CHAPTER 3

Marketing

Students should investigate aspects of business using case studies to

- Evaluate the marketing strategies for a product or service
- Analyse a marketing plan for a business
- Explain how globalisation has affected marketing management

Source: Board of Studies NSW (2010) Business Studies Syllabus p.21

Role of Marketing

The most important objective in any business is to identify and satisfy customers thus creating profitability for the firm. As a result, marketing is central to Qantas. Many organisational departments are essential to growth but marketing is still the major revenue generating activity.

Qantas’ marketing plan and strategies are mostly effective because of the following:

- They have allowed Qantas to achieve its business goals;
- The marketing plan and strategies are very comprehensive;
- Their essence is to identify and satisfy customer needs (i.e. they are customer focused);
- The marketing plan gives the business direction and helps manage a changing environment;
- They encourage new product development;
- They emphasise more market segmentation;
- They create more distribution outlets; and
- They focus on market research.

NB Because of the profitability fall in 2012 and only a modest profit in 2013 one could also argue that Qantas market strategies have been less effective. Qantas would argue that this was more a result of external factors (high fuel prices, tough economic conditions, increased competition) than its marketing strategies.

Interdependence with other Key Business Functions

Because of its central role, marketing at Qantas must be performed in coordination with other business activities.

Finance at Qantas depends on marketing to generate funds. Also marketing strategies like Qantas’ new lounges, new check in facilities, new carriers flying into Asia are expensive and need to be funded. Qantas’ marketing plan includes a major financial dimension. Budgets for each of its business segments such as Qantas, Jetstar, freight etc and its related marketing strategies are key components of its marketing plan. Qantas’ marketing strategies are judged using financial criteria like sales, market share and profitability analysis.
CHAPTER 3 Marketing

The right staff at Qantas must be employed to create the service that will satisfy consumers. Staff can determine the fate of Qantas’ marketing efforts yet they are not under the direct control of marketing, rather it is within Qantas’ HR department. Therefore at Qantas, marketing is aligned with HR in developing job descriptions and designing training programs.

Operations at Qantas may constrain marketing by establishing physical limits such as the scheduling of flights and the rollout of new initiatives like on line check ins new inflight entertainment etc. The use of marketing strategies like sales promotions and advertising can help boost sales in non-peak times to help smooth operations at Qantas in times of fluctuations in demand.

The Marketing Process

Figure 7: The Marketing Process

1. Situational Analysis

SWOT Analysis of Qantas

**Strengths**

- Multi brand strategy (Qantas, Jetstar)
- Extensive network/part of the Oneworld Alliance and the Emirates partnership
- Highly competitive positions on major international routes
- 65% domestic market share with about 84% of the corporate market
- Very successful launch of Jetstar (Australia and Asia)
- Recent lowering of costs and efficiency gains
- Recent purchase of new aircraft, lounge upgrades, expansion of routes
- Excellent airport locations and facilities
- Globally recognised brand name and logo
- Excellent safety record
- Largest Australian based airline loyalty programme
- Successful fuel hedging programme

**Weaknesses**

- Significant profitability falls in recent years (especially in its international operations)
- High risk nature of airlines
- Relatively complex fleet of aircraft (getting better)
- Higher labour and other operating costs than some competitors
- Ongoing disputes between Qantas management and militant unions.
- Government refusal to lift foreign ownership restrictions have reduced access to funds to finance fleet expansion.
- Recent safety incidents have tarnished the Qantas image.
Opportunities

- Expansion of Jetstar International’s network particularly in Asia via new airlines
- Evaluating other joint venture opportunities in Asia
- Developing further E-commerce operations
- Pursue growth opportunities in associated businesses (travel, catering and freight) to protect it from the peaks and troughs of its core airline business
- Continually evolving aircraft technology
- Taking advantage of aviation growth in the Asian Pacific region
- Further development of alliance and codesharing relationships

Threats

- Further weakening in the domestic and international market / economy
- Competitive challenges, domestically from Virgin Australia and Tiger Airways and internationally especially from Asian and Middle Eastern carriers (and more recently, Chinese)
- Threat that Jetstar and Jetstar International will ‘cannibalise’ Qantas’ principal routes and erode its profitability
- Further increases in fuel costs
- Threat of further competition in the domestic and international market
- Increases in government regulation to protect its smaller rivals
- Falls in the Australian dollar
- Gradual foreign takeover of Virgin Australia by Singapore Airlines, Air New Zealand and Etihad

Competitor Analysis

Since the collapse of Ansett the only real domestic competitor has been Virgin Blue which was launched in 2000 and currently claims about 33% of the domestic aviation market. Virgin Blue’s service frequencies and domestic network is not as extensive as Qantas’ but in the budget travel niche that Virgin Blue helped establish, competition with Qantas is vigorous. Virgin Blue has recently launched a joint frequent flyer scheme to make inroads into the business segment and has ordered regional jets to compete on Qantas’ dominated thinner routes.

