

ASPECTS OF MARKETING APPLICATION WITHIN AIRLINE TRAVELLING COMPANIES. THE CASE OF ALBANIA

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ABSTRACT

The objectives of the research were defined through the following tasks:

1. To synthesise the features of daily marketing activities of the airlines operating on the Albanian market and establish their strengths and weaknesses.

2. To analyse and establish if there are marked differences in marketing activities of the airlines operating on the Albanian market.

Different sources of primary and secondary data were used in analysis of services marketing of airlines operating on the Albanian market. The nature of the research was exploratory. Primary data were mostly gathered from expert opinion by means of personal interviews. The depth interviews took place in offices of the respondents.

Key words: airline, marketing, travel service, market, customer.

JEL classification: M31, L93, M10.

1. INTRODUCTION

National economies of developed countries are dominated by the service sector. In their efforts to differentiate and diversify from competition, the companies in the service sector are developing yet unknown marketing and management models. Their competitive edge is that they provide services but in relation to achieved satisfaction and loyalty of the customer as well. The features of the service sector in the Republic of Albania are still very different from characteristic features of such sectors in the developed market economies. Nevertheless, and as a reflection of many different changes that have occurred in the past twelve years in political, business, cultural and legislative environment, service companies on the Albanian market are constantly faced with business regulations and attitudes characteristics for companies from developed service sectors. The gap is narrowing and the importance of the service sector is increasing. Gathering of the statistical data for the service sector is made on the basis of the data from "Statistical Yearbook 2004" where the service sector in 2004 contributed to 64.4% of employment and 65% of gross domestic product.

2. METHODOLOGY OF RESEARCH

The airline companies are markedly exposed to challenges and needs for permanent differentiation from their competition – the services of many airlines offer similar concept of benefits as they are provided on the same type of aircraft and destinations. In comparison to the competition - the services of many airlines offer similar concept of benefits as they are provided on the same type of aircraft and destinations. In comparison to the competition, how the services are provided and their quality still remains the main source of differentiation. That is why the airlines are among the leading service companies. The objectives of the research were defined through the following tasks:

- To synthesise the features of daily marketing activities of the airlines operating on the Albanian market and establish their strengths and weaknesses;

- To analyse and establish if there are marked differences in marketing activities of the airlines operating on the Albanian market;

- Different sources of primary and secondary data were used in analysis of services marketing of airlines operating on the Albanian market. Statistical publications, international magazines, books and internal sources of some of the airlines were the most frequent sources of secondary data. Time series models were used for data analysis.

The nature of the research was exploratory. Primary data were mostly gathered from expert opinion by means of personal interviews. The depth interviews took place in offices of the respondents. The unstructured – undisguised questionnaire was used. Interviews were carried out with the managers of airlines' representative offices or members of their management and the purpose was to obtain, on the basis of their company business activities and their experiences, opinions, views and answers to the questions determined by the objectives of the research.

Quota sample was intentional and it comprised twelve world renowned airline companies: Albanian Airlines, Alitalia, Malev, Ada Air, Austria Airlines, Olympic Airlines, Turkish Airlines, Adria Airlines, Swiss, Jat, Hemus Air and Club Air.

