

Consumer Behaviour- Choice Air International

The following report contains an analysis of the specific industry dynamics that influence consumer behaviour and decision making processes. It will additionally provide insight into a new innovation expecting to launch with Choice Air and validate its capability to launch within the Australian market. The report will specifically cover an industry overview, factors affecting the decision process, the internal and external influencing factors, the strategic marketing decision and discussion relevant to this report.

**CHOICE AIR INTERNATIONAL**

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# Introduction

Choice Air International is a new airline company which will connect the not so popular locations in Australia which do not get flown to normally. We will analyze the market potential of the Australian Airline Industry and come up with a mission statement for the brand along with the target market for Choice Air International. Australia is a very attractive market for the airline industry. More than sixteen million visitors visit Australia every year and more than 90% of them come by air. Since Australia is an island and also a thriving economy, air is the only way the people can reach Australia for tourism or business or any other purpose apart from ships which will be very slow. There is a huge gap in the demand of airlines as most of the airlines concentrate on the big cities and hence Choice Air International has a huge target market to capture in the smaller locations which normally do not get flown to. It can also charge a premium to those areas and it can be profitable. Also, most of airlines running in the rural and remote segment are low cost carriers and there is market for the premium segment as well.

 Airline Industry in Australia is fairly segmented but dominated by two airlines – Qantas and Virgin Blue. While Qantas has been the market leader from the beginning, virgin blue is growing fast in the recent years. Also, the industry has changed quite a bit from the 1990s. On the routes connecting the main cities which are called as the domestic trunk routes, there are predominantly only two airlines when compared to four airlines in the 2000s. On the other hand, there are quite a few airlines which are connected now to the rural and remote Australia. This market is not dominated by any airlines and there is still potential to tap as the demand in this sector is fast growing.

 It is important to stay ahead of competition and tap this market. Australian airline industry is one of the most competitive industries with lot of players including Qantas airlines, Virgin Blue Holdings Limited, Regional Express Holdings, SkyWest airlines and Tiger airways. While Qantas airlines hold more than 75% market share, around 15% is enjoyed by Virgin Blue Holdings. There are almost fifty international airlines that provide services to Australia and almost all the main cities of Australia like Melbourne, Sydney, Adelaide, Canberra, Hobart etc. are covered by the regional airlines with good frequency. Choice Air International should try to fit in the premium segment of the Australian rural and remote locations which is currently untapped. They can charge premium for the convenience charges and the changes are pretty high to succeed.

The mission of Choice Air International is to provide services to the remote locations in Australia as opposed to the existing airlines which target the main cities more. Choice Air International would charge a premium for the convenience charges which will be the USP (Unique Selling Point) of the Choice Air International airways.

******Industry Overview**

In the last decade, the Australian airline industry has seen significant growth in terms of geographical distribution and market share growth as evidence by the increasing number of airline companies. Examples of airline that operate in the Australian airline industry include Qantas, Australian Airlines, west Australian Airways, eastern Australian Airways, Virgin Blue, Skytrans Airlines, Australian air Express, Tiger Airlines, Airlink and Marroomba airlines among others (Benson, 2012). In order to gain competitive advantage and to expand their market share, the above airlines have devised various marketing strategies aimed at attracting and retaining customer to their brand.

**Product Mix**

The expectations, needs and demands of airline passengers / customer are ratcheting ever upwards and thee capabilities of various airline firms to deliver consistent quality products at low prices is also increasing in the airline industry. Similarly, consumers are looking for benefits that such airline firms are offering them. This has to the emergence of different product mix in terms of on the ground services and in-flight services. The product mixes in the Australian airline industry are based on design, quality, range, brand name and features. In flight services that customers look for and that the airlines are marketing include the aircraft, seating configuration, good inner-exteriors, ambience, cleanliness, good inner-extensions, and ambience (Benson, 2012). Furthermore, the airline firms also focus on in-flight food, entertainment and comfortable seating.

