



A Case Study on Classic Airlines: Practical Marketing Solutions

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Abstract

In today's competitive arena, organizations must use all possible means to maximize growth and profitability by focusing on strategic marketing. Classic Airlines has an opportunity to alter the landscape of the airlines industry. In order to succeed, Classic Airlines must be able to correctly forecast market potential and future demand, by establishing long-term marketing objectives.

Key words: *Marketing, business, organizations, cross-functional teams, environmental scanning.*

Classic Airlines

Classic Airlines is facing an organizational issue. External and internal marketing programs have not been able to satisfy the needs and wants of the stakeholders. Target customers are looking at the services offered by other airlines to satisfy their wants and needs. This has resulted in poor sales and reduced profits for the company. The marketing plan of a firm "helps the firm connect with its customers" (Kerin et al., 2006). Therefore, Classic Airlines wants to develop an effective plan of action that will not only help attract and retain customers, but also boost sales and profits.

The Situation

Issue and Opportunity Identification

Classic Airlines is a 25 year old company that commands a fleet of more than 375 jets that serve 240 cities with more than 2300 daily flights. The company is facing numerous challenges because of rising costs and lack of innovation. Customers are not satisfied with the service they are receiving and management cannot agree on how to correct the issues. A manager at Classic Airlines expresses, "Your challenge is going to be rising above our competition without

discounting airfare” (Case Study, 2008). The company will have to figure out strategies to overcome the challenges.

Challenges Identification

Classic Airlines must address the challenges the company is facing. The company is experiencing a decrease in stock prices. Employee morale is low because of finger pointing and lack of unity. The case study states that “loyal customers were jumping ship and the ones still aboard seemed to be flying less frequently” (Case Study, 2008). The senior vice president of customer service explains that “customers have no voice” which is a major challenge for the company. Classic Airlines and many of its rivals expanded too quickly (Case Study, 2008). The case study mentions that the CEO and CFO focus on numbers and less on marketing. Membership in classic rewards is down nearly 20% and the average number of flights per member is down more than 20%. The company recently mandated a 15% across the board cost reduction over the next 18 months which is also a major challenge for all departments. “Changes in the marketing environment are a source of opportunities and threats to be managed. The process of continually acquiring information on events occurring outside the organization to identify and interpret potential trends is called environmental scanning” (Kerin et al., 2006). Environmental scanning will help the company progress.

Stakeholder Perspectives/Ethical Dilemmas

Classic Airlines is skating on thin ice because customers are unhappy, employees are not unified, and competition is on the rise (Case Study, 2008). Strategic decisions must be made to help the organization get back on track. Special attention must be given to innovation, efficacy, customer service, and efficiency. The company is expecting to enhance the quality of the services they provide without discounting airfare, which means that marketing will play a big role in their success.

Framing the “Right” Problem

Classic Airlines must use all possible means to maximize growth and profitability. Dlabay and Scott (2001) observe, “Competition tends to keep prices lower” (p. 465). The company must be able to forecast market potential and future demand, by establishing long-term marketing objectives that effectively address the challenges.

The case study explains that employee morale is low due to finger pointing and lack of unity. Classic Airlines must implement internal marketing strategies to assist their employees.

Internal marketing is based on the notion that a service organization must focus on its employees, or internal market, before successful programs can be directed at customers. Services need to ensure that employees have the attitude, skills, and commitment needed to meet customer expectations and sustain customer loyalty. This idea suggests that employee development through recruitment, training, communication, coaching, management, and leadership are critical to the success of service organizations. (Kerin et al., 2006)

The company must understand the four unique elements to services: intangibility, inconsistency, inseparability, and inventory. These four elements are referred to as the four I's of services. Services are intangible; that is, they cannot be held, touched, or seen before the purchase decision. To help consumers assess and compare services, marketers try to make them tangible or show the benefits of using the service (Kerin et al., 2006). Inconsistency can refer to developing, pricing, promoting, and delivering services, because the quality of a service is often unpredictable. Inseparability refers to when the consumer cannot separate the deliverer of the service from the service itself (Kerin et al., 2006). Inventory is important because many items are perishable and inventory handling costs money (Kerin et al., 2006). By understanding the four I's framework, the company can rise to the top.

