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Marketing Fundamentals

(LCBB4004)

Assignment 2

Airbus

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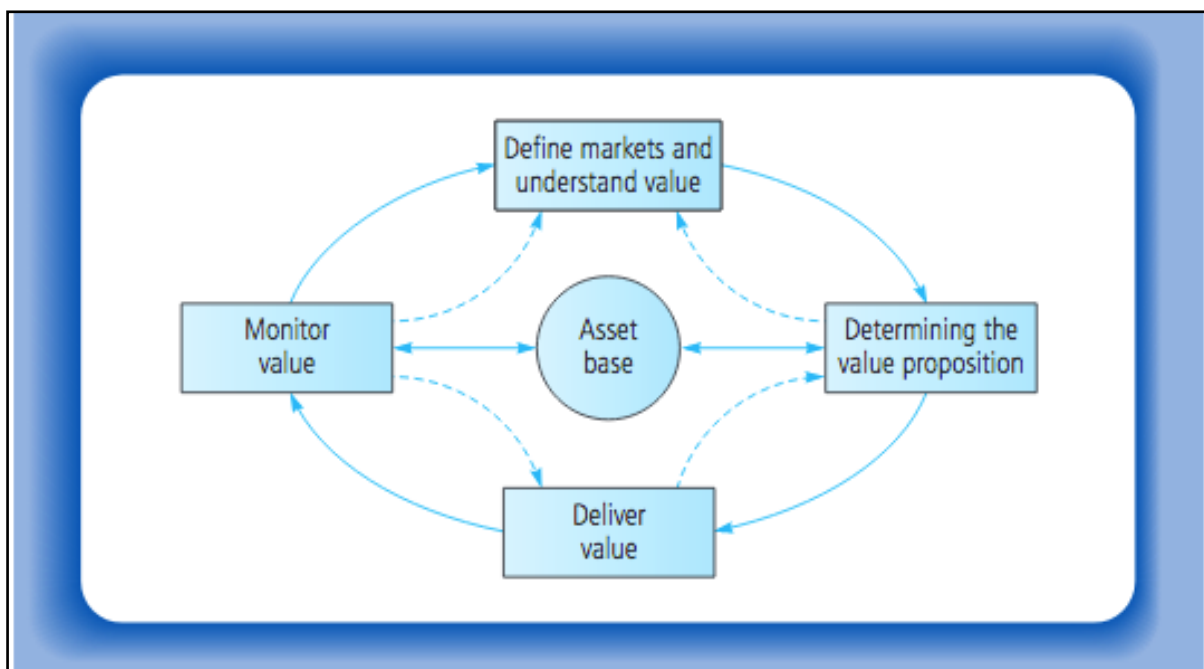
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1. Processes and stages of marketing including the role of marketing mix

What is marketing?

As defined by Kotler and Armstrong (2017), marketing is the process through which organisations engage their customers in order to construct strong customer relationships, create customer value and in return capture value from them. Ferrel and Hartline (2011) have on the other hand defined marketing as a set of processes an organisation uses to create, communicate, deliver value to customers as well as manage customer relationships in such a manner that benefits both the organisation and stakeholders. For a product or service to sale easily, marketers have to efficiently engage consumers through understanding their needs and developing products that provide superior value. They must also price, distribute, and promote organisational products or services effectively (Kotler & Armstrong 2017).