In 2011 Qantas’ competitor used the Virgin Australian brand on both domestic and international routes (replacing Virgin Blue, Pacific Blue and V Australia). The rebranding was aimed at creating less confusion and helping the airline gain passengers in markets like the US where it lacked brand awareness. The change in the airline name also underscored a transformation to move the Virgin brand more up-market from a low cost airline to more of a full service operator. The airline is also adding lounges, revamping flight menus, unveiling new aircraft with leather seats and a classy new logo designed to challenge Qantas’ 84% share of the corporate market.

In 2011, Virgin Australia formed alliances with Etihad to cover the Middle East and Europe, New Zealand to take over the Tasman, Delta to deal with the US market and SIA to move into the Asian market. These alliances allow Virgin Australia to share in each of its partner’s loyalty programs. If passengers can earn points when travelling on Virgin Australia’s partner airlines they will be more likely to travel on Virgin Australia domestically. Also, Virgin Australia can operate overseas services more cheaply by doing deals on fares and sharing facilities such as lounges.

In 2012-2013 Virgin Australia really turned up the competitive heat on Qantas especially in the corporate market. This has resulted in heavy discounting as Virgin Australia attempts to win market share. They have also just opened ‘The Club’ which is their answer to Qantas’ invitation only Chairman’s Lounge.

In 2012 Virgin acquired a 60% stake in budget carrier Tiger Airways and 100% of West Australian regional and charter operator Skywest. It also issued a 19.9% shareholding to alliance partner Singapore Airlines.

Virgin acquired Skywest to service the fly in fly out mining industry and charter market to compete with Qantas Link. Now that Virgin Australia has been transformed into more of a premium carrier the buy in of Tiger Airways is aimed at the no-frills end of the market to take on Jetstar. The plan is for Tiger to operate
under the same brand but as a stand-alone business. The Tiger fleet would expand from 11 planes to about 35 over 5 years. Tiger became Australia’s third domestic carrier in 2007. They are backed by SIA and fly out of Melbourne to 13 destinations including the coveted Sydney to Melbourne route.

A proposed capital raise of $350 million by Virgin Australia from shareholders Air New Zealand, Singapore Airlines and Etihad has Qantas concerned. They feel that this is a strategy of subsidising Virgin so it can continue to undercut Qantas on profitable domestic routes until Qantas can no longer support its international network. It is also concerned that Virgin would soon be effectively owned by 3 foreign governments but Virgin International would still be designated an Australian carrier. This would give the 3 airlines, all of which compete with Qantas internationally, access to lucrative routes, or traffic rights.

On most international routes Qantas competes with at least one airline that benefits from government ownership, control or support. Internationally, Qantas has a number of traditional competitors such as Singapore Airlines, Air New Zealand and Cathay Pacific. Recently Qantas is facing new competition from Middle Eastern Carriers like Emirates, Etihad and Qatar as well as Virgin Australia. Both Emirates, Etihad and Qatar have increased their quota of flights to Australia. SIA has added capacity to its Melbourne London route and V Australia and Delta are now flying the Sydney to LA route creating more competition for Qantas. In 2012 Chinese airlines (China Eastern, China Southern and Air China) unveiled plans to aggressively expand into Australia. International competitors have increased capacity by 10% despite their decrease in demand from the recent economic downturn.

**Product Life Cycle**

Qantas’ marketing success can be affected by its ability to understand and manage the product life cycle. Qantas’ marketing strategies cannot stay constant over its product’s life cycle. At each stage of the product life cycle Qantas employs different marketing strategies (see figure 8 below).

