IVAN MIŠETIĆ, D.Sc.
Croatia Airlines
Savska 41, HR-10000 Zagreb, Republic of Croatia
SANJA STEINER, D.Sc.
E-mail: ssteiner@fpz.hr
University of Zagreb,
Faculty of Transport and Traffic Sciences
Vukelićeva 4, HR-10000 Zagreb, Republic of Croatia
MIRKO TATALOVIĆ, D.Sc.
E-mail: mirko.tatalovic@croatiaairlines.hr
Croatia Airlines
Savska 41, HR-10000 Zagreb, Republic of Croatia

AIRLINE MARKETING FACTORS

ABSTRACT

The paper addresses several marketing related notions associated with airline strategic planning and positioning. Beside examining the distinctions between network operator and niche player, this paper treats the state of Croatia Airlines within the reported AEA benchmarking of the specific elements of airline business. It also studies certain aspects of the air market that influence pricing and demand elasticity, such as the impact of low cost carriers and the practice of network hubbing.

KEYWORDS

airline marketing, revenue management, benchmarking, pricing and demand elasticity, reservation/distribution system, network hubbing

1. INTRODUCTION

The environment within which the airlines operate is very competitive and dynamic. In order to achieve profitability, an airline needs to foresee the future market conditions and allocate the resources in order to harmonize the supply and demand. Planning and marketing-function of an airline is responsible for defining of products and determining of the sales method. These activities are parallel, since planning and marketing for every flight begin five and more years in advance and last continuously from the passenger's boarding to their arrival at the destination.

Optimal positioning of airlines in order to achieve profitability is greatly determined by right coordination of supply and demand. Planning and marketing-function can be presented as a process, and each of them controls specific aspects of this process and is user-oriented.

The basic sense and objective of the work is to indicate the factors that bring significant contribution to optimal positioning of airlines in the everyday market competition.

2. POSITIONING FACTORS

Although there are numerous technical and scientific papers that study the mentioned topic, on the whole one can speak of the following basic factors that have been presented schematically.

Further in the text some parameters of the mentioned factors are highlighted and analysed, which need to be known in order to assist the optimization process.
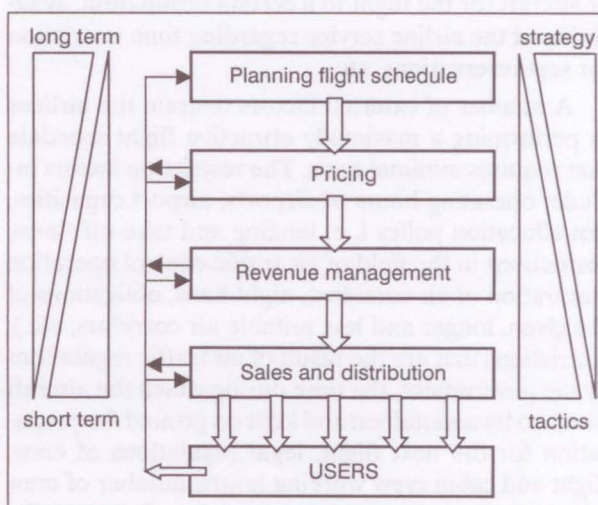
Schematic presentation 1 - Factors of airline positioning

Source: Handbook of Airline Marketing, New York, 1998, p. 117

2.1. Flight schedule

The process of planning and marketing starts from planning the flight schedule which determines where and when an airline is to fly. The flight schedule is created in order to attract as many passengers as possible in the wide offer of *O&D* (*origin-destination*) market,

and the key is profitability with which a company reacts to the demand. Profitability of the planned flight schedule, on the other hand, depends on the possibility of attracting revenues from passengers and cargo, as well as the connection with operating costs of the respective flight schedule. The analysis of potential revenues includes consideration of the competitiveness of an airline flight schedule per each pair of cities to which the passengers or cargo can travel. In general, a company can realize significant revenues if it offers a relatively attractive service on the market on which there is big potential of passengers and cargo.[1]

A flight schedule needs to be attractive to potential passengers, although set on the principle of minimizing costs, which means that it has to insure meeting of both preconditions that are often in conflict.

The flight schedule attractiveness is reflected in the right and argumented choice of the number of destinations, right selection of the airport at the selected destinations, sufficient number of frequencies between airport of arrival and destination, suitable and reliable take-off and landing times, harmonized times within a flight schedule of the host airline with the flight schedules of other partner airlines. Further criteria can include giving priority to direct (point-to-point) flying between two destinations compared to flying with stopovers, right choice of the type / capacity of aircraft for the flight to a certain destination, availability of the airline service regarding time restriction for seat reservations, etc.

