

MARKETING MANAGEMENT

COURSE:MARKETING MANEJMENT

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Executive Summary

The present report mentions marketing environment of British Airways explaining both internal and external factors. SWOT analysis is defined to indicate internal environment from where its strengths, weaknesses, opportunities, and threats identified. On the other hand, PESTLE analysis used for explaining external environmental factors, which drive changes in the business environment of British Airways. Furthermore, buyer and supplier powers are investigated through Porter's five force Model. Both the positive and negative aspects are found in the changing business environment. The role of marketing has also been defined to show connection between external and internal business environment to strengthen the position of British Airways in the UK. Finally, recommendations are given with marketing strategies such as disaster management, profit growth and others to make the company profitable in the market.

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Introduction

Marketing analysis is an overall and detailed assessment of a business and its target market along with an intention to obtain competitive advantage within the specific industry. It helps in developing organisational success through effective decision making based on analysis and future growth plan. It also provides the introduction of the brand and its production along with other strategies for customers within a specific market. In report, environmental marketing analysis is conducted with a choice of organization as British Airways. PESTLE and SWOT analysis are used for indicating a proper linkage between influencing drivers of the business and its challenges. Further threat of substitutes, new entrants, bargaining power of buyers, suppliers and rivalry among the existing competitors is examined through Porter's five forces. Apparently, the role of marketing in the organisation is discussed for explaining the changing business environment.

1.1: Environmental Marketing Analysis

In this digital era, business strategies and organization policies witness continuous change. Majority of organizations, conduct SWOT analysis to investigate data elements which is relevant to business alignments. Strength symbolizes internal capabilities to achieve objectives (Eastwood et.al.,2017) whereas weaknesses for internal constraints or barriers which can affect the company performance. On the other side, opportunities are external factors through which company can obtain a competitive advantage (Eastwood et.al.,2017) and threats are negative factors which can be responsible in delaying the achievement of goals (Namugenyi et.al.,2019). Below table represents SWOT analysis of British airways.

Internal Environment Analysis

Strengths	Weaknesses
● Stronger backing of United Kingdom Government which makes BA a stronger player ● First in adoption of Biometric technology and facial recognition technology ● Developed and expanded business operations with a substantial brand presence in 150 international destinations across 06 continents. So, excellent global	● Severe competition from the leading airlines across all operational routes. ● Intense competition resulting in limited market share for BA. ● Dependency over local

presence for customer experience growth (Momin,2021) ● BA has a fleet size of over 260 aircrafts. ● BA provides different services such as business class, lounge, in-flight entertainment, loyalty programmes etc. ● Involvement of sponsorship activities for events such as Olympics, Wimbledon which gives a boost to BA brand image.	market for revenue generation (Dudovskiy.2018) ● Human resource issues and poor employee relationship (BBC News,2019)
Opportunities	Threats
● BA has a major presence at Heathrow Airport which is major hub across world. ● Ongoing efforts to expand its operations in new territories. ● Alliance and global sharing with other Airline operators can boost up the business of BA. ● Technological advancements in terms of digitalization, machine learning and use of AI.	● Overall scenario of rising fuel costs can lead to reduced profit margin. ● Increase in labour cost. ● Rise in competition in EU can affect the market share of BA. ● Past occurrences such as Brexit, Covid 19 and other regulatory factors.

Table 1: SWOT Analysis

BA has Innovative technology adoption which is one of its strength. Parent company IAG is investigating data analytics, AI and machine learning and they adopted Biometric technology in 2018 and implemented facial recognition at Heathrow, to ease boarding without showing passport making the process faster and efficient (CNN,2018). The organisation is constantly *evolving its services to improve the experience of the customers*. In 2019, BA took delivery of Airbus A350-1000 aircraft with latest in-flight entertainment system including new club suite business class cabin (Business Traveller,2019). It's partnerships with Finnair, American Airlines and Iberia improves customer satisfaction (Momin, 2021).