The four P's framework is important when discussing the marketing mix for services. Marketing mix, which comprises of product, pricing, place, and promotional strategies, is used by a company to pursue marketing objectives in the target market. Each of the variables in the marketing mix can be adjusted over time to help a company achieve their organizational goals (Kerin et al., 2006). Classic Airlines should offer competitive prices, improve the quality of their products, invest more on promoting their products, enhance their CRM system, and implement innovative marketing strategies. The aforementioned strategies would help Classic Airlines develop a marketing mix to support customer relationship initiatives.

The “End-State” Vision

The ideal end-state vision for the company is to become the leading airlines provider. This can happen if the information produced by the CRM system is used to make positive changes to the company. A possible end-state goal for Classic Airlines is forming a marketing alliance with Skyway and a top Latin American airline which can help with the marketing aspect of the business (Case Study, 2008). The company is dealing with numerous competitors, low employee morale, decline in sales, and customer dissatisfaction. “The process of continually acquiring information on events occurring outside the organization to identify and interpret potential trends is called environmental scanning” (Kerin et al., 2006). The company must have a large target market and should consider offering incentives for flying with their airlines. The idea of market attractiveness is “a large target market with high growth and real buyer need” (Kerin et al., 2006). Cross-functional teams can also be formed to help employees unite. Cross-functional teams are “a small number of people from different departments in an organization who are mutually accountable to a common set of performance goals” (Kerin et al., 2006). Classic Airlines must implement new strategies and goals for the company to be more efficient, effective, and profitable.

Identify the Alternatives and Benchmarking Validation

The primary purpose of any business, including Classic Airlines, is to meet the needs of the intended customer with the company's product or service. Without a customer to sell to, the business would not exist. Classic Airlines recently experienced a decline in the number of customers. This has resulted in decreased revenue and company profit. A key factor to the success of the organization will be its ability to link its corporate goals with its customer initiatives. The company can gain a competitive advantage by linking each phase of its strategic marketing process with the goal of creating value and excellence for the customer.

A company's strategic marketing process is the approach used "whereby an organization allocates its marketing mix resources to reach its target markets" (Kerin et al., 2006). The result of the strategic marketing process is the development of the company's overall marketing plan "which is the roadmap for the marketing activities of an organization for a specified future period of time" (Kerin et al., 2006). The marketing plan of a company serves to direct primary functions within an organization including supply chain management, demand forecasting, sales initiatives, and finance strategy as well as customer service programs. A primary challenge for Classic Airlines is the need to coordinate all programs, processes, and functions to meet the goal of making the customer the primary focus of all company efforts.

Classic Airlines needs to create a unified company-wide effort, to develop marketing programs that link customer relationship initiatives to its overall organizational goals. The beginning of this process will need to include the company-wide commitment to make the needs of the customer the number one priority. The company will then need to create business and marketing strategies that find

The ideal balance between satisfying a customer's individual wants and achieving organizational synergy, the increased customer value achieved through performing organizational functions more efficiently...so the ultimate criterion for an organization's marketing success is that customers should be better off because of the increased synergies. (Kerin et al., 2006)

Evaluation of the Alternatives

In order for Classic Airlines to succeed, the company must invest significantly in marketing to be able to predict human behaviors. "Marketing is becoming more of a science every day as we find more accurate ways to predict human behavior and advances in technology allow us to gauge and evaluate results automatically and instantaneously" (Levinson et al., 2008, p.11). The company must consider the risks and challenges associated with the alternatives. When seeking the optimal solution, management must consider the challenges that are hindering the company from becoming the leading airline provider. The company can join an alliance, upgrade their current CRM system, focus on their strategic marketing process, train managers to be more effective leaders who focus on internal marketing, and utilize guerilla marketing strategies.

Identifying and Assessing Risks

Classic Airlines must forecast market potential and future demand, analyze competitive landscape and customer purchase behaviors, and identify current and future customer needs. The company must be able to forecast the future demand by using marketing research as a medium for analysis.