**Figure 8: Product Life Cycle**

<table>
<thead>
<tr>
<th>Stage in PLC</th>
<th>Example</th>
<th>Characteristics</th>
<th>Marketing Strategies Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>Jetstar Japan which commenced in 2012</td>
<td>New product. Start up losses.</td>
<td>Promote heavily. Penetration pricing strategy. Set up appropriate distribution channels and build brand awareness</td>
</tr>
<tr>
<td>Growth</td>
<td>Jetstar (domestic and international)</td>
<td>Profitability has increased as sales have expanded. 9th successive year of double digit capacity growth.</td>
<td>Encouraging brand loyalty through a linked FFS, expansion of routes and the purchasing of more aircraft.</td>
</tr>
<tr>
<td>Maturity</td>
<td>Qantas (domestic)</td>
<td>Sales levelling off, lots of competition/ consumer choice.</td>
<td>Redesigning packaging/modify marketing strategies e.g Introduction of next generation check in, upgrading lounges, in-flight entertainment systems. Reduced prices to meet competition.</td>
</tr>
</tbody>
</table>
2. Market Research

Qantas uses market research to gather and analyse information to help it make appropriate marketing decisions. Marketing strategies perform best when they are based on accurate, up to date information which is detailed and relevant. Market research at Qantas follows a logical series of steps outlined in Figure 9 below.

The first step in the market research process is identifying information needs e.g. customer needs, attitudes, brand preferences, buying intentions and characteristics.

The second step is to identify and select the data source. Qantas uses both primary and secondary sources of data collection. Primary data includes ongoing surveys of passengers in flight, mail based surveys, complaint monitoring and discussion with customer contact staff such as cabin crew and lounge staff. Secondary data includes government statistics, airline magazines and reported interviews with competitors’ executives. A 2010 Choice survey of 11000 subscribers rated Qantas third and Jetstar fourth as Australia’s best domestic airline behind Virgin Blue. In the survey respondents were asked to rate how satisfied their most recent domestic airline experience was on things like cost, in-flight service, seat comfort, leg room, food quality, baggage allowance and check in process. Another secondary data source tapped in by Qantas is the Roy Morgan Research quarterly report which provides information on domestic and international airline satisfactions.

The final step is to analyse and interpret the data. For example, Qantas replaced its cold food boxes with hot breakfasts and dinners and a choice of menus for business class travellers after the results of recent customer surveys.

Figure 9: Market research process at Qantas

3. Marketing Objectives

Qantas’ main marketing objective is to build 2 leading complementary brands, Qantas (premium airline) and Jetstar (low fares airline). In 2014 Qantas’ marketing objectives are to:

- Increase sales (revenue) and decrease costs (expenditure)
- Maintain Qantas/Jetstar’s combined domestic market share of 65%
- Match capacity with demand sustaining loads around 80%
- Continue to grow Jetstar in Asia
- Increase customer service standards
- Enhance complementary portfolio businesses like Freight
• Reduce losses of Qantas international
• Transform Qantas International by focussing on right aircraft, right route, network optimisation and margin improvement
• Grow their frequent flyer program members and partners

4. Market Segmentation and Selection of the Target Market

Market segmentation is the process of dividing up the total range of potential or current customers into smaller discrete groups to facilitate analysis and planning. Market segmentation enables Qantas to:
• Better meet the needs of all its customers, to compete more effectively, and to attain financial goals more readily; and
• Better tune the marketing mix to particular groups in the market so the product can be refined, prices set, place of sale determined and promotion better focused for each market segment e.g. Economy, Business and First Class travellers.

Qantas’ market segmentation is complex because each segment has distinctive and different needs and expectations, such as the need to make stop-overs, the ability to pay fare levels and expectations in terms of in-flight service and comfort.

Qantas mainly uses behavioural segmentation to select its target markets. Buyers are distinguished according to trip purpose e.g. business and leisure/non-business travellers.

However, there are many different reasons for travelling within the broad categories of business and leisure. The business segment is further broken down into routine business (normal point to point business travel), conferences/seminars and emergency business which also reflect passenger needs and benefits sought. For example, a very senior manager requiring to go overseas immediately because of a crisis has different requirements to a financier attending a conference or a salesman who plans regular trips months in advance.

The leisure segment is broken down into holiday (inclusive of tour segment, multi-destination touring segment and weekender segment) and visiting friends and relatives (VFR). These categories are also further segmented demographically into the type of traveller based on age, sex, family life cycle and income.

Qantas is a full service premium carrier. Because of changing customer requirements Qantas has established a number of new airlines each with its own target market. These highly differentiated brands appeal to different customer segments.