It has a weaker part in Revenue generation as 50% of revenue is generated from domestic Market (Statistica,2022) and due to Brexit, Covid-19, it created a heavy impact. For overcoming revenue loss, BA needs to start schemes to raise sales in foreign Markets for converting opportunities by introducing new routes such as St Lucia, Antigua and Barbados and higher frequency for Dubai and Miami (travel Daily News,2020). Rising fuel cost has been a continuous threat, airline is aiming for sustainable aviation in 2021 through partnerships and collaborations. In 2021, BA partnered with LanzaJet to promote sustainable aviation fuel in Aircraft. Airline is aiming for 70% carbon emission reduction by using sustainable aviation fuel in flights operating between London to Glasgow and Edinburg (Business Traveller, 2021).

After all these efforts, BA contributed € 54 m operating profit after 2019 for the first time between April and June 2022 but had to resolve the issue of high salary demand of pilots with Unit and GMB unions through an improved pay offer (Topham,2022).

External Environment Analysis

Factors	Description
● Political	● Susceptible to any political change in UK and other 70 countries where it operates. ● Strikes from employee union in United Kingdom affect the operational efficiency of Airline and ruins the Brand image. ● Brexit resulted in reduced influence over European Aviation safety Agency (EASA) legal framework.
● Economic	● Higher operational cost due to third Runway plan over Heathrow Airport. ● Market uncertainty due to Brexit resulted in reduction in major investment by UK carriers. ● Susceptible to economic slowdown in UK.
● Social	● Changed consumer perception for British Airways as Low-cost Carrier. ● Reduced travelling of tourist due to Covid-19 guidelines and change of perception of tourists.

● Technological	● Investment in warehouse management system
● Legal	● Settlement payment towards lawsuits.
● Environmental	● Focus over carbon emission Targets and guidelines. ● Mandate over Airline purchasing carbon pollutant permit for European union Region.

Table 2: PESTLE Analysis

Political:

BA faced regulatory issues after Brexit as operation was affected due to modified border regulations, customers, and immigration laws. So, BA needs to align its consumer relationships, operational strategies, corporate Governance with changing environment (Kozubikova et.al.,2019) Recently, due to Russian invasion over Ukraine, Russia banned UK flights from using its Airspace. Even operational flights in Russia are also on halt which reducing market share of airline imposing additional financial burden (SkyNews,2022). In 2015, BA demanded a third runway at Heathrow which raised conflict between BA and Government. Also, there has been always a strong backing from Government to British Airline which leads an advantage to BA. So, Political factors has developed opportunities but at the same time airline suffered due to different political factors.

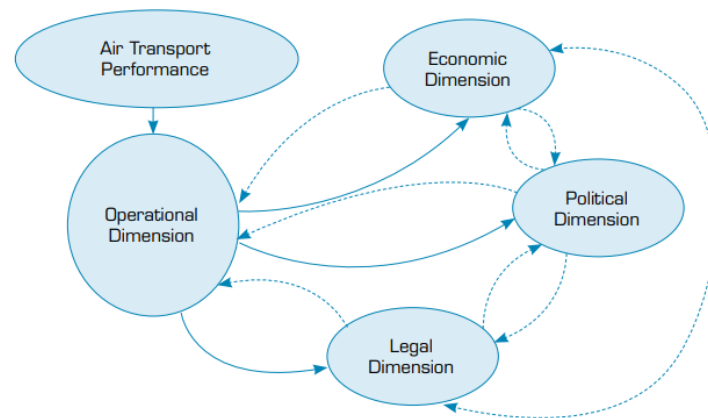


Fig. 01: Airline performance dimensions (Yadav et al.,2022)

Economic: The economic environment of the UK has taken a downturn trajectory. As per SWOT, BA faced financial problems of profit and share loss in the UK after pandemic. Lockdown resulted in an annual loss of £6.4 billion where increased fuel prices also played a major role

(TheGuardian,2021). Also, fuel prices has a direct impact over profit margin as lower fuel prices and can lead to higher profit margins. In 2016, BA's earning increased by 65% as fuel prices were quite low (Financial times, 2018). So, BA's effort towards sustainable aviation fuel has become mandatory requirement to avoid financial threat.

