways' routes. Over the next 18 months the company plans to open its first line in South America and start flights to Vietnam. The air company also has plans to increase the number of flights to Asia and Australia in the near future. The profits from air passenger transport show a 26,6% growth. This becomes possible thanks to the opening of new routes, the commission of additional flights and increasing the number of available flights. The flight employment index shows a 3.8% growth and reaches 76.5%, which is the highest first quarter result in the air company's history.

In 2013 Etihad Airways opens flights to three more destinations: Amsterdam (in May), São Paulo (in June) and Ho Chi Minh City (in October).

In 2014 Etihad Airways signs a memorandum for strategic partnership with South Africa Airways (SAA). The starting point for a long-term partnership is the agreement for code sharing. In this regard, Etihad will place its EY code on SAA's flights from Johannesburg in 10 directions to Africa and South America. In turn, SAA will place its SA code on 12 Etihad routes from Abu Dhabi. Subsequently, the cooperation for code sharing is envisaged to expand. Additionally, the strategic partnership suggests commercial cooperation and increasing effectiveness due to the synergetic large-scale effect in joint purchases, training organization, ground maintenance, etc.

It is planned that by 2022 the number of trips to Africa will grow the fastest, so Etihad Airways shows activity on this strategically crucial market and there is a reason for that – in February 2013 the air company also signs an agreement for strategic cooperation with Kenya Airways in order to gain access to 27 points in Eastern and Central Africa.

However, Etihad's plans become increasingly more ambitious. The South African Airways agreement continues the air company's policy of building partnerships with other air carriers.

Etihad is building a new global union – more specifically, a quasi-alliance that has neither an official name nor official managerial structure. However, the policy is transparent: with the financial resources at its disposal, Etihad Airways buys as many stocks in other air companies as possible and/or signs agreements for code sharing; such agreements are also signed between other participants in this quasi-alliance. For instance, South Africa has signed agreements for code sharing with Air Seychelles and Jet Airways (India) in which India has equity. There is a similar situation in Europe: Etihad buys a large share in Air Berlin and signs a strategic cooperation agreement with Air France-KLM; in turn, European carriers also sign a code agreement, while Air Berlin is part of the Oneworld global alliance and Air France-KLM is one of the founders of the Sky Team alliance. By the way, South Africa is included in Star Alliance.

In conclusion, it can be summarized that Etihad is building a new network for commercial cooperation that does not respect existing air company alliances. The new quasi-alliances do not strive to compete directly with traditional unions since they are aimed towards medium-sized cities. But the global air transport market is developing very actively, and it is not always predictable.

In 2014 the air company finishes with a profit for the fourth consecutive year, this time with 52% to 73 million dollars. Compared to the 2013 indicators, Etihad Airways achieves record financial results [9] with a 52,1% growth in net profit, reaching 73 million U.S. dollars. The company's total revenue has increased by 26,7% to 7,6 billion dollars due to record volumes of passenger and cargo traffic, with demand indicators and the increasing total revenue continuing to exceed the company's real capabilities. Profits without debt service, tax payments, amortization, lease payments increase by 16,2 and 32,5% respectively. The partnership strategy continues to give positive results: the profits for partnership agreements increase with 37,7% to 1,1 billion dollars, which is 24% of the total profit from passenger transport. In 2014 Etihad Cargo achieves its ambitious goal and becomes a company estimated at 1 billion dollars, increasing the volumes of cargo and mail services from 487 000 to 569 000 tons [9].

It can be summarized that in terms of strategy, the air company has focused its attention on acquitting a stable profit, which is reflected in the progress along key indicators. At the same time, it continues to invest new routes, in new planes, in new products and in new infrastructure, which are necessary for its effective attitude on the global air market.

The 2014 indicators affirm Etihad Airways' position as the best in its category – a profitable and independent air company. Its growth is reported not just in terms of size, reputation and productivity, but also in regard to its pursuit of transforming from an air company in a global aviation and tourist company.