• Jetstar (domestic) targets cost sensitive travellers primarily on low yielding leisure routes to Australian destinations like the Gold Coast, Sunshine Coast, Whitsundays, Cairns and Alice Springs.
• Jetstar International targets leisure travellers to destinations like Bangkok, Phuket, Ho Chi Minh City, Osaka, Bali and Honolulu that were unprofitable Qantas operations. The airline offers 2 classes of services, including Star Class which will be marketed to travellers wanting extra comfort.
• Jetstar Asia, Jetstar Pacific, Jetstar Japan and Jetstar Hong Kong (yet to gain regulatory approval) to target the growing intra Asia travel market.

5. Marketing Strategies

a) Positioning

Positioning is the image that Qantas projects in relation to its competitors. Qantas brings attention to its service by using a variety of positioning strategies:
• By positioning in relation to its competition i.e. by launching its own no-frills carrier, Jetstar, Qantas has arrested the erosion of its market share to Virgin Blue.
• By positioning in relation to a target market i.e. 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.

b) Formulating the Marketing Mix

![Diagram showing the Marketing Mix with Scheduling Features, Comfort Based Features, Brand Name, Frequent Flyer Scheme, and Intangible Benefits]

Product

**Figure 10: Product Strategies**

Product is the bundle of attributes and benefits designed to satisfy Qantas’ customer needs. These include:

- **Scheduling features:** the route frequency, time of departure or arrival, number of stops or direct flights and the aircraft type. Qantas, as the largest and strongest domestic carrier has the most comprehensive national coverage. Qantas’ City Flyer express service means there are flights every half an hour in peak periods. Qantas took delivery of its first Airbus A380 in 2008. The bigger A380s allow Qantas to offer increased passenger services and flights leaving every 15 minutes between Sydney and Melbourne.

Jetstar, flies from Melbourne, Sydney and Brisbane mainly to Australian leisure destinations such as the Gold Coast, Sunshine Coast, Cairns and Tasmania. Jetstar International flies to destinations in Asia and the Pacific. Jetstar Pacific, Jetstar Japan and Jetstar Hong Kong fly mainly to destinations in Asia.

Qantas enhances its basic product by having the best connecting airlines on a preferred basis with its Oneworld and Emirates Alliance.

- **Comfort based features:** (components of packaging) include lounges, in-flight meals and drinks, in-flight entertainment and seat width. For example:
  - Qantas has overhauled its food menu inspired by renowned chef and restaurateur, Neil Perry.
  - Qantas has chosen to configure its new A380s with 450 seats in four classes, 14 first class, 72 business, 32 premium economy and 332 economy. Each of the first class suites contains a large armchair with inbuilt massager that converts to a wide, flat bed and a 43cm LCD screen. In business class the big improvement is a fully flat 2m long bed. There are 31cm screens and a small lounge and stand up self service bars. In premium economy the seats do not lie flat but do recline and there is much more legroom. All passengers can gain access to webmail and SMS can be sent and received. Laptop and USB ports are build into every seat and more than 100 movies are available.
• Flight Update sends details of flight departure times to frequent flyer customers using mobile phone short text messages. In addition, Qantas has just launched an SMS ticket booking system for Jetstar.

• A Total Entertainment in-flight system has been installed on the Qantas international fleet. The system offers in-seat personal telephones, video games and 16 audio channels.

• Qantas has recently spent millions upgrading its domestic and international lounges.

• Qantas has just launched its new generation check in making check in and boarding a seamless experience. In addition to the existing online check in and self service kiosks Qantas has added mobile check in, a fully automated check in using a chip enabled frequent flyer card, automated bag drops and electronic bag tags.

• Qantas Club business customers enjoy private meeting rooms, workstations, photocopying and local faking services, postal services, personal message service, refreshments, news and entertainment and hot showers in the excellent Club lounge at all major Australian ports.

• Qantas recently launched its new international Business Class, featuring Skybed – a state-of-the-art, cocoon-style sleeper seat, specially trained flight attendants, new food and wine, premium quality noise cancellation headsets and a self service bar for drinks and snacks. New dedicated Business Class lounges were recently introduced offering private work suites and wireless internet access.

• Qantas was one of the first airlines in the world to roll out in-flight mobile and internet services.

• Qantas is currently offering wireless inflight entertainment and iPads.