Social:

As cheaper ticket attracts everyone, by knowing the consumer mindset, BA reduced the legroom and thereby increasing the seats which made BA able to compete with LCC (Martin,2017). Globalization is another factor and BA made an advertisement where it showcased a cross cultural communication between passenger and a flight attendant (Touloupi,2018). Further, knowledge of buying habit is an important factor for Airlines as in 2016 (Martin,2017)., BA started charging consumers for snacks, thinking that it will raise revenue but after this act there was a decline in passengers' perception. (Brophy,2017).

Technological: The growth of the pandemic has given a chance to intensify usage of digital channels and payments (Darwish and Bayyoud, 2023). BA is using automation for collection of post flight feedback. Similarly, it is working on different fuel efficiency programmes. XMAN, developed by NATS Air Navigation providers including BA is used to slow the aircraft at appx. 350 nautical miles from the actual destination and thereby reduces delay. Further, single engine taxiing, En-route wind optimization for wide body aircraft leading to reactive and effective route plan. Also, State of art fuel management system of BA lead to 35k tonnes of CO₂ in 2014 whereas single engine taxiing results in saving of 4100 tonnes of fuel per annum alone at Heathrow Airport.

Legal:

Legal factors can affect Airlines as BA needs to follow aviation and country-specific regulations (Yadav,2022). These regulations include fairness, discrimination etc. Any violation may result in heavy fines. For an instance, BA faced fine in 2018 for data breach which ruined brand name and financial loss. Pandemic regulations and guidelines also affected BA operation (Dube et.al.,2021).

Environmental:

In UK, carbon emission is focused hugely and growth of WFH through which environmental focuses is broadened. BA has introduced SAF in its planes through which it aims to reduce carbon

emission by 80% (Oxborrow, 2022). Fight path net zero is the initiative to bring carbon emission to zero by 2050.

Porter's five force Model analysis over British Airways:

It is useful in assessment of BA's market position through an analysis of competitive nature. The outcome of the analysis will improve the decision making of the airline to achieve goals.

Strength	Force or Threat
High	Competitive rivalry: ▪ BA has an operation in both long as well as short haul flights but there is a little difference between BA and its rivals in terms of service and price offering. The later one is quite fragmented with numerous small LCC and other. ▪ Strong competitor such as Virgin Airlines which is quite aggressive. ▪ Collaborated operation of different airlines further increases competition.
High	Supplier Power ▪ Worldwide, there are only two aeroplane manufacturers which are Airbus and Boeing, which has a higher competition, which leads to some sort of bargaining power. ▪ Further, buyer power is increased through a collective bargaining and even it is achieved through trade unions.
Medium	Buyer Power: ▪ Due to limited supplier, although all efforts buyer has limited power ▪ Further, there is a lot introduction of new low cost carrier airlines against less suppliers. ▪ On the other side, BA can buy the required raw materials from suppliers at different cost as switching cost in this case is low.

Low	Threat of New Entrants Due to higher capital investment as no aircraft comes below USD 70 million and intense competition, it becomes difficult to financially survive for a new entrant. Failure of Airlines such as Kingfisher, Zoom, X1 restricts other entrants. Obtaining free slots and runways in major international airports may become very difficult.
Low	Threat of substitutes There are very less direct substitutes against of short and long haul flights. Air travel is the fastest among other such as sea transport and vehicle.

Table 3: Porter's five force analysis

7P strategy of British Airways:

Marketing mix detailed analysis can be achieved through 7P strategy which consists of mainly product, price, place, promotion, process, people and physical evidence.