Marketing research is the process of defining a marketing problem and opportunity, systematically collecting and analyzing information, and recommending actions. The broad goal of marketing research is to identify and define both marketing problems and opportunities and to generate and improve marketing actions. Although marketing research isn't perfect, it seeks to reduce

risk and uncertainty to improve decisions made by marketing managers. (Kerin et al., 2006)

A technique for marketing research is to utilize the 5-step marketing research approach which encompasses the following steps:

- Define the problem
- Develop the research plan
- Collect relevant information by specifying
- Develop findings
- Take marketing actions

The final objective of the company is to become the largest airline provider. A SWOT analysis identified several opportunities. In order for Classic Airlines to rise above competition without discounting airfare, the company must focus on creativity and innovativeness. Guerilla marketing is a strategy that should be used by any company who is limited on resources. The company can use guerrilla marketing which is a “passionate belief that small businesspeople with limited resources can compete—and win—on a level playing field with other companies—regardless of their size or financial strength—as long as they are armed with the right weapons and knowledge” (Levinson et al., 2008, p. 6). Guerilla marketing encourages a firm to use limited resources wisely and efficiently. An example of guerilla marketing for Classic Airlines would be to implement a barter system for certain services. The company can also save significantly if they continue to hedge effectively by purchasing additional fuel at a reasonable price. A manager states, “By locking in our fuel prices for the next year, we’ve been able to reduce our fuel costs by 12 percent” (Case Study, 2008).

Classic Airlines must find ways to reconnect with their customers by offering incentives for flying with the company and more importantly, showing customers that they understand their needs and wants. “A *need* occurs when a person feels deprived of basic necessities such as food, clothing, and shelter. A *want* is a need that is shaped by a person's knowledge, culture, and personality” (Kerin et al., 2006). Satisfying needs and wants of customers is not an easy task. Implementing marketing segmentation is also an opportunity. “Market segmentation involves aggregating prospective buyers into groups that (1) have common needs and (2) will respond similarly to a marketing action” (Kerin et al., 2006).

A different opportunity for the company is to update the current Customer Relationship Management (CRM) system, so that the information produced from it is used effectively. Customer service is extremely important for Classic Airlines and must be taken very serious, because if customer service is high, customers will be satisfied, and will pay for the value of the customer service. A company must find ways to establish “long-term customer relationships to provide unique value that they alone can deliver to targeted markets. Many successful firms have chosen to deliver outstanding customer value with one of three value strategies: best price, best product, or best service” (Kerin et al., 2006).

There is also an opportunity to form a marketing alliance with Skyway and a top Latin American airline. According to a manager, “the plan is to take it to a code-sharing level, integrate all customer-facing elements and deliver a seamless program” (Case Study, 2008). Classic Airlines has many opportunities to take into consideration and must make customers the focus of each decision.

A different opportunity for Classic Airlines would be to use horizontal diversification strategies or conglomerative strategies to enhance sales. According to Sanhusen (2008),

Horizontal diversification strategies entail adding new products to a firm's product line that are unrelated to the firm's existing products but designed to appeal to members of the firm's target market. For example, Starbucks sells Paul McCartney CDs unrelated to their main product line. (p. 53)

Conglomerative diversification strategies entail marketing new products unrelated to the existing product line. Unlike horizontal diversification, these strategies are designed to attract new categories of customers. Illustrative of this was the purchase of Universal Film Studios by the Seagram Corporation, a large distillery. (p. 53)

The alternatives mentioned above can help the company rise above competition without discounting airfare, which is what the CEO expects. Classic Airlines can become the leader by making strategic decisions. The company must be able to unite and work toward a final goal, which will give the company the credibility and the number one spot in the competitive market.

Making the Decision

When deciding the optimum solution, Classic Airlines must understand what their goals are, what their end-state vision is, and also what challenges they have faced with product development. These factors will help the company decide how to move forward and become the leading airline provider. Classic Airlines is currently unengaged with its customers. Some of the senior leaders do not believe that the best use of their resources is by reconnecting with clients, which has hurt the company significantly. Classic Airlines leadership is divided on the strategic vision for the airline's future. Furthermore, the investment that Classic Airlines has made into a customer relationship management (CRM) system was not sufficient, which has affected the customer service department ability to work with the clients (Case Study, 2008). The best solution for Classic Airlines is to focus on their strategic marketing process.