• The Qantas Frequent Flyer Scheme (FFS) with more than 9 million members and hundreds of programme partners is used to retain customers (relationship marketing), increase market share and fill otherwise empty seats. Members accumulate points mainly through flying with Qantas or its partners. The FFS also provides a large data base of specific customer information thereby providing additional valuable direct marketing opportunities for Qantas. Other companies such as hotels (4,000 around the world) and car rental firms also participate. Points earned in the credit card loyalty programmes of American Express and Qantas Telstra Visa Card and the selected programmes of a number of banks may be converted to Qantas Frequent Flyer points. Woolworths became a Qantas Frequent Flyer programme partner in 2009.

• Intangible benefits such as the Qantas history and safety record; and

• Brand name: Qantas is one of Australia’s leading brand names and it is a powerful marketing tool. The brand name, kangaroo symbol and logo, ‘Spirit of Australia’, clearly identify Qantas and distinguish it from its competitors. Qantas has adapted its flying kangaroo logo to fit the tail of the new A380 aircraft. The new design is more contemporary and comes with a new Qantas typeface with thinner, steel-grey letters. Qantas has admitted that negative publicity in 2008, 2010 and 2011, surrounding a series of maintenance mishaps and industrial action has damaged its brand.

Price

Price is the crucial element in any marketing plan. Price is the variable which can be changed quickly and as often as required. In the past, prices were regulated by the International Air Transport Association (IATA) and the Two Airlines Agreement which had a formula for all fares based on flag fall and distance.

Pricing methods used by Qantas include a combination of:

• Cost plus margin: Qantas determines the cost of production and then adds a margin for profit.

• Market: most fares at Qantas are determined by the market, where demand is matched with supply.

• Competition based: monitoring what other airlines such as Virgin Blue are charging.
Pricing strategies employed by Qantas include:

- Price Penetration: Qantas uses this strategy (lowest possible price) for Jetstar.
- Full Fares: for those wanting flexibility (important for business travellers) as full fares can be refunded and changed.
- Promotional Fares: these are not advertised as a discount on the full fare i.e. 20% off, but are quoted as a price. They are usually offered in the economy cabin at times of subdued demand or to match competitors. Other promotional fares can be conditional such as:
  - Departure time limitations: defines the period of departure which allows Qantas to offer low cost fares outside peak demand periods.
  - Packages are sold as part of an inclusive holiday, which includes hotels, meals and transfers.
- Loss Leading: Qantas used this pricing strategy when it first launched Jetstar in May 2004 and Jetstar International in November 2006 by introducing ridiculously low fares to gain initial market share. Recently, Qantas offered fares on its Sydney-Melbourne route as low as $19 to coincide with Tigers Airways entry.

Promotion

Figure 11: Promotional Strategies Used by Qantas

Promotion is the means by which an organisation communicates its products and its image to the consumer. The promotional strategies used by Qantas are contained in Figure 14 above.

Promotional strategies used by Qantas include:

- **Advertising:** Qantas uses advertising agencies to create media advertisements for television, radio, magazines, newspapers, brochures, posters in travel agents and billboards (e.g. there is a giant billboard erected above Qantas Drive). In 2004 Qantas reshot its famous ‘I still call Australia home’ commercial at an estimated cost of $10 million, making it the most expensive advertisement in Australian history. Its advertising debut was the first commercial break in the opening ceremony of the Athens Olympic Games. Jetstar has used television advertising starring comedian Magda Szubanski. ‘Qantas, the world’s most experienced airline’ was the theme of Qantas’ major advertising campaign in 2008. In 2009 Qantas launched a multi-million dollar advertising campaign aimed at luring back key business customers. In 2010 Qantas announced a 3 year $44 million advertising campaign with Tourism Australia. In 2012 Qantas released a new advertising campaign ‘You’re the reason we fly’, featuring Silverchair frontman, Daniel Johns. In 2013 this much criticised campaign was ditched and a gentle instrumental version of ‘I still call Australia home’ was introduced. Qantas is trying to use less
blanket advertising and more direct marketing, which is cheaper and much more targeted especially
to corporations. The disadvantage of media (blanket) advertisements is that many people receiving the
message are not the target market unless that advertising is purely for image or brand recognition.

- **Sales promotions** (short term inducements) particularly in periods of subdued demand. When
  Qantas first launched Jetstar it released 100,000 tickets at $49. Qantas also launched a two-for-one
ticket sale, which allowed a second passenger to fly for the costs of taxes and charges.

  ![Jetstar SalePoster](image)

  Source: www.jetstar.com.au

- **Personal selling** based on sales representatives who sell directly to travel agents, businesses and
government departments.