Figure 1: Marketing definition

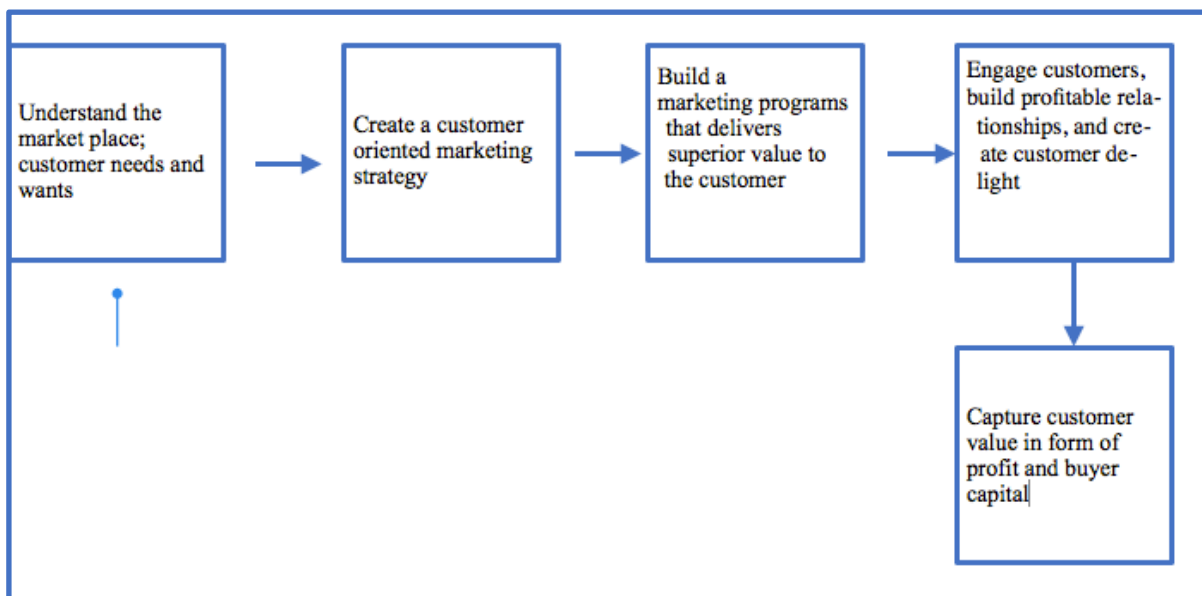


Source: McDonald and Wilson 2011

Main stages in the marketing process (mission statement, situational analysis, objectives, strategy implementation and control)

The marketing process model is made up of five steps which when followed create and capture customer value (Kotler and Armstrong 2017). As shown in figure 2, the first four steps illustrate how a firm can build a relationship with customers and create value for them while the fifth stage illustrates how an organisation can capture value from its customers (Kotler and Armstrong 2017).

Figure 2: The marketing process



As shown above, the first stage in the marketing process is understanding the market place, customer needs and wants, followed by creating a customer oriented marketing strategy, building a marketing program that delivers superior value to customers. The fourth stage is the most important stage as it leads to the organisation's profitability. In this stage, the marketer should engage the customer, build a profitable relationship, and create customer delight. This leads to the last step where the company captures

customer value in form of profits, sales and marketshare (McDonald and Wilson 2011; Kotler and Armstrong 2017).

STP model of Airbus

For a company to succeed in today's highly competitive business world, its strategy must be customer centric. For this reason, a sound marketing strategy requires a carefully crafted customer analysis (Armstrong and Kotler 2013). As noted by Ferrel and Hartline (2011), companies can not profitably serve all customers in a given market, this is because of their different needs and preferences. In order to operate profitably, a company must thus divide its market, choose the segments it can best serve and design strategies for the chosen segment (Ferrel and Hartline 2011; Armstrong and Kotler 2013; Kotler and Armstrong 2017). As shown in figure 3, this process involves segmentation, targeting and positioning.

