

# Research on the Marketing Strategy of Airline Industry Influenced by COVID-19

Zhen Fan<sup>1,\*</sup>

<sup>1</sup> City University of Hong Kong, Hong Kong, China

\*Corresponding author. Email: zhenfan2-c@my.cityu.edu.hk

## ABSTRACT

The main purpose of this study is to examine the effectiveness of strategies which are adopted by the airline firms to overcome the crisis in marketing perspective after understanding the impact of the pandemic on key transportation mode (i.e., airline). Based on the analysis of the market situation and the forecast of virus severity for the uncertain future, one most likely happened scenario is selected. With selected scenario, the paper highlights and specifies several popular strategies which are utilized by many of the airline firms, and outlines key implications for the post-COVID-19 self-rescue actions.

**Keywords:** Marketing strategy, Airline, Pandemic, Crisis.

## 1. INTRODUCTION

The airline industry has been hit extremely hard. Global Data mentioned that no industry has seen a greater impact than airlines[1]. Many airlines have grounded all of their flights, even several are now using their passenger aircraft as freighter. The International Air Transport Association (IATA) estimated that the airline industry needs at least five years to recover the sharp decline in global passenger demand which drop 90 percents because it has directly triggered extremely serious financial difficulties (\$314 billion in revenue globally) and liquidity problems[3].

Relating to the pandemic hit and the high fixed operational costs, airlines have encountered a variety of serious market challenges. To overcome the turbulence, airline firms conducted strategies such as "Infinite Fly" plan, biometric check-in system, positioning price strategy, warmth and interactive promotion strategy from 4P's (product, place, price, promotion) tactics to fix the current passenger volume and financial crisis.

## 2. CURRENT SITUATION AND FORECAST FOR FUTURE SITUATION

As "Figure 1" showed, there was a distinctive distance between the number of flights in 2020 (i.e., the pandemic period) and that of 2019.

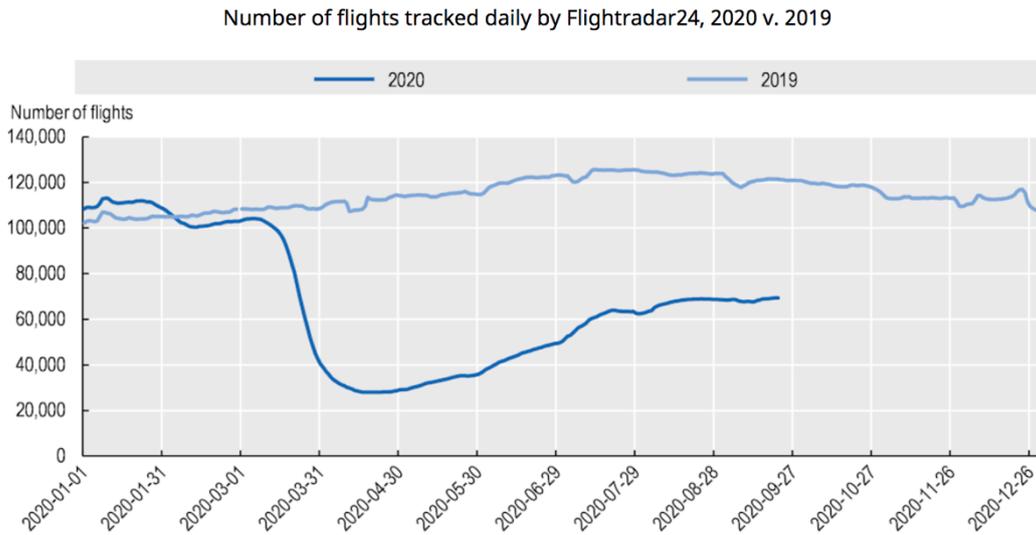


Figure 1 Commercial traffic worldwide[2].

