

Marketing Case Study on Qantas

Influences

Factors influencing Consumer Choice

The major factors that influence consumer behaviour when purchasing a service or a product include psychological, sociocultural, economic and government factors. Psychological factors are the personal characteristics of a consumer that influence their behaviour. These include motivation to buy a product; how the product is perceived and learning from experiences in the marketplace. For Qantas these key factors are taken into consideration when trying to sell a product or a service. Qantas are able to suit products to a different customer base. This can be seen in the Platinum membership which reflect sociocultural considerations where First Class lounges are offered as a reward for loyalty, which suits the executive and more affluent customers who pay premium prices but expect quality, greater comfort and a higher level of service on flights. Economic factors are also taken into consideration when purchasing products as the economic status of a person limits their purchasing power. For Qantas, Jetstar has been used as an avenue to attract budget minded customers who are after a lower cost travel option. The Qantas brand also helps with securing new and repeat business as customers respond to certain products and past experiences especially those with a reputable and well-known brand.

Consumer Law Influences

In the marketing of its products Qantas' advertising, promotional and marketing material must comply with consumer protection laws such as Australian Consumer Law and equivalent state legislation. Advertising must not be deceptive or misleading and product and services must have implied conditions and warranties. Qantas must also engage in fair open competition with other companies.

Ethical Factors

As a large corporation Qantas has an ethical responsibility to its customers and society generally to ensure its marketing and business operations generally are ethical. One program introduced is producing environmentally responsible products including boxed meals which reduce wastage and reducing its greenhouse emissions by utilising solar energy to minimise the use of conventional power. Noise reduction programs and providing sponsorship to sporting and community programs not only addresses community expectations but also promotes the Qantas brand.

Qantas has however at times come under some scrutiny for unethical practices and was fined \$61 in 2007 and \$20m in 2008 for colluding with other airlines to fix fuel charges. Other breaches included not disclosing the full cost of flights and overly strict enforcement of contract terms on its cut price airline Jetstar. Qantas must ensure that its operations are compliant with legal and moral obligations otherwise it risks damaging its brand and reputation.

Processes

Market Research

Qantas uses market research to guide its marketing decisions. The first step is identifying information needs such as customer needs, attitudes, brand preferences, buying intentions and characteristics.

Marketing Objectives

Qantas' primary marketing objective is to promote to airline customers two leading complementary brands comprising Qantas, as the premium airline product and Jetstar, a lower cost version

Target Markets

Qantas' market segmentation process entails dividing up the total range of potential and current customers into smaller discrete groups to facilitate analysis and planning of its customer needs, pricing, products and promotion. Qantas predominately uses behavioural segmentation to select its target markets.

Marketing Strategies

Market segmentation

Qantas' market segmentation is complex because each segment has distinctive and different needs and expectations such as the desire for stopovers, the ability to pay fare levels and expectations in terms of in-flight service and comfort.

Qantas mainly use behavioural segmentation to select target markets including premium and budget options. Buyers are distinguished according to trip purpose i.e business and leisure/non business travellers. The business segment is further broken down into routine business, conferences/seminars and emergency business which reflect passenger needs and benefits sought. The leisure segment is similarly broken down into holiday (inclusive of tour segments, multi-destination touring segment and weekend segment) and visiting friends and relatives.

Product/Service Differentiation

As mentioned above market segmentation facilitates a range of services and products and supports the need for product and service differentiation to further support this Qantas has established a number of new airlines which have their own target market. These highly differentiated brands appeal to different customers from low cost local services through to premium services in Asia.

Positioning

Positioning is the image that Qantas projects to customers in relation to its competitors. Qantas brings attention to its service by using a variety of positioning strategies. Qantas

positions itself in relation to its competition, for example launching its own no-frills carrier, Jetstar, Qantas has arrested the erosion of its market share to Virgin Blue.

Qantas also uses positioning in relation to a target market. For example, Qantas has concentrated on securing the lucrative corporate/business market through its City Flyer express service, lounge upgrades, Frequent Flyer Scheme and Qantas Club services.

Product, Price, Promotion and Distribution Strategies

Product

As the airline industry has become more competitive, airlines like Qantas have focused on product planning. Qantas designs products to attract and hold customers from a particular market segment and to do so profitably. The generic products of Qantas are the provision of a seat (passenger) or a container (freight). In terms of product strategies, Qantas re-designs and develops its product every year to convince their customers that they have better quality products than its competitors. With every Qantas product is the positive brand name of Qantas (kangaroo logo), being the official Australian airline, its history and outstanding safety record which distinguishes it from other competitors.

The passenger side of the product includes scheduling such as time of departure or arrival, number of stops or direct flight etc. Qantas enhances its basic product by having the best connection airline with its One World alliance and having comfort based features such as lounges, in flight meals and drinks, inflight entertainment and seat width.

In recent years strategies such as the frequent flyer scheme have been used to satisfy and build a relationship with their customers. This system is not only effective in building long term loyalty with customers but it also satisfies each customer's needs and wants. Qantas' Frequent Flyer Scheme has more than 2.6 m members and is a valuable marketing tool while keeping loyal customers.

The freight product is enhanced by Qantas' handling efficiency, routing and frequency and internet tracking capability which helps with customer enquires

Pricing

Price is the crucial element in any marketing plan. Price is the variable which can be reviewed regularly. Pricing includes a combination of: -

- Costs plus margins: Qantas determines the cost of service and then adds a margin.
- Market: where demand is matched with supply and fares are set. The market mostly determines the fares set by Qantas including globally.
- Competition based: comparing and monitoring what other airlines are doing.