Figure 3: STP model



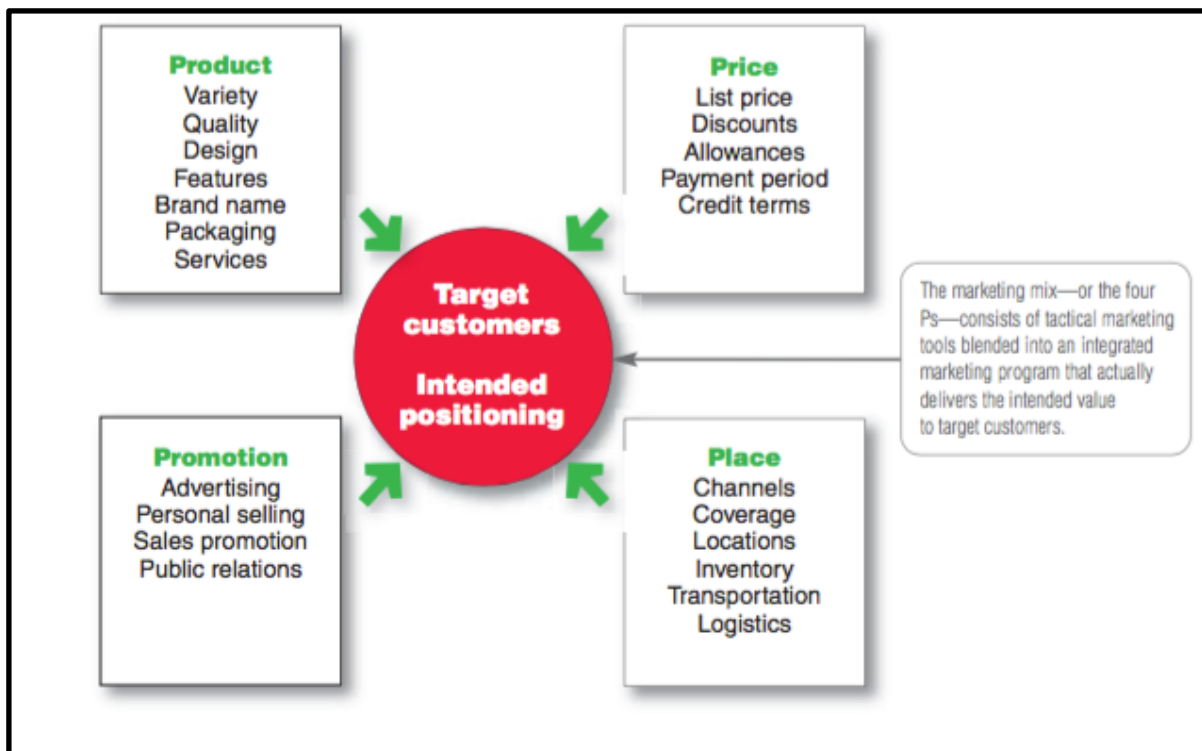
Source: Ellson 2004

Segmentation type	Market segment served	
<i>Geography</i>	Airbus' key markets are segmented along four major geographic markets; Asia, Europe, North America and Middle East respectively.	Core segment
<i>Demographics</i>	Segment along income. It targets multinational companies and the super-rich (celebrities and other members of the richest 1% of the population) who can afford jets.	Core segment
<i>Benefits</i>	Segmented along rich luxurious consumers who use the planes to fly between their homes in the world's most desirable locations	Non-core segment
<i>Behavioural</i>	Behavior segmentation the superrich who are always competing to have the newest and best jets.	Non-core segment
Targeting	Main target market of Airbus is composed of multinational companies and affluent consumers across Asia, USA and Europe.	
Positioning	Airbus has positioned itself as an Airline carrier offering a value based aircraft which are technologically advanced, aesthetically designed, safe & secure and environmental friendly.	

4Ps marketing mix strategies of Airbus

By definition, the marketing mix refers to set of calculated marketing tools that the firm combines in order to induce the positive response needed from its target market (Armmstrong and Kotler 2013; Kotler and Armstrong 2017). The set of marketing tools included in the marketing mix have been summed up as the 4Ps (product, price, place, and promotion) that firms leverage to get response from their target market.

Products: Airbus manufactures military aircraft, corporate jets, helicopters, travel-related consumer products, and is working on a supersonic private jet.



Airbus' product line offers a variety of tailored solutions to meet the needs of different airlines and their markets all the way from low-cost and full-service carriers to the air freight and VIP transport segments (Airbus 2020).

Price: Airbus product price ranges from \$77.4 million to \$445.6 million (Statista 2018).

However, buyers are offered discounts depending on their order size. As noted by Statista (2018), the high discount rates are used as incentives to retain important customers, including Emirates, Airbus's largest A380 customer.

Place: Airbus is present in around 150 countries through its 30 customer centres and affiliated sites, 20 training centres with 26 simulators, some 100 service centres, and four technical support hubs.