A number of external factors restrain the airlines in performing a maximally attractive flight schedule that requires minimal costs. The restriction factors include: operating hours of airports, airport capacities, slot allocation policy i. e. landing and take-off times, restrictions in the field of air traffic control operation (saturation of air corridors, night bans, obligations of the given, longer and less suitable air corridors, etc.), restrictions that are the result of air traffic regulations by the government, the time during which the aircraft needs to be maintained and kept on ground for preparation for the next flight, legal regulations of crew, flight and cabin crew working hours, number of crew members depending on the type of aircraft and the flying length, relations between single countries, relations between single airline alliances, etc.[2]

In everyday operation every flight schedule is a compromise between attractiveness, the existing restrictions within and outside the airlines, and the principles of cost minimization. Not only does attractiveness of flight schedule depend on more or less optimised mentioned factors, the related service segments along with the very development of the flight schedule contribute to the selection of passengers of the very airline. and these are also sales organization, the organization of the ticket reservation process and the seat availability as well as high-quality communication of the airline with the potential passengers within the selected market segment.

2.2. Pricing and price elasticity

The procedure of determining the structure of the tariff offer is often defined as pricing in the professional terminology. Flight schedules and pricing together define the product of a company. In the current environment of deregulation pricing has become an extremely complex process. Before deregulation the airlines served specific markets with relatively unique static tariff structure. Scheduled carriers offered the service to the business segment of passengers, and charter carriers to the tourist segment. Scheduled carriers realized a relatively low load factor realizing real profitability because of government regulation of restricting competition. A bit before deregulation, scheduled carriers started to offer additional products to the market segment of tourist trips in order to fill up the empty seats. At the same time, restrictions were introduced in order to prevent using the discount in the segment of business trips (purchasing ticket in advance, Sunday rule, etc.). In pricing, the airline needs to obtain the information that will foresee the passenger demand and passenger will to pay for the travel. Adjusting the prices on the competitive market means determining the optimal strategy with the aim of maintaining or increasing the market share and revenues.

More recently, the level of demand has been increasingly affected by the price elasticity which is expressed as

$$price\ elasticity = \frac{\%\ demand\ volume\ change}{\%\ price\ change}$$

The demand for a particular service depends on a variety of factors. The most important factors include: preferences (tastes) of passengers, level of income, the price and service quality that are subject to substitution. In order to obtain useful estimates of the price sensitivity, the researchers must carefully control all the factors affecting the demand.

As a general rule, when all other factors that affect the demand remain unchanged, a higher price of service results in lower demand. The price corresponds to the demand and varies depending on the market. The influence of the price elasticity on the demand for service measures the responsiveness of the demand for services in price changes when other factors of demand are held constant. It is defined as the percentage change in the demand volume resulting from a given percentage change in price.

The demand elasticity will also depend on the type of market and passenger segmentation, business/tourist trips, long-haul/short-haul travelling, etc. Because

of the availability of alternative modes of transportation that can substitute air transport taking into consideration the length of the trip, the demand for air transport will be less elastic for longer flights than for shorter flights. Similarly, international travel tends to be spread over more time than domestic travel, so that the airfare is a smaller proportion of the overall trip costs, which renders international travel less sensitive to the price change. In addition, leisure travellers are more likely to postpone trips to specific locations in response to higher fares, or to shop around for those locations offering more affordable fares.

Thus, elasticity varies depending on the type of travelling and distance. On the other hand, the price sensitivity is increased by more intensive use of the Internet, more intensive presence of *"low cost - no frill"* airlines, and more intensive implementation of corporate business arrangements.

Current analyses are based on the realized price elasticity on the basis of the results of air traffic over the last 15-20 years, and those are obviously old. The latest research indicates the following results:

Table 1 - Evaluation of price elasticity of demand for air transport services

Air transport total	-1,1
Short-haul transport	-1,5
Tourist and VFR trips	-0,7
Business trips	
Long-haul transport	
Domestic	
Tourist and VFR trips	-1,1
Business trips	-1,1
International	
Tourist and VFR trips	-1,0
Business trips	-0,3

*Note: Price elasticity of -1.5 means that the price increase of 10% results in demand decrease of 15%.

Source: Gillen, Morrison, Steward: Air Travel Demand Elastics, http//www.fin.gc.ca/consultresp/Airtravel/airtravStdy_e.html, 2003.

According to the same research the extremely high price elasticity is greater than the price elasticity for food -0.4, clothing -0.6, recreation -0.9, etc.

This result indicates that with the average price of air transport within Europe, of EUR140 the fuel fee of EUR10 which increases the price by 7 per cent means a fall in demand of approximately 11 per cent. In business passengers, with an average fare of EUR1,230 the same tax will mean only 0.8 per cent of price increase, and price elasticity of -0.7 suggests a fall in interest of business passengers of only 0.6 per cent.[3] However, in its research easyJet found the price elasticity of as much as -4, which means a price increase of

7 per cent will mean passenger decrease of as much as 28 per cent.[4] All this is important to know because of the better positioning of airlines on the market.

2.3. Revenue management

Revenue management – determines the volume of each product that is to be offered for sale. This process determines the total number of seats to be sold (including overbooking) and how to achieve the best combination of full-fare, discount and group reservations and how to realize the revenue. This process is very complex, especially if implemented in network hubbing of the airline on the market (*hub-and-spoke network*) which results in the occurrence of multiplication and modification of tariffs on every market, i. e. respective pair of cities.