A company's strategic marketing process is the approach used "whereby an organization allocates its marketing mix resources to reach its target markets" (Kerin et al., 2006). The result of the strategic marketing process is the development of the company's overall marketing plan "which is the roadmap for the marketing activities of an organization for a specified future period of time" (Kerin et al., 2006). The marketing plan of a company serves to direct primary functions within an organization including supply chain management, demand forecasting, sales initiatives, and finance strategy as well as customer service programs. A primary challenge for the company is the need to coordinate all programs, processes, and functions to meet the goal of making the customer the primary focus of all company efforts.

Classic Airlines needs to create a unified company-wide effort, to develop marketing programs that link customer relationship initiatives to its overall organizational goals. The beginning of this process will need to include the company-wide commitment to make the needs of the customer the number one priority. The company will then need to create business and marketing strategies that increase synergies. The company will be able to prosper by having organizational synergy and a united team working towards the same vision. The company must be able to make strategic decisions and capitalize on their competitive advantages.

Trends in society easily influence many factors which make it difficult for companies to predict which product will be successful. “The process of continually acquiring information on events occurring outside the organization to identify and interpret potential trends is called environmental scanning” (Kerin et al., 2006). Timing is also important when introducing a new product or service to the market. A product can be introduced too soon or too late which will have an impact on the success of the product. “IBM, for example, killed several laptop computer prototypes because competitors introduced better, more advanced machines to the marketplace before IBM could get there” (Kerin et al., 2006). Lack of marketing research can also hinder the success of a product because marketing research seeks to reduce risk and uncertainty. Without sufficient resources, Classic Airlines may not be able to invest in marketing research.

For Classic Airlines, being able to adapt to different trends and markets is crucial for success. Insufficient market attractiveness is also a challenge with new products. The idea of market attractiveness is “a large target market with high growth and real buyer need” (Kerin et al., 2006). The company needs a large target market with high growth in order to succeed.

Classic Airlines must apply a top down approach and use strategies to engage their internal stakeholders in their decision making process. The executive management team must be unified in their approach and tactics in order for middle management to be effective when managing subordinates. All employees must be confident in order for the company to become profitable and successful.

Customers are an integral part of a marketing plan. “An effective marketing plan efficiently identifies and delivers the needs and wants of customers” (Kotler, 1998, 42). Customer-oriented thinking is therefore, essential for winning as well as retaining customers. Customer-oriented “thinking requires companies to see things from the customer point of view, not from its own point of view” (Kotler, 1998, p. 44).

Developing and Implementing the Solution

In order for the plan to succeed, it must be implemented correctly. The implementation part of a plan is difficult because of negotiations, internal resistance to change, and meeting difficult timelines. Communication between management and employees must become the norm during the implementation process. “In successful projects, preparation for implementation is done in advance. It is addressed in the initial plan and throughout the project. There is a strong liaison between the project team and the user about implementation details” (Nicholas, 2001, p. 547).

The strategic marketing process has three phases that include planning, implementation, and control. All phases are equally crucial to the ultimate success of a company’s marketing campaigns. “Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders” (Kerin et al., 2006). The first phase in the process of developing marketing strategy is the planning phase. The planning phase should start immediately. The primary purpose of the planning phase is to create product and market focus, set goals, and develop a marketing program after intense research, analysis, and assessment of all competitive, environmental, market and situational factors. At the center of the planning phase is a SWOT analysis which is “an acronym describing the organization’s appraisal of its internal Strengths and Weaknesses and its external Opportunities and Threats” (Kerin et al., 2006). The

key goal of market research is to “understand how customers perceive value...the unique combination of benefits received by targeted buyers” (Kerin et al., 2006).

Once the marketing program has been developed, the company can begin the second phase in the strategic marketing process that is the implementation phase. The implementation phase should begin within three months. The primary focus of the second phase is to turn the developed plan in phase one into a reality. The primary steps to the implementation phase include securing resources, developing a marketing department, establishing an action plan and schedule, and putting the marketing program into action. The marketing program of a firm enables the firm to connect with its customers (Kerin et al., 2006). Key contributors to the success of the second phase include clear communication of the marketing goals; the development of a detailed action list with specific tasks, expected results, and deadlines; the development of an appropriate, effective, and qualified marketing department; and the execution of specific and aligned marketing strategies and tactics.