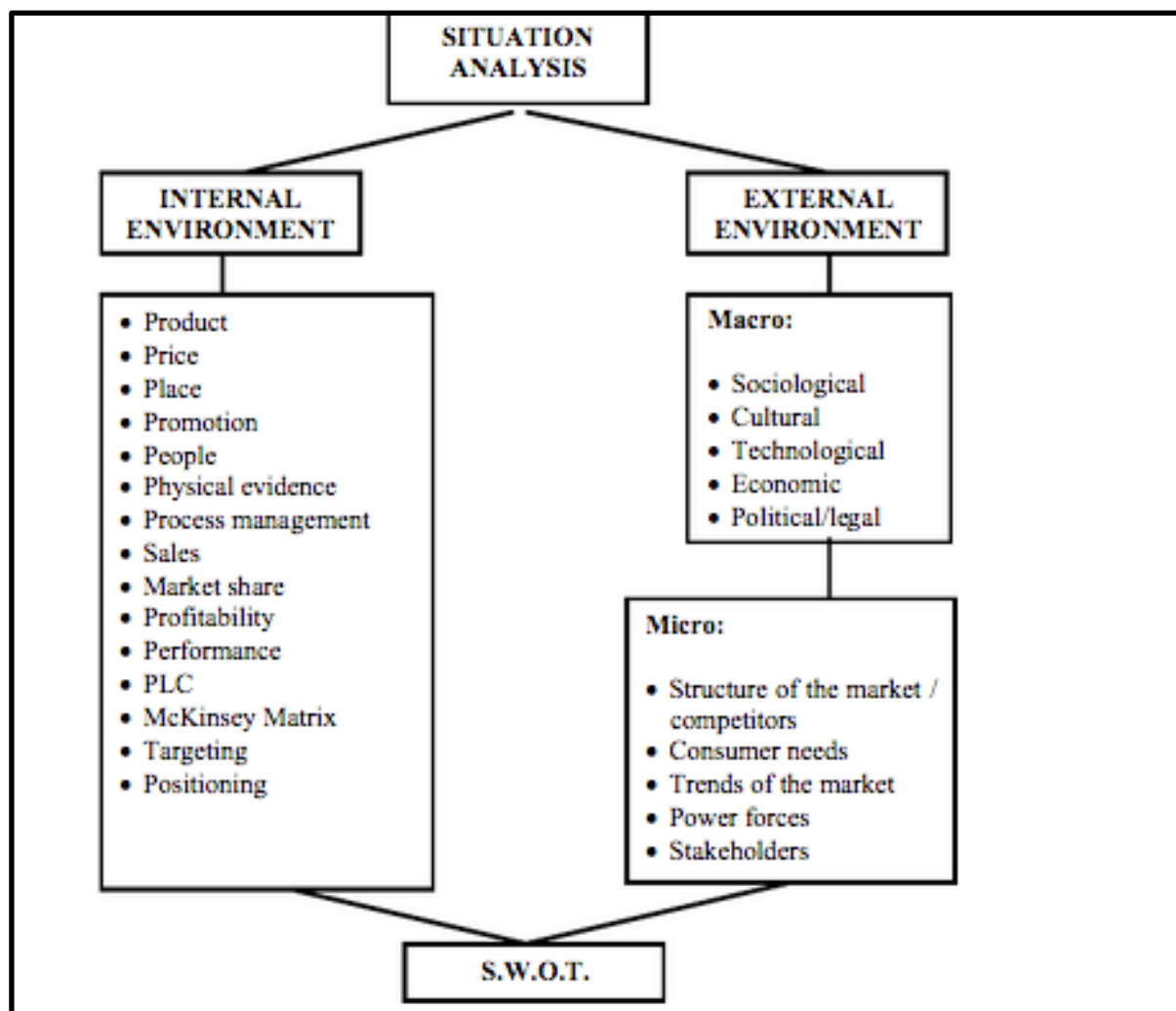
Promotion: Airbus has build its brand with digital experience. Airbus has used digital experience to create a direct-to-consumer campaign by building a website called iflyA380.com, the pioneer aircraft-specific booking assistant globally. Since its launch,

over 190 million travellers have flown, with more than 98% recommending the experience.

Situational analysis of Airbus

The situation analysis is a process through which a company identifies its own strengths and weaknesses through relating to external opportunities and threats (Demetris and Alkis 2006).

Figure 4: Situational analysis



Source: Vrontis and Thrassou 2008.

Airbus PESTLE analysis

Political environment

Trade War threat

Free and open trade is very important for the aerospace industry considering that most components are imported. The current tariffs on Chinese goods as well as steel and aluminium from Europe highly threaten the revenue and profit of Airbus and competitors because they make it expensive to manufacture and sell a plane (Deloitte 2018; Lineberger 2019).

Heightened global security threats

Globally, defence spending is on a rise as geopolitical tensions continue to intensify (Lineberger 2019). According to the report, the biggest share of military spend is from the US, NATO countries are also contributing a big share in order to counter possible threats from Russia and the Middle East.

