

A Comparative Study of International Airline's Ancillary Functions

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Declaration

I hereby declare that this thesis is my own work and that it has not been submitted to any other University or Institutions for any degree, diploma or other qualifications.

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Abstract

The airline industry has been struggling to survive in economic turbulence throughout its history. The volatility of the industry structure has driven the policy makers to come up with new sources of income in order to survive the fierce competitions from local and foreign competitors and the high fuel costs. Although airlines have been generating non-ticket revenue in the past by auxiliary functions, e.g. ground handling, maintenance, cargo logistics, duty-free shopping, consultancy, charters, inflight catering, and so on but these functions were generally viewed as separate businesses. The current mutually destructive competition market has created what strategy guru W. Chan Kim called a Red Ocean. In order to create a blue ocean, airlines are now focused on competing through brand differentiation. One strategy for differentiation is offering lower airfares via unbundling and offering ancillary services.

This thesis discussed airline ancillary services from a marketing perspective, specifically from the retail and service industry point of view. The concept of airline ancillary offerings is explained with the help of applied examples from the airline industry with the support of marketing concepts. The researcher investigated the effects of ancillary offerings in the airline industry and the practices in use for their marketing. It was found that airline ancillary offerings allow passengers to buy only what they need for their travel and gives them control over travel costs thus building airline brand loyalty. The technical process of buying airline ancillary offerings via online retail and GDS travel agents was discussed briefly.

Key words: Airline retail, ancillary services, à la carte pricing, bundling/unbundling of services.

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Research Timetable



Table of Contents

Declaration 2

Acknowledgements 4

Research Timetable 5

1 Table of Contents 5

2 List of Tables 10

3 List of Figures 11

4	Introduction.....	Error! Bookmark not defined.
5	Defining Ancillary Offerings in the Airline Industry.	Error! Bookmark not defined.
5.1	Significance of the Study	Error! Bookmark not defined.
6	Research Methodology	Error! Bookmark not defined.
6.1	Limitations	Error! Bookmark not defined.
	Access to Scholarly Materials.....	Error! Bookmark not defined.
	Accessibility Issues	Error! Bookmark not defined.
6.2	Ethical Considerations	Error! Bookmark not defined.
7	Research Objective	Error! Bookmark not defined.
8	Research Question	Error! Bookmark not defined.
9	Literature Review.....	Error! Bookmark not defined.
9.1	Deregulation in Airline Industry	Error! Bookmark not defined.
	Middle Eastern Perspective.....	Error! Bookmark not defined.
9.2	Low cost carriers and Full service carriers	Error! Bookmark not defined.
	Spirit and Southwest Airlines.....	Error! Bookmark not defined.
9.3	Brand and Differentiation Strategies for Airline Industry	Error! Bookmark not defined.
		defined.
9.4	The Growing Importance of Ancillary Revenues	Error! Bookmark not defined.
		defined.
9.5	Distribution Channels for Airline Ancillary.....	Error! Bookmark not defined.

9.6	Role of Wireless devices	Error! Bookmark not defined.
9.7	Role of computers and GDS	Error! Bookmark not defined.
9.8	Role of the Internet	Error! Bookmark not defined.
9.9	Omni-Channel Strategy for Airline Ancillary Sales	Error! Bookmark not defined.
	Innovative payment solutions.	Error! Bookmark not defined.
9.10	The role of IATA	Error! Bookmark not defined.
9.11	Effects of Airline Ancillary Offerings.....	Error! Bookmark not defined.
9.12	Target Market for Airline Ancillary	Error! Bookmark not defined.
9.13	Price Fairness of Airline Ancillary Offerings	Error! Bookmark not defined.
	Price uncertainty in airline ancillaries.....	Error! Bookmark not defined.
9.14	Airline Ancillary Marketing.....	Error! Bookmark not defined.
	Airline marketing mix.....	Error! Bookmark not defined.
9.15	Airline Service Quality Management	Error! Bookmark not defined.
9.16	Air Canada Ancillary Offerings	Error! Bookmark not defined.
	Technological Innovations.	Error! Bookmark not defined.
9.17	PIA Ancillary Offerings	Error! Bookmark not defined.
9.18	Airblue Ancillary Offerings	Error! Bookmark not defined.
9.19	Conceptual Framework for Successful Airline Retail	Error! Bookmark not defined.