Product:

It has product offering from economy (Euro traveller and world traveller) to premium economy, business and first. So, it considers value for money and finest experience which includes spa treatment, modern suite etc.

Pricing:

BA follows cost differentiation strategy through different service and product ranging from economy to first class (Dudovskiy,2018)

Place:

It has its major hub at Heathrow whereas a good presence at Gatwick with an operation spread between other 170 destinations. It also offers booking facilities through numerous routes such as its own site, mobile application, travel agents like Expedia and many more for performing different tasks such as flight booking, check-in, boarding pass downloading etc.

Promotion:

With a massive advertising budget, BA uses traditional ways as well as digital media like social media, along with campaigns run by celebrity. According to Fleming (2019), despite of such efforts, gap is developed between stakeholder's approach, thinking and Airline's message. So, It has become mandatory to rethink and revitalize the image of Brand (Light,2020). Still, its efforts can be seen from statistics as

there are 3.3 million followers over BA facebook page whereas 1 million over Instagram. On the other side, BA has only 319k subscribers over its Youtube channel.

People:

BA's approach is always towards diversity for which it accommodates diverse background people.

However, in 2020, BA announced 12,000 job loss which includes voluntary redundancy and people were forced to take voluntary redundancy. On the positive side, they celebrated international women's day by arranging UK's biggest ever all female flight in year 2018 (Dudovskiy,2018)

Process

It is trying to implement all technological tools which can offer better efficiency and faster operation to its consumers. Airpotr is one of the examples where their bags can be collected from their home and get checked-in.

Physical evidence of British Airways:

BA has always aimed for better passenger experience through in-flight entertainment system, aesthetic cabin design, website look, flight meals and other services to achieve its intended goal (Dhall, 2018)

Customer Market segmentation:

Below Table represents the customer market segmentation whose analysis key requirement for BA to form marketing strategies.

Purchaser Type	Purchaser requirement	Division attraction
Customer as a king	This segment of purchasers are having requirement of high level of comfort and premium travelling experience. Travel cost cannot be the deciding factor for such group of travellers. They are highly emphasized on travel significances.	They are looking for comfort and premium seats can be allocated to such customers for route.
Luxury seekers	Such types of customers are faithful and like to do journey with airlines. Their decisions are governed by prices and various discount schemes.	They are searching quality service along with emphasizing on importance of customers for airlines.

Tourists	Such customers like to travel until its compulsion for them. They are sensitive towards price and ready to compromise on quality of travel for low price.	Such customers are focused as they may look for a non-stop journey from UK to San Francisco.
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Table 4: Customer market segmentation

Division	Division details	Division attraction	Success Factor	Future development
First Class	They referred to as a premium category travelers. Facilities such as bed with a blanket, spa access and permissive dinning (BA, 2017).	Risk of new entrant: Low as it required high initial cost for premium interior. Risk of competition: High as Strong competitor such as Virgin Airlines is quite aggressive. Risk of Substitute: Low as it can only be replaced by cruise ships. Power of buyer: Medium as there is a lot introduction of new low cost carrier airlines against fewer suppliers. Power of supplier: High as market is dominant by two suppliers Airbus and Boeing.	Quality of service, Exceptional service,, high-class customers	Significant potential
ClubWorld	It gives premium comfort, spacious seating, flat bed, personal lounge (BA, 2017b).	Risk of new entrant: Low as failure of Airlines such as Kingfisher, Zoom, X1 restricts other entrants. Risk of competition: High as Collaborated operation of different airlines further increases competition. Risk of Substitute: Low as air travel is the fastest among other such as sea transport and vehicle. Power of buyer: Moderate	Reputation; Discount schemes; Luxury and travel quality.	Significant potential