Economic environment

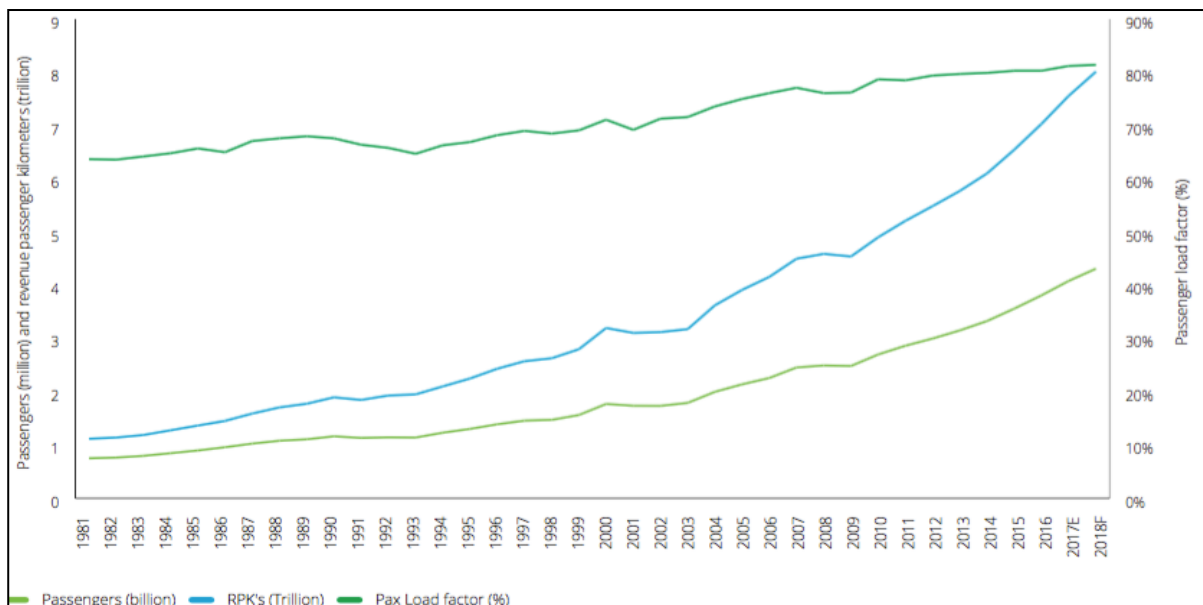
High demand and low supply

As the industry continues to grow at a high rate, one of the major issues likely to threaten this growth is the weak supply chain (Deloitte 2018). Currently, the two major suppliers (Airbus and Boeing) are sold out on single aisle planes until the middle of the coming decade, in fact, they are already struggling to keep up with the growing demand (Josephs 2019). According to the author, customers of Airbus including Jet Blue and Lufthansa have been negatively impacted by delayed productions.

Growing aircraft demand

After a slowed growth in 2017, the aerospace and defence industry experienced solid growth in 2018 as a result of passenger travel demand as well as increased global military expenditure (Deloitte 2018; Lineberger 2019; Airbus 2019). As noted by several analysts, the order backlog of the commercial aerospace sector, aircraft is at an all-time high boosted by demand for next-generation, fuel-efficient aircraft as oil prices continue to surge (Josephs 2019; Lineberger 2019). Boosted by demand in Asia Pacific, Latin America and Middle East regions, the world's passenger and freighter aircraft fleet is forecast to surge from nearly 23,000 currently to at least 48,000 by 2038 with traffic at a 4.3% annual growth (Deloitte 2018). This is a major growth opportunity for Airbus considering that it is planning to ramp up its jetliner production in China, strengthening its position in what is forecast to be the biggest aviation market globally (Katz and Cameron 2019).

Figure 5: Global airline traffic (1981-2018)