**Pricing/ Price Mix**

The marketing strategy that is used in Australian airline industry is dependent on individual airlines but most use the following range of pricing techniques, list price discounts, commissions, surcharges, extras (Andrew, 2012).The Australian airline industry is becoming increasingly competitive and as a result, the airline is seeking new strategies of achieving competitive advantage and expanding their market share. One of the price mixes that most airlines firms in Australia are using is the low fare strategy where they are offering lower flight prices to customers/ travellers (Shaw, 2012).

**Promotion**

In the Australian airline industry, the respective airlines are using different promotion strategies to imprint their brand. The promotional strategies range from advertisement, publicity, sales promotion and word of mouth. Each promotional strategy that is adopted by a particular airline in Australia targets various customers. Airlines are increasingly relying on online travel agencies as a way of promoting their brands (Shaw, 2012). The online travel agencies usually post information on fares from different airline companies. Consequently, travel agents and tour operators are also playing integral in the promotion of the individual airline companies operating in Australia (Andrew, 2012). In addition, as a way of promoting their brands, Australian airline companies also rely on public relation organizations and the media such as television and business and ravel magazines to publicize their business. Promotion by word of mouth is only as a result of customer loyalty. The use of social media as a marketing tool for the airline industry is also gaining ground (Benson, 2012).

**People Mix**

It is evident that most services in the airline industry are offered by people and hence the reason why Australian air firms are emphasizing on people mix as an important marketing tool. The front line staff, air hostess, cockpit crew and other employees of the airline firms play integral role in delivering services to the customers and travellers are needed (Benson, 2012). This is a marketing mix strategy that the respective airline firms in Australia use to gain competitive advantage and customer loyalty through reliability, caring attitude and goodwill, competence, responsiveness, problem solving ability (Saxena, 2010). The airline firms give bonuses their employees who have achieved the required customer relation targets.

**Process Mix**

Reservations, baggage handling, meal service, flight entertainment, reservation, delivery quality service, meal service, and facilities at the airport are example of product mixes that are used in the Australian airline industry. Australian airline companies’ process services usually involve front line staff, travel agency offices, tour operator and other services that can help the respective airlines to reach their customers with ease. The Airline process services often starts from reservation to baggage handling at respective airports (Benson, 2012).

# Factors affecting the consumers decision process

**Problem recognition**

It is appropriate to recognise that consumer behaviour is primarily based on the need or requirement to fix a specific problem that is faced by a potential consumer. This is the key attribute that marketers aim to capitalise on and will help determine the appropriate campaign needed to provide a service or product to resolve a consumer’s problem. According to Pride and Ferrel (2010) problem recognition can be recognised as a (Pride & Ferrell, 2010)buyer’s awareness between a desired state and their actual state. In respect to the innovative service known as MyFlight that will be offered in conjunction with our current domestic and international flights it is essential to determine why consumers would utilise this service to fix their particular problem. The desire to travel to a specific location would be based on the magnitude of the discrepancy between the actual and desired state and the relative importance of their problem. MyFlight has the potential to eliminate the stress and problematic process of travelling to locations that do not have an International airport. By paying a premium price or by collecting MyFlight points a consumer may utilise the service of a requested time and location to help alleviate a potential problem and get to their desired location quicker, ultimately proving that it is a better solution to reaching a consumers desired state over competitors services.

**Information search**

To provide Choice Air with a distinct insight into how well MyFlight may perform in the Australian Market extensive market research and exploratory research should be conducted to help acquire information in relation to external opinions, facts, figures and professional information. This information can then be used as external data to accommodate internal decision making processes. Typically it can be seen that Airline has shifted from a luxury in the past to a necessity for travel and trade today. According to the National Aviation Policy Green Paper (2009) the number of people traveling on airlines to and from Australia has grown from 2.3 million in 1958 to 69.5 million in 2007. This is additionally expected to increase at a rate of 4% per annum according to the Bureau of Infrastructure, Transport and Regional Economics. Currently Airports are running at close to maximum capacity and the Australian Market is becoming more internationalised opening a new window of opportunity for competitors.