The air company's prosperity is the result of the accomplishment of its unique strategy combining its record profit growth in the branch with the establishment of wider-range partner relations and its emergence as a minority share-holder in the capital of other air carriers across the world. This has accelerated the network's growth and made Etihad Airways the air company with the largest-scale flight map in comparison to other carriers from the Middle East – over 500 destinations all over the world. This, in turn, has provided more opportunities for sales and marketing on key markets and significantly enhanced the business' synergy and reduced expenses.

In 2014 the number of passengers serviced by Etihad Airways is 14,8 million people or 22,3% more than in 2013. Paid passenger-kilometers (billion) have increased with 23,6% to 68,6 billion (55,5 billion in 2013).

The growing demand and passenger flow for 2014 are still higher than the rate of growth for Etihad Airways' capacity, which confirms the stability of the compa-

ny's long-term development strategy. One of the reasons for the growing volume of passenger traffic in 2014 is the expansion of Etihad Airways' global route network. The company starts flights to ten new destinations – Los Angeles, Dallas, San Francisco, Rome, Zurich, Medina, Yerevan, Jaipur, Phuket and Perth – and increases its capacity in 23 already active routes. At the end of the year the coefficient of flight loading in the entire network is 79.2%, whereas in 2013 it is 78%.

In 2014 Etihad Airways received the final approval for the purchase of 49% of the Air Serbia companies. The company also invests 560 million euros in the acquisition of 49% of New Alitalia, 75% of Alitalia's loyalty shares (the association which manages the MilleMiglia program for loyal customers) and the planned purchase of five pairs of Heathrow airport's slots in London with a view to the future extradition rental of Alitalia.

In 2014 Air Serbia and Alitalia are among the newest additions to Etihad Airways' partnership network, which also owns a minority share in Airberlin, Air Seychelles, Aer Lingus (it increases its share to 4,99% in 2014), Jet Airways and Virgin Australia (it increases its share to 22,9% in 2014). Investments in the Swiss company Etihad Regional, managed by Darwin Airline, are finalized in 2015.

Another contributing factor to Etihad Airways' growth is the increased number of members for the loyal customers program Etihad Guest. In 2014 the number of participants in the program has increased from 2,3 to 2,9 million (26,1%) or an average of 50 000 new members per month. Etihad Guest enters the next stage of growth after becoming a separate corporate body in 2014. This supports Etihad Airways' development as a leading organization in the field of loyalty and marketing research and it improves the interaction with members of the program.

Etihad Airways' cargo sector finishes 2014 with perfect results by becoming a company estimated at over 1 billion dollars per year. Its profits have increased by 19,2% to 1,1 billion dollars and its volumes – from 487 000 to 569 000 tons. The impressive 17% growth in charter ton-kilometers in 2014 is four times higher than the industry average. Etihad Cargo is one of the largest operators in the world. Important initiatives for expanding the company's capacity and range have been undertaken, as well as the use of the minority capital and other partnership agreements.

In 2014 Etihad Airways makes significant investments in the development of a long-term business infrastructure in order to secure more control on its own service and quality standards. Airways Etihad Flight College is founded, where up to 200 Etihad Airways pilots are trained annually. Investments are also made in hangars, workshops and painting equipment in Abu Dhabi, as well as maintenance departments and engineering offices. Etihad Airways' capabilities for providing preventive maintenance and service for the company's aircraft as well as assistant partners and third-party customers are expanded.

In 2014 Etihad Airways continues to diversify its portfolio of global funding sources and increases the number of creditors, investors and property owners, which amounts to a total of 75. Also in 2014 Etihad Airways has provided 3,5 billion dollars for financing the USA's debt in the financial markets.

Additionally, in 2014 Etihad Airways, along with its partners Alitalia, Airberlin, Air Serbia, Air Seychelles and Jet Airways, works on structuring a global funding platform, which will allow each partner to have the funds they need in the near future.

At the end of 2014, Etihad Airways' fleet consists of 110 planes, which is 23,6% more compared to the same period from 2013. The average age of the air company's planes is 5.5 years, which makes Etihad Airways' fleet one of the youngest in the world. In December 2014 the air company receives its first Airbus A380 and its first Boeing 787-9. Both modern planes are with new cabin equipment standards and with significant improvements in the field of effective fuel use and environmental effects.