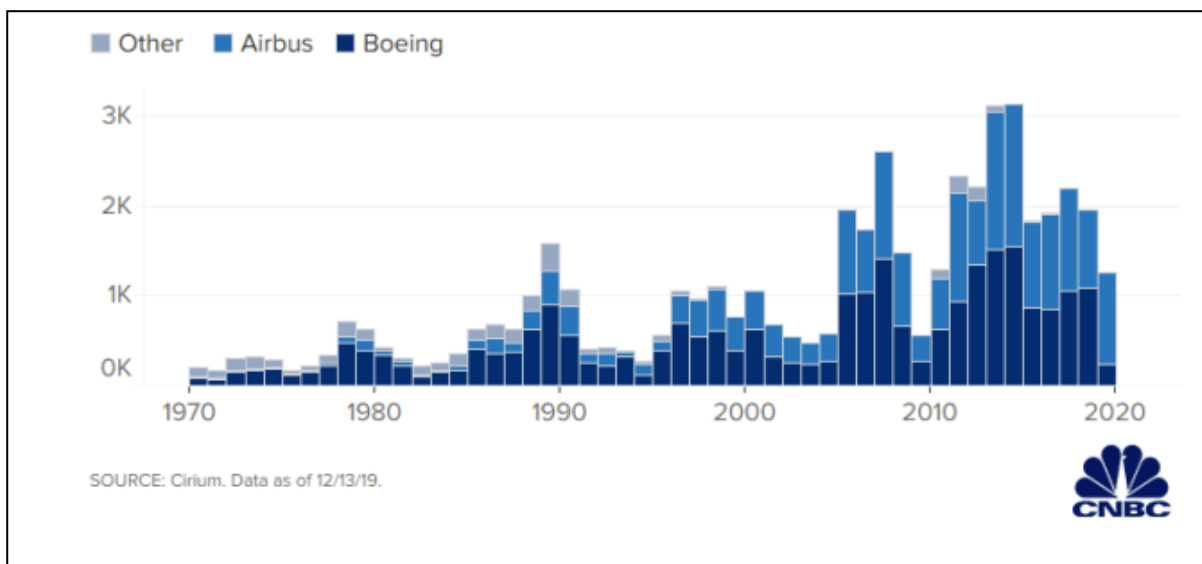


Source: Deloitte 2018

Declining demand for wide body jets

According to Ajmera (2019), demand for the high priced wide body jets is forecast to experience the highest decline since the 2008 financial crisis. In fact, orders for Boeing and Airbus wide-body jets fell by 56.4% to 105 planes between January and September 2019 as a result of growing demand for fuel saving planes (Ajmera 2019; Josephs 2019). Considering the fact that wide body jets contribute the most to the revenue of Airbus, this decline is likely to negatively impact the revenue and profit of Airbus, thus a threat.

Figure 6: Declining demand of wide body jets



Source: CNBC 2019

Social environment

Growing travel demand by the global middle class

The fast growing Global middle class in developing economies such as East Asia and the Middle East is forecast to boost the demand for air travel. According to Xiaoying (2019), 66% of the global population will be middle class, with half of this number (3.3 billion) coming from East Asia countries. In fact, China is forecast to require at least 7,690 new commercial aircraft worth US\$1.2 trillion as a result of the growing luxurious middle class (Lineberger 2019; Xiaoying 2019).

Technological environment

Digital marketing is essential in today's competitive business world as customers continue to gain more power over business. Airbus has built its brand with digital experience in order to create greater collaboration, become more efficient and expand how it delivers digital experiences to partners and customers. Airbus has created created a direct-to-consumer campaign by building a website dubbed iflyA380.com the world's first aircraft-specific booking assistant (Adobe blog

Legal environment

In October 2019, the US announced 10% tariffs on Airbus planes post winning the World Trade Organisation issues over subsidies received by the aircraft manufactures. According to Josephs (2019a), these tariffs are as a result of the dispute between US and Europe over government subsidies paid to aircraft manufacturers. This is a major threat to the airline as it will increase costs, impacting the U.S. commercial aviation industry as well as the overall economy at large (Josephs 2019 a). On top of this, the Aerospace giant will also be impacted by the \$7.5 billion worth tariffs placed on all European imports since its wide body planes and single aisle are made in Europe (Josephs 2019a).

Environmental issues

The aviation industry contributes up to 4.9% of of greenhouse emissions including carbon dioxide emissions which are highly contributing to global climate change. According to Abudalla (2018), kerosene, a fuel that is used to power aircraft engines which other than being a rare resource emits carbon dioxide, majorly contributes to global warming.

However, companies have started using electric engines, promoting the widespread use of aviation biofuels as well as new engines which use less fuel.

Porters five forces

Threat of entry (low)

The Aerospace industry is characterised by very high barriers to entry due to intensive capital investment, need for economies of scale, strict regulation, research and development investment, and contract based sales with government entities. These costs would be high for a new entrant to compete (Isidore 2019). Even if a new entrant managed to overcome the barriers, it would have an issue getting buyers because airlines can't easily switch to a different supplier once they invest in one company's model, because of the increased cost of pilot training, maintenance and spare parts involved.

Threat of substitutes (high)

In the case of Airbus, the threats include personal cars, trains, boats as well as buses. The threat is high in this case because the substitutes are more affordable.