According to the Green Paper the next 20 years will see a large focus on consolidation through merges, cross border investments and alliances to help alleviate the cost of fuel prices, excess capacity and current emission issues. This information can help dictate the position of the Australian Market and provides insight into the growth expectancy of passengers, a rapid transition to Internationalisation and the reduction of competition through Alliances. This allows Choice Air to capitalise on this external information and develop our Airline amidst the rapid expansion after the Global Financial Crisis. Specifically due to the new Alliances that Aviation are referring to and the desire to develop a MyFlight program, consumers may use our services as an alternative due to our innovative practises and emerging characteristics. Therefore it as apparent that the information search of consumers will be evidential through advertisement, marketing campaigns and the desire for cheap and effective flights to their required destination, which MyFlight aims to capitalise on.

**Evaluation process of alternative brand/ products**

Market Evaluation when determining what service or product consumers choose is highly important as it determines a firm’s profits, reputation and market share. Evaluative criteria is primarily based on the characteristics or desired features that will meet the requirements of a consumer and what a consumer believes a product should have. In respect to the Airline Industry the evaluation is primarily based upon brand loyalty, pricing, locations offered and service provided. This would therefore entail that to penetrate the Australian Market with Choice Air International, it would require competitive pricing, unique locations offered through MyFlight program and an innovative service offered within flight to differentiate us from potential alternatives.

According to Figure 1 (Appendices: Top 10 International Airlines in Australia) it provides insight into the top International Airlines in Australia and their respective market share. This shows that Qantas in 2010 held 18.4% share which was down from 21.8% this is partly due to the increase in the competitive market. In addition according to Figure 2 (Appendices: Australian Domestic Traffic development) it shows the rapid decline in domestic use occurring during 2008 and leading on to current as the shift is becoming more International. This information is vital in developing marketing campaigns to attract potential consumers as an organisation must understand the current market trends.

The evaluative measurement that would most likely be used to determine the airline service desired would be a rank ordering scale that would rank the competitive airlines based on a set of features, price, overall performance or customer service. Within the airline industry a surrogate indicator of consumer perception is price as it can be used as a way to estimate the level of quality an airline service offers (SyKronix). This is a key are that markets must understand that cheap flights does not necessarily mean better as quality is directly relevant to the price. This can be effectively measured using the new MyFlight service offered as the price and quality will be directly relevant.

**Post purchase dissonance**

Post purchase dissonance is an important aspect in relation to the marketing of a new product or service as it deals with a consumers doubt or anxiety after deciding on a particular purchase. Post purchase dissonance is directly related to an individual’s perceived alternatives and the prospect that the wrong decision has potentially been made. Choice Air International aim to help eliminate the prospect for a consumer to deal with this complexity by offering quality airline service at affordable prices, whilst additionally providing a highly innovative service for those consumers who wish to spend that little bit extra for a more luxurious service. This particular trade-off is offered through Airline services accommodating economy and first class, but MyFlight aims to differentiate between two services and offer a unique experience. The methodology that will be adopted by Choice Air aims to capitalise on Australia’s expanding market, increase in Aviation, increase in population and the increase in the strength of the Australian dollar to validate that this particular service has the capability to be a profitable industry

**Building loyalty**

Building loyalty will be an intricate part of Choice Air Internationals framework and business planning’s. We aim to incorporate a MyFlight program that earns a respective amount of points primarily based on the value of normal commercial, regional and International flights and be directly awarded to a respective account holder. This will allow consumers to eventually earn a MyFlight service without the need to spend the premium amount requested. This methodology is expected to alleviate market share from major competitors Qantas and Virgin Blue as our normalised services are similar to our competitors with the ability to earn a premium service. Therefore it is considered essential to work on loyalty with our consumers do to being an emerging competitor and return customers being our direct source of market share.

Internal and external influencing factors



# Strategic Marketing Decision

**Price Strategy**

Choice Air International has undertaken a market penetration pricing scheme to enable the capture of greater market share both in Australia and abroad. This system will prove to offer a comparable and even more comprehensive range of services in relation to Qantas and Virgin Australia our major competitors, being competitive in this market will prove to be the corner stone of our initial goal of breaking even by 2015.