In 2014 Etihad Airways additionally receives nine Airbus planes and six Boeing planes. Moreover, in order to accelerate the company's development, more personnel is hired. In 2015 the company enriches its fleet with 16 more planes.

Also, in 2014 the new waiting rooms for premium class are presented in Sydney and in Abu Dhabi. The air company starts a large-scale program aimed at improving sleep quality for guests during flight; exclusive traveling kits – a limited series whose design is created by Emirates designers, along with the Sougha company. The number of babysitters working aboard Etihad Airways planes reaches 1000; all aircraft are equipped with a free Wi-Fi network, and large planes have equipment for real-time TV broadcasting and phone communication.

An important goal of Etihad Airways is the development of a competitive bio-fuel in Abu Dhabi, jointly manufactured with international partners like the Masdar institute, Boeing, GE, Total, Tarkeer, etc. In January 2014 the company made a demonstrative maiden flight of Boeing 777-300 ER that was partially realized with the first aviation biofuel manufactured in the UAE.

Although in 2014 the company's growth continues strictly in accordance with its strategic goals, it faces unprecedented external difficulties. Especially concerning are the aggressive protectionist attitudes in Europe and the U.S., where Etihad Airways and its partner companies become targets. Such policies limit the competition and impede the wide spectrum of consumer choice. These mindsets could impede the progress that the company has achieved in improving global route networks in terms of the level of products and services, the "price-quality" ratio, etc.

In 2014 Etihad Airways wins over 55 awards, including "Best Air Company in the World", according to the prestigious international World Travel Awards.

Etihad Airways' staff has shown a 37.5% growth compared to 2013: in 2014 24 206 people from 144 countries become members of its international team. The majority of the company's employees working in the UAE are native residents of the country. The same situation is observed with the senior positions among the Etihad Airways crew. By the end of 2014 the number of local UAE residents among employees has increased by 37% and has reached 2017 people, thus achieving a record in recruiting local people.

Etihad Airways presents its national development plan, which involves target personnel training for the company, to the UAE. It envisages the realization of over twenty programs for training managers, including sales managers, airport employees, beginner pilots, technical engineers, customer relations managers and call center agents. Etihad Airways plans to increase the number of employees who are local residents to 6000 people by 2020.

Etihad Airways is one of the most popular employers of the 21st century and it also ranks among the 100 most attractive companies in LinkedIn's version. In terms of human resources, the strategic goal is to choose the best of the best. New jobs are created on all markets where Etihad Airways is present and at the end of 2014 their personnel include representatives of over 140 nationalities. In 2013 1700 vacant flight service positions and about 500 vacant pilot positions are announced. The number of applicants exceeds them 57 times.

Something that is representative of Etihad Airways' development in 2012 – 2015 is that the air company strives to expand its marketing concept to a holistic network where it, along with its affiliates, would be able to efficiently assess new opportunities for creating value, as well as deliver products, services and experiences that could fit more accurately to the individual requirements of its customers.

In 2015 the operator has received a net profit of 103 million dollars. The carrier's revenue for 2016 in Abu Dhabi is 8.36 billion dollars, which is less than the 9 billion dollars earned the previous year.

In 2016 the number of serviced passengers – 18,5 million people – is a record one, but Etihad Airways suffers a net loss of 1,87 billion dollars. This is a drastic contrast with the company's positive financial result from 2015. Etihad explains such significant losses with emergency one-time write-offs that happened the previous year. At the same time, the company's primary operative activities are acknowledged as successful overall. This is due to the losses related to the reduction of the plane's market value and the premature amortization of several types of planes, as well as the ones caused by the negative financial results with associated companies (mainly for Alitalia and Airberlin). Etihad owns a 49% share of the Italian national carrier and 29,2% of Airberlin's stocks. Both European air companies bring significant financial losses, and Alitalia is in a pre-bankruptcy state.

The subdivisions which handle ground service, food supplies, aircraft maintenance, repair and operations (MRO), as well as activities such as aircraft leasing and financial transactions contribute to the air company's 8.36-billion-dollar profit [10].