Bargaining power of suppliers (high)

As noted by Johnson et al (2017), suppliers are a big component of any business in that they can have so much power and hurt its profitability, but this is highly dependent on the number of suppliers in the industry. In the Aerospace industry the bargaining power of suppliers is high considering that there is a limited number of suppliers, a reason why the manufacturers are faced with delays and disruptions in the value chain. In fact, Airbus is dependent on key suppliers and subcontractors to provide it with the raw materials, parts, assemblies and systems that it needs to manufacture its products (Airbus 2018).

Bargaining power of buyers (low)

The bargaining power of buyers is low because of the high switching costs involved. Even if airlines wanted to switch suppliers, it would not be possible because of the increased cost of pilot training, maintenance and spare parts involved. According to Isidore (2019),

airlines can't easily switch to a different supplier once they invest in one company's model mainly because of the high costs involved.

Competitive rivalry (low)

The aerospace industry is characterised by a duopoly because of high entrance barriers. The lack of competition is as a result of the huge capital expense involved in developing and building an airplane. However, the rising demand for commercial aircraft has resulted in new production programs from China and Russia (Lineberger 2019). These new entrants have potential to challenge the current duopoly in the longer term, when they overcome issues such as managing costs and schedule overruns, procurement of orders from global airlines, certifications from regulators worldwide, as well as establishing a safe and reliable track record.

SWOT analysis

Strengths

- Strong financial base.
- Big brand name
- Strong partnerships with universities to attract top talent from top universities for innovative purposes.
- Adoption of technology in its day today activities has increased efficiency and a competitive advantage.
- Abroad footprint

Weaknesses

- Supply chain issues which have resulted in delivery delays that have continued from 2018, negatively impacting its customers (Rich 2019).

- Threats to ground Airbus A320neo jets following in-flight engine shutdowns (Rich 2019).
- Several failures with Airbus's smallest jet, the A220 which could be a result of engine software issues (Aljazeera 2019).
- Early 2019, Airbus misread the market and spent \$25 billion to develop the A380 superjumbo, a two-deck aircraft which flopped, impacting its revenue (Isdore 2019).

Opportunities

- Heightened global security threats globally
- Growing aircraft demand
- Growing travel demand by the global middle class
- Technology and innovativeness in the supply chain.

Threats

- Trade war threats
- High demand and low supply due to value chain issues in the industry.
- Declining demand for wide body jets.
- 10% tariffs in Airbus by the US government.

2.The role of marketing in creating value for customers

Branding and how it creates value for Airbus

Kotler and Keller (2015) have defined branding as the process of giving meaning to a specific brand by building and shaping a brand in the mind of its target customers. In today's competitive business world, branding, corporate reputation and image have

become the most critical aspects of sustaining relationships with key stakeholders including investors, customers, suppliers, opinion formers, general public as well as activist groups (Clifton and Simmons 2003 Ferrel and Hartline 2011). As noted by Clifton and Simmons (2003), reputation is vital, companies that are famous for quality services or products, integrity and transparency of their actions are the ones best positioned to sustain a competitive advantage.

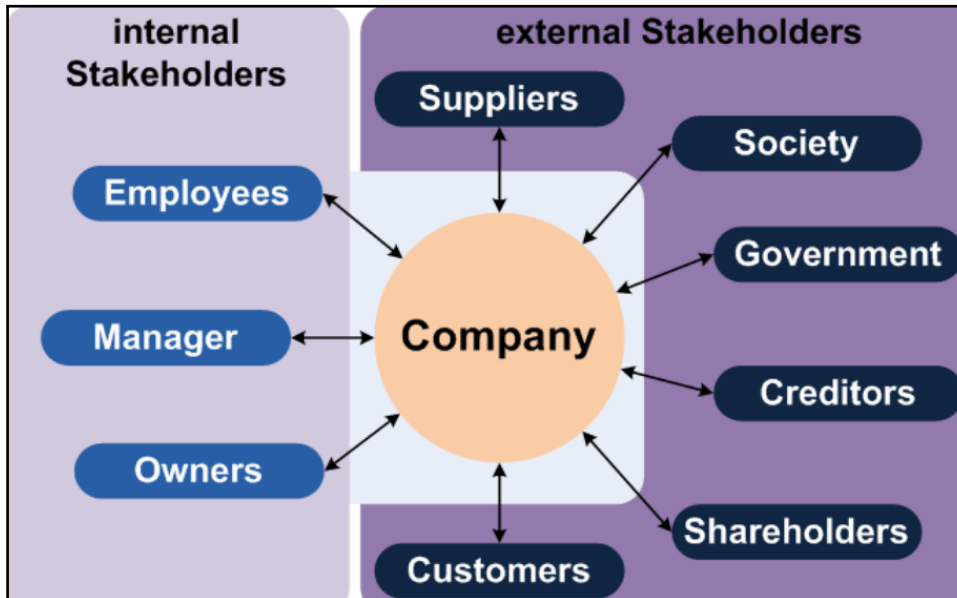
As a way of creating a sustainable brand, Airbus is working on developing a hybrid-electric engine in order cut air and noise emissions from aircraft. It is also working on improving air traffic management as well as being a key player in efforts to develop sustainable aviation biofuels (2018). As of 2019, Airbus retained 2nd position in Brand Finance's list despite a 10% fall in brand value to US\$9.2 billion. In a mostly B2B sector, it has taken the innovative approach of reaching out to the consumer level to create demand for Airbus (and the 380 specifically) as an endorsement brand for its brands (Brand Finance 2019). Since its inception, over 190 million travelers have used the plane with over 98% recommending the experience (Adobe Blog 2018).