10	Research Findings.....	Error! Bookmark not defined.
10.1	Top performing airline ancillary practices	Error! Bookmark not defined.
	Commission-Based Product Offerings.	Error! Bookmark not defined.
	Frequent Flier Loyalty Programs.	Error! Bookmark not defined.
	Paying with accumulated miles.	Error! Bookmark not defined.
10.2	Pakistani Ancillary Market	Error! Bookmark not defined.
10.3	PIA ancillary offerings analysis	Error! Bookmark not defined.
10.4	Airblue ancillary offerings analysis	Error! Bookmark not defined.
10.5	Air Canada ancillary offerings analysis	Error! Bookmark not defined.
10.6	Drawbacks of Unbundling Fares	Error! Bookmark not defined.
	Higher production costs.	Error! Bookmark not defined.
	Threat of imitation.	Error! Bookmark not defined.
	Consumer acceptance.....	Error! Bookmark not defined.
	Commission based selling.....	Error! Bookmark not defined.
	Governmental support.....	Error! Bookmark not defined.
	In-adequate marketing.	Error! Bookmark not defined.
	Changing market trends.	Error! Bookmark not defined.
	Role of IT technologies.....	Error! Bookmark not defined.
11	Future Research Recommendations.....	Error! Bookmark not defined.
12	Conclusion	Error! Bookmark not defined.

12.1	Growth of Ancillary Revenues.....	Error! Bookmark not defined.
12.2	The Future of Airline Ancillaries	Error! Bookmark not defined.
	The power of mobile apps.....	Error! Bookmark not defined.
	Innovative channels for sales.	Error! Bookmark not defined.
	Innovation in ancillaries offered.	Error! Bookmark not defined.
	The impact of low-cost carriers on ancillary offerings.	Error! Bookmark not defined.
	The impact of big data.	Error! Bookmark not defined.
12.3	Recommendations and Applications in Pakistani airline industry.....	Error!
		Bookmark not defined.
	Fast lane security.....	Error! Bookmark not defined.
13	References.....	Error! Bookmark not defined.
14	Appendix A - Glossary.....	Error! Bookmark not defined.
16	Appendix B.....	Error! Bookmark not defined.
17	Appendix C.....	Error! Bookmark not defined.
18	Appendix D.....	Error! Bookmark not defined.

List of Tables

Table 1 - Airline ancillary offerings**Error! Bookmark not defined.**

Table 2 - Free baggage allowance and prepaid baggage in Pakistani Airlines ...**Error! Bookmark not defined.**

List of Figures

- Figure 1 - Airline Profitability of US airlines compared to airlines from the rest of the world, 1997–2007. (Source: Air Transport Association), cited in (Hanlon, 2007, p. 54) **Error! Bookmark not defined.**
- Figure 2 - Ancillary Revenue per Passenger in North America has increased 52% since 2005. Source: (Air Canada, 2008, p. 10) **Error! Bookmark not defined.**
- Figure 3 - US airline bankruptcy filings 2000–2005. Source: US General Accountability Office. Source: (Hanlon, 2007, p. 55)..... **Error! Bookmark not defined.**
- Figure 4 - Airline failures in Europe 2000–2006. Source: (Hanlon, 2007, p. 56) **Error! Bookmark not defined.**
- Figure 5 - LCC's growth in the US..... **Error! Bookmark not defined.**
- Figure 6 - Ancillary revenues earned by airlines from various products and services (O'Connell & Warnock-Smith, 2013, p. 17)..... **Error! Bookmark not defined.**
- Figure 7 - Luggage fees as percentages in total airline revenue. Source: U.S. DOT Bureau of Transportation Statistics via Airports:USA® DataMiner™ a data and consulting service of The Boyd Group, Inc., Source: (Airline Weekly, 2010, p. 5)..... **Error! Bookmark not defined.**
- Figure 8 - Increasing importance of airline ancillary revenues. Source: (Davies, 2013) **Error! Bookmark not defined.**
- Figure 9 - EasyJet's ancillary revenue growth. Source: EasyJet 2009 annual report, cited in Airline Weekly (2010, p. 1) **Error! Bookmark not defined.**
- Figure 10 - Distribution Channels for Airline Retail Adapted from (Granados et al., 2011, p. 1; O'Connell & Warnock-Smith, 2013, p. 16) **Error! Bookmark not defined.**

Figure 11 - Channels for implementing Omni-channel retailing strategy. Source: (Littlefield, 2015)**Error! Bookmark not defined.**

Figure 12 - Top 10 airlines in terms of ancillary revenues. Source: (May, 2010) **Error! Bookmark not defined.**

Figure 13 - Ancillary revenues as percentages in total airline revenue. Source: (Sorensen, 2015, p. 16)**Error! Bookmark not defined.**

Figure 14 - Airblue "travel deals". Source: (Airblue, 2015a)**Error! Bookmark not defined.**

Figure 15 - Top ten airlines in terms of total ancillary revenue from 2007-2013. Source: (Owram, 2014b)**Error! Bookmark not defined.**

Figure 16 - Types of airline ancillary revenues. Source:(Williams & O'Connell, 2012) **Error! Bookmark not defined.**

Figure 17 - Screenshot of the online ticket buying process on Airblue website.**Error! Bookmark not defined.**

Figure 18 - Air Canada Fare Comparison. Source:(Air Canada, 2008, p. 8)**Error! Bookmark not defined.**

Figure 19 - Air Canada Ancillary Offerings During Booking Process. Source: (Air Canada, 2008, p. 9)**Error! Bookmark not defined.**