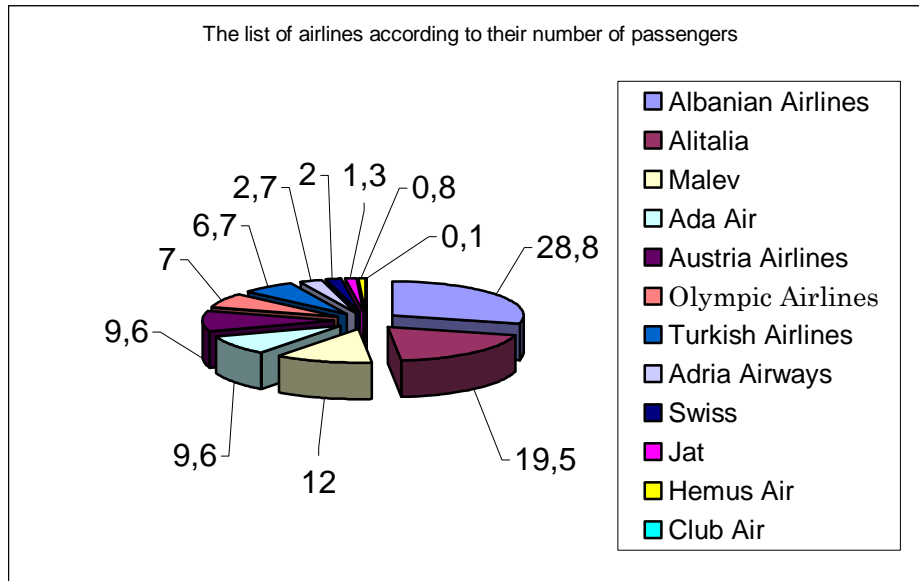


Figure 1. The list of airlines according to their number of passengers

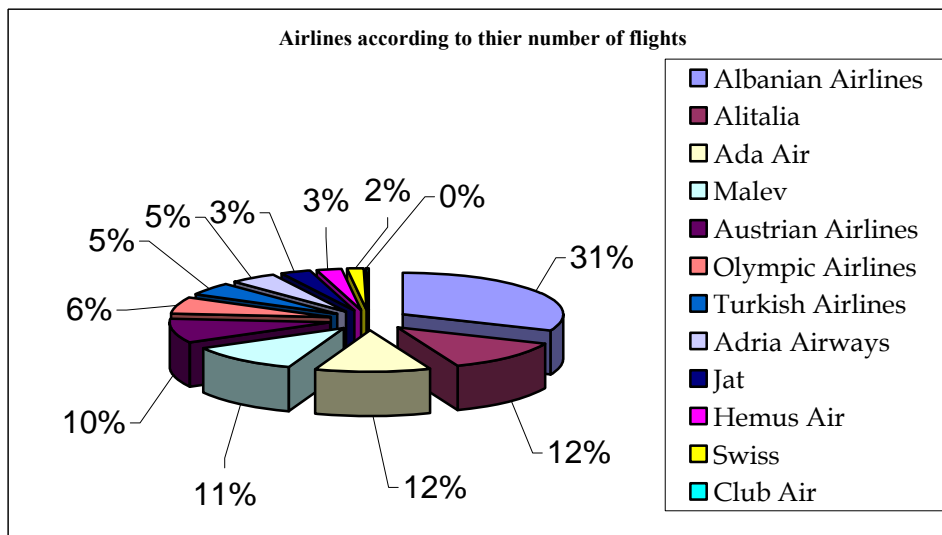


Figure 2. Airlines according to their number of flights

3. ANALYZIS OF THE AIR TRAVELLING MARKET

Recent profitability of airline companies has not been too high. The business has been limited to bare survival. Here, the airlines tend to explain the causes of their problems through structural difficulties that the industry is faced with and through their insufficient size due to which they are not fully able to enjoy the benefits of scale economies. Demand for air traffic services and its permanent growth were not matched by respective financial results hence simultaneous coexistence of high demand growth rate and decline in profitability became one of the most important features of modern air traffic. Physical and

financial indicators in the air traffic in period 1991 – 2003 show the following:

- Demand for air traffic services expressed through passenger numbers shows constant growth. Only in two years an insignificant drop in the number of carried passengers was recorded;
- Total operating revenues show constant growth, but their growth is not matched by adequate profit;
- Despite constant growth in demand and in total operating revenues airlines recorded significant losses, both operating and net, on two occasions. Loss intervals were simultaneous to periods of great economic crisis,
- Strong demand, deregulation and free market entry of new airlines led to the fact that the

existing capacities would be inadequate. As a consequence, orders for new aircraft rose hugely. The number of aircraft on the market grew two times faster than the demand for air traffic services. The consequence of this was many more seats than passengers. Overcapacity led to lower prices and decline in average yield per passenger or per flight.

Observing business activities of the leading airline companies it is possible to single out some of the factors that might have a significant influence on the successful financial results of an airline company:

- Basic features of airline's route network;
- Basic features of flight economics derived from passenger load factor, duration of flights and frequencies;
- The role of computer reservation systems, FFP and concentration of flights through hubs;
- University educated company management with good experience in economy;
- Corporate costs;
- The influence of deregulation and liberalisation of air traffic;
- Disloyal competition from airlines.