The main subject of activity – passenger freight – brings the company a revenue of \$4,9 billion and retains its level from 2015, even though the number of serviced passengers in 2016 – 18,5 million people – is a record one for Etihad (compared to 17,6 million transported passengers the previous year). The employment percentage for passenger seats drops from 79,4 to 78,6%. The passenger turnover increases by 9%, reaching 113,9 billion. Part of the losses involves anti-terrorism expenses, as well as low petroleum prices. The total loss includes fleet expenses which amount to 1,06 billion dollars, showing a drop in the market value and early decommission of certain plane types.

In 2017 the UAE's two leading companies – Emirates (Dubai) and Etihad (Abu Dhabi) negotiate a potential merger. The companies are forced to look into the prospect of uniting their assets due to the complicated market condition and the sharp drop to 75% in Emirates' profits for 2016 – 2017 due to the powerful dollar to which the UAE's currency (the dirham) is linked. Additionally, Etihad reduced the number of its routes from 116 to 112. Etihad does not present financial reports for 2016 and 2017, but it announces its plan regarding the reduction of its maintenance in light of the increasingly complicated situation on the global market.

Summary

As a result of the carried-out research, the following conclusions can be made regarding the main aspects of Etihad Airways' marketing approaches:

During the 2012 – 2015 period, the air company implements a marketing strategy that leads to a high growth in profits. This strategy is characterized by large-scale investments in new routes, new planes, new products and new infrastructure, as well as establishing partnerships within quasi-alliances. Etihad Airways implements the differentiated marketing strategy, focusing its activities on several market segments and develops individual offers for each of them, thus ensuring more sales.

During the 2015 – 2017 period the company continues to implement the same strategy, but this does not lead to the same results as the 2012 – 2015 period due to the insufficient flexibility of marketing management; the risks of its participation with capital in unprofitable companies are not assessed adequately, and neither are the external factors, more specifically – the shrinking of the market along main routes and the changes in customer behavior. The company continues

to implement differentiated marketing, but it does not take into account that the growth in profits is accompanied by increased expenses.

The successful approaches for increasing Etihad Airways' competitiveness require taking into account that at the current stage it is the shortage of customers, not the shortage of products that leads to the rise of marketing as the main driving force of strategic planning and infrastructural effectiveness.

Overall, it can be summarized that the strategy for the air company's development needs comprehensive reassessment, including a revision of its strategy for participation in other air companies. On the other hand, the aviation industry is characterized by an excess of capacity, shrinking of the market along main routes and changes in customer behavior – the weakening of global economy affects their readiness to spend.

Conclusion

Markets are changing rapidly nowadays. Air transport passengers become increasingly sensitive to price changes. New competitors, new distribution channels and new communications channels emerge on the transport market. Internet communication is perfected, mobile trade develops. Globalization, market de-regulation, privatization, etc. – the list goes on. The technology that supports the markets changes along with them – electronic trade, electronic mail, mobile phones, automated sales and marketing, cable TV, video conferences, etc. It is imperative that the air company consider very carefully the revolutionary consequences of this new technology.

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MARKETING APPROACHES FOR INCREASING THE COMPETITIVENESS OF AIR TRANSPORT

Svetla Tzvetkova

Abstract

The marketing criteria of consumers in air transport have increased significantly in recent years – consumers have become more informed and harder to please. In order to properly respond to this challenge, air companies have focused their efforts on developing direct sales, created programs for encouraging frequently travelling passengers, formed alliances and used a multitude of other measures towards expanding market shares, reducing expenses, etc. At the same time, the dynamic and competition on the global air market have necessitated the development and implementation of new approaches in solving the goals that air companies face in terms of marketing. The topicality of the problem is the basis for the motivation behind the choice of topic for this paper, whose purpose is to analyze marketing approaches for increasing the competitiveness of air companies according to the example of the UAE's national carrier – Etihad Airways. On the basis of an analysis of scientific literature in the field of marketing, as well as statistic and accounting documents related to the air company's activity, it has been concluded that Internet relations, globalization, the dynamic of the transport market and the unprecedented changes in economy have forced air companies to reconsider their market strategies and marketing approaches in order to improve their competitiveness.

Key words: air transport, transport market, marketing approaches, marketing strategy, competitiveness of the air market.

JEL: R40, R41, R49.