Post the 2015 breakeven point recommendations show a price increase of 15% across the board will enable a comparative symmetry between Choice Air International and Virgin Australia, removing the associated stigma of being the “low cost’ airline. Further price increases will stabilise our then well-known brand as the multifaceted multidimensional airline brand that enables the customer to choose the calibre of aircraft and service that suits the individual passengers requirements.

**Place Strategy**

Choice Airlines International has chosen to enable ticket sales online, via our head office and at all branches located in domestic and international airports and all major travel agents. Booking online will enable a greater comprehension of all services on offer including seating preferences, specific pricing tiers and availability of ‘My Flight’ Charters. Customers will also be ensured the highest service quality with our local customer service operators available 24/7. Further growth post 2015 will see choice airlines owning terminals in all affiliated countries.

**People Strategy**

Choice believes passengers deserve the highest quality service available, to enable this to become a reality we make the choice to employ only the highest quality staff and provide them with the training and tools to make this possible. Not only do we strive to accommodate the needs of passengers our staff will actively seek out customer issues and work with our clientele to satisfy their every need.

In the future passengers of Choice will act as word of mouth advertisement for our airline and its superior focus on customer satisfaction and return business driving our impressive and successful brand globally.

**Promotional Strategy**

Choice Airlines International’s promotion strategy is varied and far reaching for the purpose of maximum exposure during our first teething years, to capture the greatest possible market share in a short amount of time. Promotional strategies to be incorporated are as follows and may change due to any unforeseen circumstances.

Sales - Sales promotions will be used to offer current and future customers further benefits when choosing to fly with Choice, these include discounts on tickets when purchased online and directly from Choice branded outlets. Bulk discounts when purchasing multiple tickets for a single flight and also for pre-purchasing tickets for multiple singular flights and pre-purchasing open ended tickets for future travel with Choice.

Also to be included bundled ‘My Flight’ tickets to be heavily discounted, making chartered flights for the public furthermore accessible.

Prices set initially for market penetration will see an influx of customers that will prove to become loyal clientele for the airline long after pricing is raised to be comparable with our major competitors Qantas and Virgin.

Advertising- As a part of the long-term goal for Choice being realised maximum exposure needs to be achieved, to do this Choice will employ advertisements in all forms of the media, both traditional and social to raise our profile and to enable engagement the consumers awareness set and further into the evoked set of airlines. Starting with television and print media (newspapers and magazine) as main components, also incorporating radio, Facebook, Instagram and Spotify adverts and competitions will prove to be a rewarding combination for Choice Airlines international.

Direct Marketing- Upon training with Choice for all roles, special focus will be taken to ensure our staff are the best promotional force for Choice, enabling informed word of mouth recommendation for future customers and will undertake compulsory ‘Choice expose’ roles at tourism fairs and other specified events and functions.

Sponsorship- Gaining exposure early on internationally will prove to be one of the hardest objectives for Choice, to gain access to audiences both in Australia and abroad Choice endeavours to attain sponsorship deals with local sporting organisations in all affiliated countries moving away from junior and non-professional sports leagues post 2015 to major league associations after budgetary surplus occurs.



**Discussion**

Approaches to be considered that are specific to our airline industry and in particular our new service

Problems we may face- how to overcome them

Discuss why consumer behaviour is important

Overall decision for the particular industry

400-500 words



# Conclusion and Recommendations

Recommendations: what we could do better next time

How the report could be set out better

More insight into other companies that have tried out or are still running a similar service

Look up what you can put into a reports recommendations

200-300 words

Conclusion: Why consumer behaviour is so important, choice air aims to implement MyFlight into its emerging market and all factors that have been discussed in this report should be considered to ensure that it works effectively

Why the report was written

According to all the decisions and information found in this report, it is concluded that MyFlight and Choice Airs prospects will be successful due to all the careful planning conducted by this report

250-300 words max

# Appendices

**Figure 1: Top 10 International Airlines in Australia**



Figure 1

**Figure 2: Australian Domestic Traffic Development**



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