Pricing strategies include:-

- Price penetration to set the lowest possible price for Jetstar and Jetstar International.
- Full fares for those wanting flexibility (especially for business travellers) as full fares can be refunded and changed

- Promotional fares offering discounts off the normal rate are offered at times of low demand or to match competitors. Other promotion fares include departure time limitations which offer lower fares outside of peak demand or packaging of deals for holiday including accommodation, meals and transfers.
- Loss leading where very low fares are offered to gain initial market share.

Promotion

Promotion is the means by which an organisation communicates its products and its image to the customer.

Promotional strategies used by Qantas include:-

- Advertising to create media advertisements in television, radio, magazines, newspapers, brochures, posters in travel agencies and billboards. Qantas uses less blanket advertising and more direct marketing, which is cheaper and more targeted especially to corporations.
- Sales promotions especially in periods of low demand
- Personal selling based on sales representatives who directly sell to travel agents, business and government agencies.
- Publicity to enhance the image of Qantas including new releases, feature articles, press conferences and interviews and sponsorship of a number of sports and other public charities and cultural events.

Place/Distribution Strategies

Direct sales are achieved through a network of Qantas' wholly owned retail outlets travel centres called Qantas Holidays which is the largest travel wholesaler in Australia and through Viva, Jetset and Jetabout of which it has a financial interest in. Other direct sales are through telephones sales, airport ticket sales and the internet which is emerging as a significant low cost channel for promotional fares in particular. Jetstar sells more than 90% of its tickets online and Qantas' leisure travel represent 67% of its domestic bookings.

Qantas also uses intermediaries (indirect) such as travel agents to sell its products and has business connections with a number of high profile retail agency chains such as Harvey World Travel, Flight Centre and American Express. These intermediaries account for the majority of ticket sales but commissions paid reduces Qantas' potential revenue. Qantas has recently reduced commissions to reduce costs and encourage internet use.

Physical Distribution issues

Some of the physical distribution issues confronting Qantas include aircraft maintenance, which is one of the major operational costs. Aircraft maintenance is currently undertaken in Brisbane and Melbourne and Qantas is increasingly attempting to outsource this function to Asia to save costs. There is significant union opposition to this move. Other issues include fleet monitoring and replacement, storage of planes at airports during stopovers, adequate provision of fuel supply and the provision of food and beverage for flights within Australia and overseas and location of airport terminals.

Communication Process

Qantas is increasingly using social media such as Facebook and Twitter to engage in a form of mouth-to-mouth communication. Qantas has long-term loyalty with customers through memberships and schemes such as City Flyer express, Frequent Flyer schemes and Qantas Club Services and communicates with customers through these forums predominately through electronic mail. Qantas employs a dedicated Customer Care Team to aid and promote communication among existing and potential customers

For shareholders communication is through Annual General Meetings, letters/email and production of an Annual Report.

Broader communication is through aviation journals and the general media and Qantas also utilise “ambassadors” such as John Travolta to communicate their brand.

E-marketing

The electronic medium (internet) has emerged as a significant low cost channel for Qantas to supplement the conduct of its marketing activities. Increasingly, the public and customers are using their computers or smart phones to conduct their business affairs and research. Qantas mainly uses e-marketing for informing their clients of their Frequent Flyer points and special offers as well as a forum for customers to book flights, ascertain flight details and latest product innovations such as inflight entertainment and Q bag tags etc.

Global Marketing

Global Branding

Qantas uses the same brand and logo globally (the flying Kangaroo) and its strong global brand allows it to increase international revenues and growth. The brand offers immediate recognition around the world of Qantas’ trait of reliability, safety, engineering excellence and customer service and helps to improve margins by driving down packaging, design and advertising production costs.

Standardisation

The standardising of product design, brand name, packaging and product position allows Qantas to gain economies of scale from this global marketing mix. Most of these strategies are alliance based and create a larger range of global products for existing customers (for example One World Explorer Fare, reciprocal frequent flyer programs etc.) reducing the chance that they need to fly off-line while maintaining the perception that Qantas offers travellers a seamless travel experience. These alliances help to improve Qantas’ corporate image in new markets and allows Qantas to capture a greater share of the market and of the premium customer segments.

Customisation

Qantas uses a customised marketing approach mixing elements to suit particular global target markets. In Japan for instance, Qantas had developed a premium product which will adopt a

culturally sensitive style focusing on Asian meals and flight attendants who are fluent in Japanese.

Global Pricing

Global pricing is about determining pricing policy across different countries. Qantas mainly uses a combination of customised pricing where consumers in different countries are charged different rates for the same product and market-customised pricing where pricing is set according to local market conditions.

Competitive Positioning

Qantas' brand and safety record gives Qantas a major competitive edge. Intrinsic to Qantas' success has also been careful and early investment in new technology and fleet to secure competitive advantage or parity on both the product and operating costs. It also has taken account of the evolving nature of the commercial environment and adjusted or improved products on a regular basis. Securing Neil Perry to manage catering and preparing specific meals for niche Asian markets are examples of its review strategy.

The fact that Qantas can provide a premium and low cost product through Qantas and Jetstar respectively means that Qantas has most of the market covered. The variety of memberships (from high end to low end), Frequent Flyer scheme and other customer benefits that are linked to loyalty programs means that Qantas, by offering diversity and product differentiation, can position itself competitively among its competitors and compete profitably in the marketplace.