- **Publicity** to enhance the image of Qantas includes news releases, feature articles, press conferences
  and interviews. Qantas has used US actor, John Travolta as a brand ambassador (opinion leader).
  Qantas also sponsors a number of sports such as rugby union, NRL, netball and swimming.

The company supports and sponsors environmental causes such as Clean Up Australia; as well as
charities such as CARE Australia, the Starlight Children's Foundation and World Vision; and cultural
activities such as the Australian Youth Orchestra, Sydney Dance Company and Art Gallery of NSW.

**Place/Distribution**

The product must be easy to interface and purchase, otherwise no matter how good the product, the selling
will be constrained. Distribution to end customers is achieved by Qantas in two ways, direct and indirect:

**Direct** (sale of products direct to the consumer)

- Direct sales via its own retail outlets. Qantas has a network of wholly owned Qantas Travel Centres
called Qantas Holidays (the largest travel wholesaler in Australia). Qantas has also bought into Viva,
Jetset and Jetabout which reduces the likelihood of the owner entity selling competitor tickets. This
represents vertical integration of the distribution chain;

- Telephone sales centres;

- Airport ticket sales; and

- The Internet is emerging as a significant distribution channel for Qantas with the number of internet
bookings growing. Leisure travel booked via qantas.com represents 67% of domestic bookings and
31% of international bookings. Jetstar sells more than 90% of its tickets online. The Qantas website
is at the top of the league table of heavily used sites in Australia with over seven and a half million
visits each month. This saves Qantas as much as $30 per seat from call centres and travel agent
fees. The Qantas website was revamped in 2009 and become available to a greater number of Qantas
customers worldwide, with the rollout of online booking capability in an additional 34 countries and
7 languages. It receives over 8 million visits per month.

**Indirect** (using Intermediaries)

- Through travel agents: Qantas has a strong relationship with a number of other retail agency chains
including American Express, Community Travel, Flight Centre and Harvey World Travel. Qantas is
selective about who resells the product and looks for intermediaries that have a good reputation,
financial strength and expertise. These marketing intermediaries are responsible for the majority
of bookings and ticket sales for Qantas, but not having control of the main distribution source is
frustrating for Qantas. Also, agents get commissions on their sales, which reduces potential Qantas revenue. Qantas has reduced commission rates paid to travel agents to cut costs and encourage internet bookings. A large and growing proportion of product distribution is made by sophisticated computer systems/electronic means called the Computer Reservations System (CRS). These are made available by Qantas to travel agents.

People

The quality of Qantas' services depends on the ability of its human resources. Because most customers have direct contact with Qantas employees, especially on the ground (through ticketing, check-in and baggage handling), the impression they give has a big impact on how Qantas is perceived. Qantas staff (over 33000) must have appropriate personal attributes and training for their jobs. Qantas spends more than $275 million a year on staff training to ensure a very positive interaction between its customers.

Processes

Qantas implements effective processes to ensure its service is provided in a timely fashion. Customers judge an airline by how efficient and customer friendly its processes are. For example Qantas' new Q Bag Tag allows passengers to check in their baggage without attaching temporary baggage tags. You are able to drop your bags and go, making it much faster. Also these tags store flight details so your bags can be easily tracked. Other examples of these efficient processes at Qantas include:

- Booking flights online

- Online Check In

- Mobile Check In

This book is subject to Copyright. No more than 10% is permitted to be photocopied.
© Get Smart Education 2014
Physical Evidence

Qantas' customer decisions are influenced by a whole range of physical aspects (the environment in which its services are delivered). These include Qantas' signage, its web site, its terminals, lounges and uniforms.

Qantas provides a uniform for all staff to improve their professional appearance. In 2013 Qantas switched to a new uniform created by Melbourne-born but Paris-based designer Martin Grant. The aboriginal prints were ditched in favour of a clean European cut based on French navy incorporating elements of Qantas' red with the odd pink highlight (see figure 14). The total wardrobe comprises some 35 individual garments.
c) E – Marketing

E – marketing uses an electronic medium (internet) to perform marketing activities. Qantas mainly uses e – marketing via:

- Email, for example Qantas sends out Frequent Flyer points balance emails to all their Frequent Flyers every month – this includes their point balance, but also a couple of special offers like flight and accommodation deals.
- Web site, where customers can book flights, find out about flight details and the latest product innovations such as wireless in-flight entertainment and Q bag tags etc.

