

CASE TWELVE

Etihad Airways

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Case Objectives

- To describe the unique characteristics of services.
- To explore the challenges faced due to these characteristics and how to overcome them using the right marketing process.

Case Synopsis

- Etihad, which means "united" in Arabic, was given a start-up fund of US\$132 million (\$182 million) and made its first commercial flight to Beirut on Nov 12, 2003.
- Etihad's main objective is to connect investors, tourists, and residents in and out of Abu Dhabi to the world. To serve them all, a new airport with an annual passenger traffic capacity of 20 million will be ready by 2010.
- Etihad has plans to expand into China, North Asia - South Korea and Japan, West Africa, East Africa, and more of Australia and America.
- For three consecutive years starting from 2004, Etihad has won the title of the World's Leading New Airline in the World Travel Awards.

Case Questions and Answers

Question 1

What unique characteristics of services are service operators and passenger airlines like Etihad Airways encountering? What unique challenges does Etihad Airways face as a result of such characteristics?

- Intangibility: refers to the inability to quantify service because service cannot be properly measured and is difficult to evaluate. Also there is a human aspect to it, a personalized touch in service industries that cannot be properly measured, but only felt. Challenge: Communication with and uncertainty faced by consumers.

- Inconsistency/Variability: refers to the fluctuation in quality of the service as it mainly depends on the people who provide them, which vary with each person's capabilities and day-to-day performance. Challenge: Providing consistent service quality to consumers.
- Inseparability/Perishability: refers to the inability to separate the deliverer of the service from the service itself. Inventory problems for goods also come about because many items are perishable and there are carrying costs associated with handling inventory. There is also the risk of having idle production capacity. Challenge: matching supply with demand to avoid idle production capacity.

Question 2

What steps and strategies can Etihad Airways adopt to meet these unique challenges and to become the best airline in the world?

- External Marketing: To improve communication with the public. The company needs to communicate the benefits that customers will gain if they use their services. Marketing and publicity efforts are required to reach out and cultivate public awareness.
- Internal Marketing: To improve on service quality by understanding customer expectations, wants and needs as well as implementing a good delivery system, starting with the employees of the airline.
- Interactive Marketing: Where the management attempts to match capacity with demand, by managing the availability of the offering with demand over the duration of the demand cycle, and the organization's assets are used in ways that will maximize the return on investment. Use reservation system, differential pricing, give discounts during non-peak periods, do regular research and data collection on customer visit patterns.

Question 3

How important is it for an airline to win awards? How can awards help in meeting the unique challenges of service marketing?

- Winning awards can help to reduce the intangibility and variability aspects of services (external and internal marketing).
- External marketing: reduces the intangibility aspect because what the consumers ultimately want to know is the reliability of the airline from an unbiased point of view. Awards communicate that an airline has done well or has excelled in a certain field and affirms that they can deliver what they promise. Positive publicity and awareness of the brand are generated.

- Internal marketing: reduces the variability aspect with reward power as the staff of the company will be encouraged by the recognition of and take pride in their hard work, which will lead to significant improvement in service quality that can greatly help the airline in terms of employee job performance and the resulting customer experience. Also, consumers are more willing to make excuses for the deviation in services quality they may sometime receive, since they can reason that what they experience must be an anomaly because the airline would not have been able to win such awards otherwise.

Question 4

Why is buying the correct types and number of aircraft important to a passenger airline?

Which challenge in service marketing is this task seeking to meet? The challenge of capacity management due to the inseparability aspect of services, i.e. not buying too few or too many aircrafts in order to avoid idle production capacity and at the same time minimizing inventory costs.

- In the event of buying too many, capacity will outstrip demand, leading to lowered seat occupancy per aircraft and there is loss of revenue due to the perishability of the seats.
- In the event of buying too few, there will be not enough aircraft to meet demand, which cannot be easily rectified by simply increasing capacity because of the time taken for manufacturing and purchase of aircraft as well as the exorbitant cost and upkeep of aircraft.
- The challenge of perceptions due to intangibility aspect of service has relevance for aircrafts. Airlines often maintain young fleet of aircrafts in order to communicate that its aircrafts are safe. They also ensure the interior of the aircrafts look new and clean to help enhance perception of good services.

Question 5

How important are internal communications and external communications in helping to meet the unique challenges of service marketing? What key tasks need to be taken to improve internal and external communications in Etihad Airways?

- External communication: to reduce intangibility in services. In order to communicate well, there needs to be a concrete message and proper use of symbols, while being careful of the context. The use of strong, distinct symbols or logos will create a “sticky” effect on the public. Publicity efforts such as sponsorships are important to create awareness and brand association. In some cases, top-of-mind-brand-recall is possible.
- Internal communication: to reduce inconsistency/variability in services. The interaction between the company and the employees that not only aligns the direction of the company with its employees, but motivates and empowers

them as well. Have careful selection and regular training of staff, constant examination of all contact points with consumers, standard operating procedures, a good recovery procedure in the event of faults, avenues for feedback provided, and periodical audits to keep staff in-check.