		Power of supplier: High as a buyer power is increased through collective bargaining and even it is achieved through trade unions.		
World traveller plus	It is a premium economy facility which is present for travellers. Such type have wide seat and more leg space (BA, 2017b).	Risk of new entrant: Low as obtaining free slots and runways in major international airports may become very difficult. Risk of competition: high as BA has an operation in both long as well as short haul flights but there is a little difference between BA and its rivals in terms of service and price offering. Risk of Substitute: Low as very less direct substitutes against of short and long haul flights. Power of buyer: Moderate Power of supplier: High as there are only two aeroplane manufacturers which are Airbus and Boeing	Reputation; Concession system; Comfort and travel quality; Low price compared to competitor.	Significant potential

Table 5:Product segmentation

Role of Marketing

The marketing techniques have significantly supported them to gain competitive advantage in the UK market. For BA, the primary function is to develop and execute the promotional campaigns which are intended to target customer segments such as business and leisure traveller as per the season and market conditions. It may consist of print, online advertisement as well as targeted mail and social media campaigns (Seo, et.al.,2018)

With the help of marketing, BA can promote its differentiation strategy, brand image and communicate promotions in seasonal offers.

Role of marketing is critical due to events such as pandemic for making interactions with stakeholders. Also, according to Park (2018), recall rates for marketing over social media are 55% higher as compared to conventional ones and social media influences 90% of purchases. So, BA

can also use it as a strategy to meet its financial goals. Below figure elaborates the role of social media.

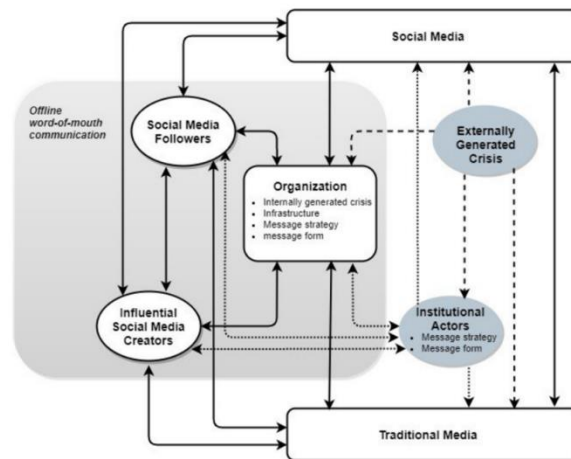


Fig. 02: Social media in crisis communication (Obembe et.al.,2019)

b) Recommendations for the future

- BA management should resolve internal issues of HR strategies and employee engagement should be improved to avoid legal issues and fines.
- Majority of revenue for BA is generated through operation in UK, it is more susceptible to external factors, so BA should be more resilient in its operation through promotion of schemes which can raise sale in foreign markets.
- More emphasize should be given to personalized experience through leveraging the data analytics to gain the insights into the consumer preferences, purchase history and behaviour which can be used for tailored promotions and experience.
- Leverage the use of social Media for building a strong online presence and improve weaker presence in terms of YouTube subscribers.
- Focus over sustainability: Customer loyalty can be better built through sustainable efforts towards carbon emission reduction and it can attract environmentally-conscious consumers
- Offer Incentives: British Airways should offer incentives, discounts and run loyalty programs and same should be conveyed to its stakeholders through effective marketing strategy for business repeatability.
- Further, Airline needs to make their disaster management savings strong through which any type of environmental, social, economic or political issues can be handled through it.

Conclusion

British Airways has developed a very good position in the UK, though they have faced major issues due to which growth is not commenced successfully. Airline has a major loss in UK due to pandemic and human Resource related issues. The legal problems have also been broadened in past. However, it has responded appropriately in the technological dimensions and innovations. Marketing strategies are used to communicate with stakeholders but still efforts are required to raise foreign sales. Therefore, it can be stated that external and internal environment of BA have been linked with each other where the external drivers influence the services and the marketing analysis as well as strategies. The recommendations on disaster management, profit growth and legal issue handling have been defined through which they can strengthen their position soon.

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