As the pandemic brought a series of challenges to the airline industry, a recent poll was conducted to interview 537 aviation professionals about their forecast of the potential to recover. According to the poll result, 60% of professionals pointed out the industry needed 18 months to 3 years to reach the pre-COVID level. There was a significant majority (i.e., 89%) showing the confidence that the industry would recover, but 69% believed the industry will be fundamentally changed[2].

All the firms of the airline industry are waiting to see differences, in terms of duration and impact, whether it is business travel or short and long distance travel for personal leisure purposes. On the one hand, for business demand, a relatively quick rebound (in both short-haul and long-haul) is expected because business travelers need to reestablish their businesses. However, the level of rebound is determined by the situation of the economy and any long-term structural impact of remote working practices. On the other hand, for leisure demand, there would be a distinction between short-haul and long-haul. For short haul, many passengers have a strong willingness to get away on trips after being housebound for a long time (i.e., weeks or months), once they are reassured that flying and traveling are safe again. For long-haul leisure, it is likely to rebound at a slower pace, since the pandemic issue cannot be fixed in short term.[5]

Before the market reopening, some preparations for the new normal should be taken into account, such as making network and fleet decisions and planning for further arrangement. According to the current environment, five potential scenarios are

estimated BCG for the airline market situation in 2020.

The first one is that the market will rapidly bounce back in a V-shape, which indicates that the market only needs three to six months for recovery. During the three to six months, the circumstance about virus severity and spread is quick containment by showing a rapid drop in new cases and death. Depending on the eased situation, the government can relax the policies and reassure the public. And, this is the most optimistic situation in which consumers' behavior will not change and both the leisure and the business purpose journey bounce quickly.

The second scenario for the recovery time and speed is estimated as a slower recovery pace. The epidemic can be eased in six to nine months. For this scenario, the government would discourage travel, while the borders slowly reopen for foreign visitors. According to the policy, consumers' purchase confidence will maintain at a low level, as most of the personally leisure-oriented are not encouraged.

The third scenario seems most likely to occur. According to forecasts, recovery will take 12 to 18 months, because the global epidemic situation is not an easy problem to overcome in a short time. As the rate of new cases and deaths decreases at a slow pace, the government will not easily reopen the border and travel is not encouraged. Even though the policy is still strict in terms of the COVID-19 regulation, it is the point for consumers to have the willingness to go outside as they already locked themselves in home for such a long time.

However, to obey the government's policy, the business should still follow the rule to regulate the epidemic strictly. An economic recession will directly lead to travel distribution failure in some cases.

The fourth recovery scenario estimates an L-shape recovery pattern, as shown in "Figure 2". More than twelve months are needed for the recovery because the virus severity and spread are slowly eased. The government had to lockdown the border for a long period so that consumers are not allowed to take the plane, especially for travel purpose. Also, the economic recession and widespread failures in travel distribution will

happen. What is worse for the airline industry recovery is that the long-time epidemic situation directly causes the persistence of new working pattern (i.e., online working and meeting), and his working pattern reduces the possibility of the current business-purpose travel and even influences the further recovery once people are used to this working pattern.

The last scenario is that the situation cannot recover in 2020, the epidemic will last twelve to eighteen months. In this scenario, the spread of virus decreases but then rapidly increases. Government policy will be contingent on conditions.