The final phase in the strategic marketing process is the control phase that “seeks to keep the marketing program moving in the direction set for it” (Kerin et al., 2006). The control process involves evaluating the progress and measuring the results of specific marketing programs. The final phase is ongoing and will help with continuous improvement efforts. A critical function of the third phase is to identify any critical variances from the original plan and enact contingency plans if necessary to keep the programs in line with the overall organizational goals. In addition, performance results can be tracked to identify important consumer, environmental or market trends that may indicate the need for a revised marketing plan. The control phase will reveal company successes or failures that can be used to develop future marketing strategies, plans, and programs.

Classic Airlines will most likely experience derailers during the implementation process which can cause a delay in the partnering process. The two main derailers for leaders to control during implementation are changing behaviors and employees who resist organizational change. “Since leaders have the most to lose [during implementation] and may be steeped in the traditional ways, it is sometimes hardest for them to change behaviors” (Larson, 2007, p. 26). Most employees fear change because of job security reasons. “Employees may be uncertain about the impact on their own job and careers and thus resist implementation” (Daft, 1986, p. 289). The company must be focused on becoming the leading airlines provider by investing in internal and external marketing to provide the best customer service possible.

Evaluating the Results

One end-state vision after implementing the strategic marketing process is for employees to unite and work collectively on all projects. Cross-functional teams should become the norm of the company. The case study explains that employee morale is low because of finger pointing, lack of communication, and lack of unity. Classic Airlines must implement internal marketing strategies to assist the employees. The end-state goal is for job satisfaction to be high. A metric that can be used would be a bi-annually job appraisal and a convenient suggestion box. The target would be for 100% of the employees to be satisfied with job duties and requirements. This would help retain employees and would attract new employees to the company. By using a suggestion box or other anonymous option, the company may be able to get more honest or direct feedback. “Employees may be encouraged to suggest new-product ideas through suggestion boxes or contests” (Kerin et al., 2006). Management could also attempt to contact

their employees for feedback, which would allow management to ask follow up questions to better understand the challenges.

A different end-state vision for Classic Airlines is to meet all financial goals. The end-state goal is for marketing to be able to implement the required changes to the frequent-flyer program without exceeding their program budget. A metric that can be used is for the actual marketing expenses to be less than 100% of projected expenses. A major strength of this vision is that the company will spend less and will have more resources for other projects.

An end-state vision for Classic Airlines is to develop a more effective system regarding customer focus. The end-state goal is for employees in all departments to place the interests of the customer at the forefront of their decision-making process. A metric that can be used is for 70% of Classic Airlines major operating departments to implement a customer-focused objective as one of their top three annual goals. A major strength of this vision is that customers will become the main focus of all decisions.

A last end-state vision for Classic Airlines is to have a competitive advantage by offering the best frequent-flyer program. The end-state goal would be for Classic Airlines to offer a frequent-flyer program that cannot be easily copied or improved upon by their competitors. A metric that can be used by Classic Airlines would be to make sure that 20% of the rewards options could not be duplicated. A major strength of this vision is that Classic Airlines will be a more powerful company with strong competitive advantages.

Conclusion

Research has proven that customer relationship management has a direct impact on the overall performance of the organizations. Therefore, companies must focus on identifying efficiently and delivering effectively what the customer wants (Kotler, 1998, p. 57). By changing their internal and external marketing plans, Classic Airlines has an opportunity to improve their capabilities in identifying and delivering what the customer wants. The marketing plans of the companies presented in the aforementioned benchmarking analysis will enable Classic Airlines to transform their CRM approach into an efficient process that integrates customer requirements with organizational needs. With a focus on customer retention and acquisition, Classic Airlines will be in a position to create an efficient marketing plan that will adapt to changing needs of the industry, foster positive customer relations, and develop policies and programs that will benefit the entire organization.

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