<table>
<thead>
<tr>
<th>Advantages of e-marketing at Qantas</th>
<th>Disadvantages of e-marketing at Qantas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in costs</td>
<td>Lack of personal approach</td>
</tr>
<tr>
<td>Faster response and increased interactivity</td>
<td>Dependability on technology</td>
</tr>
<tr>
<td>Increased ability to measure and collect data</td>
<td>Security, privacy issues</td>
</tr>
</tbody>
</table>

d) Global Marketing

Global marketing is the extension of marketing activities across national boundaries. Qantas uses a number of global marketing strategies including:

- Global Branding

  Qantas uses the same brand and logo globally (flying kangaroo). Qantas’ strong global brand allows it to increase their international revenues and growth. It also helps protect them from international competition. It gives the airline instant recognition around the world representing safety, reliability, engineering excellence and customer service. Global branding also helps to improve margins by driving down packaging, design and advertising production costs.

- Standardisation

  Qantas standardises most elements of the marketing mix such as product design, brand name, packaging, distribution and product positioning. This approach allows Qantas to gain economies of scale from a global marketing mix. Most of these marketing strategies are alliance based. Alliances create a larger range of global products for existing customers (eg. the One World Explorer fare, around the worlds fares, reciprocal frequent flyer programmes, reciprocal lounge access and global freight co-operation), reducing the chance that they need to fly off-line, while maintaining the perception that Qantas offers travellers a ‘seamless travel experience’. The One World name and logo appear on all member planes and ticketing, helping Qantas to improve its corporate image in new markets. These alliances allow Qantas to capture a greater share of the market and of the premium customer segments in particular.

- Customisation

  Qantas had planned to use a customised (differentiated) marketing with its new premium airline in Japan but pulled out in 2012. Qantas would have adjusted its marketing mix elements to suit this particular global target market. The airline would have had a new name, new look and adopted a more culturally sensitive style. The inflight menu would have focused on Asian dishes and flight attendants fluent in Japanese.

6. Implementing, Monitoring and Controlling the Marketing Plan

Implementation is the process of turning the marketing plan into action. Because many unforeseen events occur during implementation of the marketing plan, Qantas has a systematic base for continually monitoring, controlling and adjusting its marketing activities using the following tools:

(i) Developing a financial forecast of revenue using statistical models, past sales data, executive judgment and surveys of consumer buying intentions. It then estimates costs such as market research costs, promotion costs, product development costs and distribution costs.

(ii) Comparing actual and planned results using a number of performance criteria. These include:

- Sales analysis: breaking down aggregate sales by different products, segments and territories;

Figure 16: Analysis of market share

Market share – Domestic

- Market share analysis: comparing business sales with the performance of its competitors (Qantas’ domestic market share has stabilised to 65%).
- Market profitability analysis: measures the profitability of products, segments and territories as a percentage of sales (refer Fig 17). Jetstar was again the star performer in 2013 but suffered from a capacity and price war with Virgin Australia. Qantas international still recorded a loss but this was a significant improvement on 2012.
Figure 17: Analysis of profitability by business segment (millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Qantas</td>
<td>119 (365 (D))</td>
<td>228</td>
<td>67</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Jetstar</td>
<td>138</td>
<td>203</td>
<td>169</td>
<td>131</td>
<td>107</td>
</tr>
<tr>
<td>Qantas Frequent Flyer</td>
<td>260</td>
<td>231</td>
<td>342</td>
<td>328</td>
<td>226</td>
</tr>
<tr>
<td>Qantas Freight</td>
<td>36</td>
<td>45</td>
<td>62</td>
<td>42</td>
<td>7</td>
</tr>
</tbody>
</table>

(iii) Revising marketing strategies and taking corrective action where appropriate. For example, Qantas recently undertook corrective action by:

- Ditching plans for a new premium Asian airline in 2012.
- Undertaking a comprehensive audit of its international operations in 2011 and 2012 in response to significant losses. Qantas has undertaken corrective action by cancelling orders for new planes as well as exiting poor performance routes.
- Qantas had forecast a 6% growth in 2009, but actually experienced a 1.9% reduction mainly due to the Global Financial Crisis. Qantas revised its marketing strategies by lowering prices to stimulate demand, reducing flight frequency on some routes, cancelling and delaying orders for new planes and reconfiguring its planes with more economy seats.
- Introducing its own budget domestic carrier Jetstar in May 2004 to counter Virgin Blue’s increasing share of the aviation market.
- Expanding Jetstar in Asian markets to take advantage of the aviation growth in the region.
- Introducing a new domestic fare structure which was simpler and more flexible.
- Ditching unallocated seating for Jetstar.
- Axing Australian Airlines as a brand on 30 June 2006 and using Jetstar International to fill the gap. The brand reshuffle is aimed to recover market share lost to airlines like SIA and Emirates.