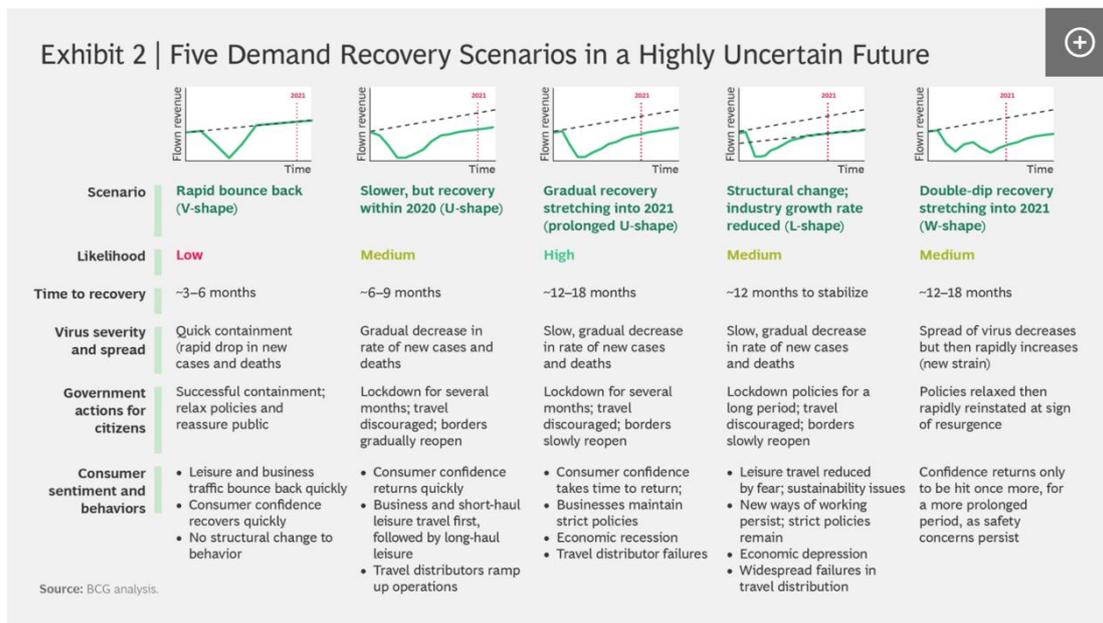


Figure 2 Five demand recovery scenarios in a highly uncertain future [2].

Even after travel restrictions lifting, the once-lucrative segment of business travel may be permanently transformed because corporations become accustomed to the cheaper, more efficient, and safer alternative of video conferencing. Surging unemployment levels will also stifle consumer expenditures on travel along with weak passenger confidence and ongoing negative press.[3]

### 3. PLANS FOR THE NEW NORMAL

4P's (i.e., Price, Place, Product, Promotion) are four elements in terms of market tactics which was introduced by NeilBorden in 1960s. The "Figure 3" is designed to explore the response of changed and unchanged behavior to epidemic situations.

### 3.1 Price

Some companies adopted positioning strategies to attract more audiences. Business and leisure travel have forced airlines to drastically reduce flying schedules and ground their jets. Before the pandemic, carriers had been actively courting business or first-class travelers in particular to boost revenue as competition intensified. United Airlines Holdings Inc. (UAL) is extending current members' MileagePlus Premier status through January 2022, reducing thresholds for Premier qualification by 50%, offering more credit card points and making it easier to upgrade seating. Delta Air Lines Inc (DAL) is extending its SkyMiles Medallion Members' status as well as the expiration dates for upgrade certificates and travel vouchers. For travel booked within the next two months, the airline also waives

the change fee, and can also refund it in some cases. Terms and conditions vary by airline. [11]

According to "Figure 3", UAL and DAL are providing better service at a lower price.

		Price		
		More	The same	Less
Benefit	More	More for More	More for the Same	More for Less
	The Same			The same for Less
	Less			Less for Much Less

Figure 3 Positioning strategy.

### 3.2 Place

Even though countries have different policies and regulation methods to control the epidemic situation, the same thing is emphasizing the lower frequency of face-to-face meeting. Airline companies timely released contactless check-in kiosks and enhanced mobile app fractures.[4]

Spirit Airlines has announced biometric check-in to reduce the fact-to-face interaction. Passengers can tag the checked bags and put the bag on the machine by using the automated self-bag drop unit which is equipped with the photo-matching system. The President and CEO of Spirit Ted Christie stated (2020) that they originally planned to use this biometric check-in system to accelerate the check in speed and make the process smoother. Now, limiting touchpoints and reducing the unnecessary fact-to-face interaction has already changed their working pattern and airport operation. The data collected from the testing airports shows that this new-introducing mechanism reduces averaging processing time to 70 seconds for every customer, which saves 30% time at baggage check-in process in comparison to the time without using the machine.[8]