The majority of above mentioned factors bear no direct relation to the size of company, except maybe ownership of computer reservation system. Namely, every company can try to fly at low costs, build an efficient route network and employ experienced management. Equally, institutional problems such as regulation, that is deregulation of air traffic, allowing of airline companies to come under protection of "Chapter 11", which entire industry faced, could not bear all the blame for bad financial results. Primary causes must be sought in bad planning within companies themselves, inefficient adjustment to changes that economic crisis brought about, Gulf War, Afganistan and Iraq War and the increase in fuel cost, factors that were beyond control and could not be anticipated.

4. THE BASIC FINDINGS OF RESEARCH

What follows is the presentation of the findings of the research on the marketing of services by the airlines operating on the Albanian market according to individual areas of the marketing of services.

4.1 Specifics of operating on the Albanian market

Despite the differences in the time length and continuity of their operations on the Albanian market, and also in the importance that the Albanian market has for each respective company, it could be concluded that they share common assessment about the specifics of operating on the Albanian market. Generally they feel that it is an expensive market. Their arguments for such assessment are landing, cargo and passengers handling fees, prices for aircraft cleaning and maintenance, catering prices, leases for

business premises, and accommodation prices for crew which are too high and not competitive. They also underline the payment problem. Late payments or difficulty to collect payment for provided services is characteristic for entire Albania and is a result of lack of financial discipline. Most airlines also point to low prices and payment benefits as dominant demand features of air traffic services on the Albanian market.

4.2 Customer's features on the Albanian market

The research findings reveal that significant changes have occurred in the area of market segments. Genuine tourist passenger segment has almost vanished while ethnic travelling (visits to relatives and friends in Canada, USA, Australia, and Western Europe especially Italy, Greece and Germany) have gained prominence. Unfortunately strong business passengers segment does not exist (e.g. business people fly in economy class or even worse, buy complete package as the cost is lower than price of business class ticket). In recent years, refugees, displaced persons and members of international forces formed a specific segment. The main reason behind the changes in the market segmentation lies, and this view is shared by most airlines, in the price which is the key element in the selection of an airline company. Some companies stated that the demands of Albanian passengers in terms of the services standards were not much different from other markets – passengers are increasingly aware of what they can demand and that is how they behave. Some companies stated that it was easier to satisfy Albanian passengers as they still did not demand details (as oppose to passengers from developed Western countries). Evident is also the view that Albanian passengers select airline company out of "habit", that is they are not fully informed about full range of services offered on the Albanian market.

4.3 Internal marketing

The findings of the research show that each airline has defined staff policy, but they significantly differ in concrete actions that are created and implemented in order to educate, motivate, award and build staff loyalty. In certain number of companies the governing form of education is self – education through manuals prepared by companies or courses (formally not a condition for promotion, but in reality yes). Education (basic and advanced) is organised in company's headquarters or through chain process where the knowledge is passed from headquarters to regional centres, and finally to staff in the local representative offices. Alternatively, representative office in Tirana has the status of profit centre and that determines the nature of bonus for achieved results. It is not unusual to observe declining staff loyalty in such companies – there is no enthusiasm, and no extra efforts are put to keep the staff. Finally there are

companies that stand out for their exceptional care for internal marketing and human resources management. Loyalty of staff and keeping of the best can be achieved through combination of methods and techniques and the most important ones are: team work and aspiration towards company's common goals, continuous investment in staff education and training, active involvement of staff in decision making in all levels, stimulation of self – initiative, remuneration by achieved results, profit sharing. Among such companies it is not rare to find those that are characterised by informal structure – personalization of relations is present, staff, irrespective of their position in the company, is on the first name terms.

4.4 Conduct towards customers

All airlines underlined that the market research was one of the fundamental functions of marketing and its importance for business was indisputable. However majority does not carry out local market surveys and their main arguments are lack of staff and time for such tasks. Some airlines included the Albanian market in customer satisfaction survey that was carried out on flights where Tirana was either arrival or departure airport. Passenger complaints were mostly about lost luggage, check – in (here airlines have very little say as service is provided by airport), aircraft delays, unsatisfactory in – flight service – e.g. food in the economy class. In Albania lost luggage complaints are predominant and are solved locally. Most companies have general guidelines and flexibility up to a certain level is tolerated; however certain issues such as the refund level are strictly regulated. The companies also tend to satisfy the customer as much as possible. If a passenger is not happy with offered solution, he or she is referred to claims department which is either located in the regional office or in headquarters. Some companies have very elaborate complaints systems (as a part of company's general standards manual); if complaint type and how – to – handle – it guidelines are not covered by the system, managers in the regional centre or company headquarters are contacted. The loyalty of Albanian passengers is not on the level that the companies would wish. Loyal passengers do exist but most of them will explore competition's offer and will purchase the ticket from those that offer better payment conditions. Economy class passengers are underlined as the most interested in the programme. Most of these programmes are characterised by collection of air miles (including hotels, car hire) and large and versatile selection of awards (free flight tickets, free package tours).