Figure 18: Implementing, Maintaining and Controlling the Marketing Plan.
Ethical and Legal Aspects

Qantas has an ethical responsibility to its customers and an even broader responsibility to society as a whole in the marketing of its products. Qantas' advertising, promotional and marketing material must comply with consumer protection laws like the Competition and Consumer Act. All material is reviewed by the Qantas Legal Department before publication to ensure compliance. Qantas aims to produce environmentally responsible products. It has introduced boxed meals which substantially reduce waste and has also introduced lighting and air conditioning improvements using solar energy, reducing its greenhouse gas emissions. Qantas has also extended its participation in noise abatement committees and has become a key partner of Landscape Australia.

However, some recent marketing decisions and activities have been challenged as unethical:

- Qantas was fined millions of dollars by the ACCC and similar overseas bodies after colluding with other airlines to fix fuel surcharges on its cargo flights to the US.

- Cut-price airline Jetstar was put on notice in 2007 to treat its customers better or face possible action under the Fair Trading Act. Consumer Affairs says that Jetstar is the subject of a disproportionate number of complaints by airline passengers. Most of the complaints related to Jetstar's enforcement of contract terms and conditions such as the stipulation that fail to check in 30 minutes before the scheduled departure will be denied access to the flight and forfeit their fare.

- Qantas now publishes the true costs of fares including previously hidden extra charges and levies following a warning from the ACCC that it was misleading consumers.

- Qantas boosted the number of frequent flyer seats and was forced to improve its website to satisfy the ACCC that its customers were adequately informed about restrictions on award redemptions.

- Qantas was accused by the ACCC of anti-competitive behaviour under the Trade Practices Act by increasing the total number of seats well beyond passenger demand, thus ensuring no carrier on the route was profitable.

- Qantas was accused of 'ambush marketing' during the Sydney 2000 Olympics when it linked itself to the Olympics in advertising campaigns even though it was not an official sponsor.

- Qantas’ logo for its new Australian Airlines has been labelled a “flying rip off” for its resemblance to Aboriginal art.

- Qantas was criticised for using a photograph of a ten year old Aboriginal girl, Carol Napangardi, wearing face paint in an advertising campaign. The media visited her home in a remote part of Western Australia to discover that she was living in 'Third World' conditions. Her real life bore little resemblance to the positive image Qantas was portraying in its city billboards.
Chapter 4: Review Questions

1. Describe the value of a SWOT analysis in reviewing Qantas’ current business situation.
2. Describe the advantages of global branding for Qantas.
3. Distinguish between the global marketing strategies of standardisation and customisation as applied to Qantas.
4. Explain Qantas’ major marketing objectives. How does Qantas segment its market and attempt to reach its target market?
5. Describe how Qantas differentiates its products (i.e. passenger seats and freight) from its competitors.
6. Outline the types of pricing methods and strategies Qantas uses. How does Qantas promote its products to consumers?
7. Explain how Qantas uses its FFS as a relationship marketing tool.
8. Log on to the Qantas web site www.qantas.com.au
   - Pick an international destination and find out the cost of a return airfare on a particular date.
   - Click on the frequent flyer program to find out about the program and its partners.
   - Click on fly and then Next Generation Check in – draw a diagram to show how it works.
   - Click on fly and then A380 and view the features of this new airline.
   - Click on fly and then at the Airport to view the features of the check in kiosk.
   - Do a price comparison with Virgin Blue on a schoolies flight to the Gold Coast.
   - Click on plan to view Qantas’ route map.
   - Click on Business Solutions to find out about the services offered to business travellers.
9. Draw a flow diagram showing the distribution of Qantas’ products to the consumer.
10. Explain how E-commerce is changing the way consumers interface with Qantas services.
11. How can Qantas tell whether its marketing strategies have been successful?
12. Discuss the role of market research in the formulation of the Qantas marketing plan.
13. Critically analyse the social and ethical responsibilities of Qantas in marketing its products and services to consumers.