In order to motivate passengers using the contactless check-in system, Air Asia also announced the counter check-in fees. According to the policies shown in the official website of AirAsia, customers who prefer to complete their check-in process through the face-to-face counter need to pay \$ 4.82 per customer for domestic flights and \$7.23 per person for international flights, while they can avoid the payment by using the self-check in method online.[7]

Japan Airlines even introduced the touchless kiosks at Tokyo Haneda Airport for trail in August 2020. The new technology is equipped with state-of-the-art touchless sensor, which provides the possibility for consumers to finish their check-in process through the machine without the need of

actually screen touch. The infrared technology can recognize people's finger movement three centimeters away from the screen. Therefore, without the screen tough the whole check-in process will be cleaner and safer, as passengers do not need to worry about who had touched the screen before.[9]

### 3.3 Product

The key moment for airlines and company departments to cooperate is to overcome difficulties by establishing value chains. All departments carry out value-creating activities to design, produce, deliver and support the company's product or service.

In order to overcome the difficult time, many airline companies launched a series of programs to stimulate purchasing behavior. Infinite fly during the weekend program is carried out in China firstly by China East Airlines, China National Airlines, and Hainan Airlines in June 2020. From the date of purchase until December 31, 2020, passengers can pay 3,000 RMB to take any domestic flight of the airline department to any major cities in China except Hong Kong, Macao and Taiwan, until the end of the current year (i.e., 2020).

In fact, the policy of Infinite fly has been adopted for a long time in many industries, such as amusement parks and ski resorts, severely affected by force majeure. When the future market of the airline industry is not clear, "Infinite Fly" policy is psychological gambling between businesses and consumers. Consumers see the possibility of unrestricted flights in the next six months. For airlines, this is a prediction of the number and possibility of future passenger travel. In detailed calculation, after purchase the 3222 RMB Infinite Fly Plan, it is cost efficient for one round long-haul journey, and even it is more cost efficient for those frequent passengers. From the business perspective, they take advantage of the high purchase volume to solve the financial crisis.

However, the "Infinite Fly" Plan is not a long-term solution. The first root is that if the airline business always provides the low-cost product but remains the services quality, there will also be a loss which happened to the airline industry. If passengers who bought the "Infinite Fly" plan occupy a large number of seats, which will lead to other passengers unable to buy tickets in the future. This situation will not only worsen the current economic problems, but also cause a series of potential unexpected problems in the future.

Therefore, it is suggested by the economist Li (2020) that the "Infinite Fly" policy is an innovative product design to help with overcoming the financial crisis which is caused by the COVID-19. Nevertheless, for the long-term concern, the policy should strike a balance between passengers and airlines through adjusting the strategy to guide consumers to rational consumption. For example, Hainan Airlines regards "Infinite Fly" project as a tourist orientation, which can stimulate the consumption demand in the off-season by limiting the time period of the route. In this way, it cannot only promote the recovery of the tourism industry while maintaining its own source of tourists, but also maintain the balance between the number of ordinary tourists and people who had bought the "Infinite Fly" Plan.[10]

As the airline industry belongs to the tertiary industry, service quality is the priority factor to success. Delivering impressive and satisfactory service is one of the potential methods to gain loyal customers. The price is not the only way to evaluate satisfaction anymore. For many low-cost airline companies, providing the high-quality services has been a significant criterion to be considered as a profound company strategy.

Some studies present that the passengers in a full service are comfortable with high quality service, and once they feel happy and satisfy, they are highly likely to come back with the same airline again, even share their positive opinion with their friends. As the experiment was conducted by Han (2013), passengers are willing to spend more money for better service and comfortable equipment after they go aboard. For passengers who travel with an inexpensive airline, they have already understood the limitations of the current plane's equipment, such as the softness and the width of the seat. They expect the on-time and reliable service during their flight journey and good service to satisfy the current need of consumers.[6]

### **3.4 Promotion**

During the epidemic situation, airlines were trying their best to carry various campaigns to attract passengers. Some warm slogans are painted and decorated in the cabin to send emotional appeal during the tough time.