4.5 The service quality

All companies deem the quality of services as the main tool in gaining and maintaining competitive edge position on the market. Passengers compare the benefits of services provided by respective companies but are not interested in how much has been invested in development of services. The quality of service is a very important area of investment and the following investment areas should be emphasised:

- New aircraft;
- Improvements in aircraft comfort;
- Changes in the services offer – passenger classes are becoming increasingly frequent: economy and enhanced business class;
- Enhancement of in – flight and ground services;
- New corporate identify;
- Strategic alliances due to changes in demand (declining) and other trends on the global air traffic market (*Above statements are not in the order of importance*).

Consistent quality of service is necessary for all markets, and there are no reasons why company standards should not also be applied on the Albanian market.

4.6 Strengths and weaknesses of the airline companies

All companies are in agreement that in the creation of services to be offered to potential passengers, irrespective of their origins, particular attention is given to spotting and emphasising of competitive advantages and constant efforts to overcome their weakness. Globally, airline companies underline the following features as their strengths:

- Numerous destinations and quality time table;
- Punctually, reliability and safety (particular characteristic of top ranking airlines in terms of service quality);
- Strategic alliances that result in greater market coverage and synergy effects by joint use of company's individual strengths;
- Professional conduct towards passengers (e.g. relaxed or even friendly conduct towards passengers, prompt reaction in the case of customer's complaint);
- Professional conduct of staff;
- Air craft comfort (on long haul flights in particular);
- In – flight service (catering, entertainment);
- Good airport service;
- New and modern aircraft;
- Corporate image and identify;
- Attractive prices;
- Attractive loyalty programme.

In fierce and uncompromising competition, the strengths of one company often become the weakness of its competition. As stating of individual strengths and weaknesses would be beyond the objective of this research, these issues have not received detailed consideration. Among particularly conspicuous strengths for the Albanian market the companies indicate; good timetable that offers daily connections even with the most distant destinations, attractive prices, good relations with agents – which serve as distribution channels, professional conduct of staff in the representative office, interesting offer of “stopover programme” with possibility to stay in one of the destinations that is neither passenger’s departure point nor final destination. The companies recognise certain weaknesses present on the Albanian market and not elsewhere; price policy on the market that demands attractive prices and payment conditions is not competitive; potential customers are not informed about company’s offer (they a priori consider company as expensive or attribute the image of company exclusively catering for business class passengers).

5. CONCLUSIONS AND RECOMANDATIONS

Considering that internalisation of Albanian economy is necessity, and that Albania intends to export through tourism, the air traffic services become key element in developing and maintaining of Albania’s competitive edge in a service sector but of Albanian economy in general. All airlines that took part in the research are characterised by their very high level of international business. Because knowledge about their marketing practices and performance in Albania was not extensive, the exploratory research was carried out. As stated earlier in the paper, the general objective of the research was to gain insights and ideas about similarities and/or differences among marketing practises and performance of surveyed airline companies regarding Albania and other markets of their operations.

The research results reveal that day to day marketing activities on the Albanian market are clearly not different from standards and practices used on other, domestic and international markets. Albanian market has its specifics but required adjustments by airlines operating on the Albanian market should not demand drastic divergence from company’s global marketing strategy.

In conclusion, the major task for the management of airlines operating on the Albanian market should be to learn lessons from hitherto crisis and to respond with adequate business strategy. It is necessary to find means for more efficient control of operating costs and to improve load factors. Profit should not be increased through price increases at the expense of passengers. On the contrary, through restructuring of existing flight network and increased productivity significant cost reduction could be achieved and that could lead to lower prices for customers. I recommend better forecasting of economic trends, planning, and more cautions and prudent decisions in the development of the company exposure to destabilising effects of economic crisis.

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