3: Stakeholders

Stakeholders can be defined as individuals or groups of people who have power to affect an organisation's objective achievements or who can be affected by the organisation's achievements (Freeman and Reed 1983). Stakeholders are divided into two groups, internal and external stakeholders. As shown below, internal stakeholders are individuals within the business while external stakeholders are individuals outside the business, what

both of them have in common is the fact that they can both be affected by the firms' achievements (Hawrysz and Maj 2017).

Figure 7: Organizational stakeholders



It should be noted that, a firm's value depends on the fulfilment of all stakeholders.

Through attending to the business of social pressure groups, the company fulfils its duty towards the owners. An organisation should thus aim at treating all stakeholders in a good manner so as to create synergies.

Airbus offers its employees a number of benefits and perks including paid holidays, life insurance, paid sick leave, education and stock purchase plans. Airbus is working on developing a hybrid-electric engine in order cut air and noise emissions from aircraft. It is also working on improving air traffic management as well as being a key player in efforts to develop sustainable aviation biofuels Pick 2 from internal and relate to the company. This is its way of fulfilling the needs of its customers and environmentalists. The company has also created social media platforms where it can keep in touch with them, in order to fulfil its duty towards them and its owners.

4: Promotion

What is communication?

Velentzas and Broni (2016) have defined communication as the act through which a message about one's needs, perception, desires, and knowledge can be exchanged. In its simplest form, communication is a two-way process between the message source and receiver. As already established, the message receivers of Airbus' message are multinational companies and affluent consumers including rich and famous celebrities. According to the authors, communication comes in different forms, it can either be intentional or unintentional, may involve conventional or unconventional signals, may take linguistic or non-linguistic forms, or may even occur through spoken or written models (Velentzas and Broni 2016). There are several forms of communications, with the top two being internal and external communication.

External communication	Internal communication
Letters Fax Direct mail Internet Video Telephone Advertisement Websites	Team briefings Notices Reports Memos Face to Face Email

On the other hand, integrated marketing is all about using communication to create a unified and seamless experiences for customers to interact with a firm's brand (Rehman and Ibrahim 2011). Airbus uses media, press releases, trend reports and trade fairs.

Using the power of digital experiences, the aircraft manufacturing company created a direct to consumer campaign by building a website called iflyA380.com, a major aircraft specific booking assistant. Through this website, the company is able to communicate with its stakeholders, and creating a relationship with both direct and indirect customers (Adobe Blog 2018).

Conclusion

As the largest airline manufacturer globally, Airbus has continued to experience success through the years, surpassing Boeing, and is still growing further. However, according to the findings, the company's growth is impacted by a number of challenges and opportunities. With the different forms of communication such as social media, it is essential that the company keeps track of the communications to make sure they are meeting stated media communications objectives. This will require keeping all staff informed of all key performance measures such as social media mentions, TV ad exposure rates etc. This will ensure that the company knows whether one of the media formats, or messages are not working so that tweaks can be made or message adapted. Consumer opinions will have to be sought especially on social media where it can easily be found. This is especially useful when the company follows opinion leaders whose feedback can prove beneficial.

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