To follow the direction announced and led by CPC Central Committee on epidemic prevention and control, and to enhance the publicity and education on the prevention and control of infectious diseases, China airlines recently conducted "internal to external", "business online and offline" way of combining the rule of law knowledge of prevention and control of epidemic diseases in a series of propaganda.

The publicity campaign carried out on China Airlines' "Flight to Spring" has received unanimous praise from passengers. According to the introduction of the G52759 flight from Shenyang to Chongqing by the Director General of China Airlines on March 2, the flights were decorated that the baggage holders are painted with the slogan "You choose us, and let us protect your March" and temperature inside the cabin has adjusted to the comfortable degree. Meanwhile, some activities with prizes were held during the journey, which the passengers are involved in the code for the answer. The questions were interesting and practical. It was about practical prevention knowledge during coronavirus pneumonia. Many passengers captured the cabin, and join the activity. The promotion is carried out when passengers took on the plane, and the slogan which was decorated the cabin will warm the passengers' heart.

## **4. CONCLUSION**

The airline industry is facing a financial catastrophe due to the epidemic situation. Some active responses are suggested to be conducted to overcome the difficult time as aforementioned. After viewing the five demand recovery scenario in the uncertain future, all of the strategies are effective for the short term concern. However, for the long-term concern, the strategy should be adjusted along with the changed situation. In view of the developing effect of the pandemic, the selected scenario used for this paper's analysis may not be the most appropriate case, so that the conclusions would be different. The strategies analyzed in this article would be used. Therefore, it is necessary to have a more comprehensive

understanding of different situations in future analysis.

### **AUTHORS' CONTRIBUTIONS**

This paper is independently completed by Zhen Fan.

### **ACKNOWLEDGMENTS**

Let me begin by thanking Professor of the MIT Sloan School of Management Zhang Juanjuan who inspired my thinking in terms of the marketing study during her courses that Modern Marketing with Discussion of the COVID-19 Pandemic. My boundless respect and appreciation extend to teachers at City University of Hong Kong, where I can learn basic knowledge about marketing.

### **REFERENCES**

- [1] Impact of COVID-19 on the Global Airline Industry- Hot Topic Brief-Issue 8. Global Dae, 2020.
- [2] COVID-19 and the Aviation Industry: Impact and Policy Responses. OECD. 2020.
- [3] Sarah Schmist. Airline in Crisis Due to the COVID-19 Pandemic. BCG. 2020.
- [4] John C. Drive. Developments in airline marketing practice. 1999. Vol 5 No.5. pp134-150.
- [5] Joseph Amankwah-Amoah. Stepping Up and Stepping Out of COVID-19: New Challenges for Environmental Sustainability Policies in the Global Airline Industry. 2020. pp3-5.
- [6] Weerawit Lerrthairakul, Vinai Panjakajornsak. The airline Service Quality Affecting Post Purchase Behavioral Intention: Empirical Evidence from the Low Cost Airline Industry. 2014. Vol. 5, No. 2.
- [7] AirAsia Introduces Counter Check-in fees to Encourage Use of Contactless Technology. Future Travel Experience. 2020.
- [8] Spirit Airlines Rolls Out Biometric Check In at US Airports. Future Travel Experience. 2020.
- [9] Japan Airlines to Trail Touchless Check-in Kiosks at Haneda Airports. Future Travel Experience. SINO foreign Management. 2020.
- [10] Li Jing. The inspiration of "Infinite Fly" campaign to the aviation market.
- [11] Tracy Rucinski. US. Airlines ease loyalty Programs in Coronavirus travel slump. REUTERS. 2020.