The basic objective of every airline in the market-regulated conditions is to realize profit, which means to achieve the maximum revenue at minimal costs. Achieving maximal revenue from services in air traffic is possible with maximizing the number of passengers on the flight and the price of service. The airlines can realize these objectives by controlling the sales of seats at different prices based on the segmentation of airline market into sub-groups characterized by different sensitivity to price and quality of service.

The basic pre-condition for efficient optimization of revenues is the price policy, and by assigning a certain number of seats to individual price categories the total revenue on the flight is managed. For this purpose the airlines develop a special business function with the aim of achieving optimal total revenue on the flight. In practice, different English terms are used for this function, such as e. g. *inventory management, revenue management* and *yield management*, out of which the term *revenue management* is the closest in reflecting the purpose of this function, and this is management of the total revenue on the flight.

The basic parts of the revenue management process on a flight include the estimate and monitoring of volume and structure of air traffic service demand, forecasting of the passengers' behaviour and adjusting of the pricing policy and the available capacities to the situation on the market. With the mentioned basic functions of revenue management on the flight, this process has an important marketing role. With the help of forecasts, marketing obtains information on the expected movements of passengers, and in case of greater deviations corrective mechanisms can be used, in the form of promotional tariffs and other forms of promotional actions. Revenue management on flights provides information especially significant for successful management on marketing-actions which have the basic task of stimulating demand for air traffic services.

The basic elements of the revenue management system include the forecasting of demand, optimization, and over-capacity planning. Measurements of airline of the system users have shown that the implementation of this system brings increase in the overall annual revenue at the level of 2-6 per cent.[5] Important here also is the optimal fleet structure motivated by rationality, as well as a variable supply of the number of seats.

The aircraft overbooking practice is, historically, the oldest example of implementing the revenue management technique on a flight. Airlines sell sometimes more tickets for a particular flight than there are seats available, for two basic reasons:

- reducing the risk of unsold seats, thus tending to maximize the revenues,
- a larger number of passengers have the chance to get a seat on the flight that was their "first choice".

Everything mentioned should in practice result in the optimization of revenue per flight, where one has to take into consideration the increasing influence of low-tariff airlines, because of which revenue management systems are being modified and adjusted to the method in which they manage revenues although not all of them equally successful as the best known in the world (Ryanair, easyJet, Southwest...).

2.4. Sales and distribution

Distribution is the process of launching the product on the market. The first point of sales for an airline is primarily CRS (*Central Reservation System*) and GDS (*Global Distribution System*). The reservation service in the company uses CRS for the flight reservation and tariffs in their own company. Since CRS is a set for development and maintenance, large companies have their own CRS or shares in them, whereas small companies use the reservation systems of the large ones paying the lease. Gradually access to CRS was given to agencies in order to sell the product even outside the company reservation service. Today, CRS has become global and regardless of which CRS you have access to, the flight schedules and fares can be accesses and seats reserved on the majority of the world airlines.

One of the basic strategic decisions made by the airline is to which extent to use their own selling points, and to which extent the independent travel agencies. Since airlines pay the commission for selling their services to travel agencies, they are interested in the development of their own sales in specialized branch offices or by telephone sales. The basic condition for such an approach is, of course, that the costs of employing their own infrastructure and labour are lower than the commission paid to the agents. On the other hand, the main benefit provided by selling through agents, is their distribution all over the world that allows a much wider distribution network at lower costs than possible by the company through its own selling points. Therefore, in planning a product it is very important to make a good estimate and establish a relation between one's own sales and other methods of distribution. In the sales structure of Croatia Airlines in 2005 the share of agents was 38 per cent, own sales 35 per cent, and sales by other airlines 27 per cent.

The basic distribution channel in the classical model of transport service distribution in air traffic represents the computer reservation system through which a company markets the prices and offers the possibility of seat reservation to potential passengers. The computer reservation system offers the service to passenger at their own selling points or through intermediaries such as: travel agency, consolidators of the other airlines. Today, global distribution systems (GDS) all over the world reach 230,000 selling points, and the overall number of bookings is greater than 3.1 million daily.[6]

Several big suppliers of computer reservation systems have been established on the world market, out of which greater shares on the market currently belong to Sabre, Amadeus, Galileo, and Worldspan. Apart from air transport services, the passengers can use these systems to access hotel services, *rent-a-car* and other services such as railway traffic, car-ferries, and cruising.
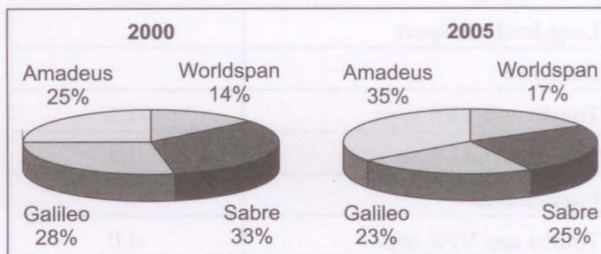
Graph 1 - Change of market share of GDS in 2000 and 2005

Source: AEA: Economic and Political Analysis of Computer Reservation Systems, Bruxelles, 2001, p. 5, Airline Business, 03/2006, p. 51

For the services provided by GDS in the distribution the airlines pay a fee for each segment of the realized reservation, regardless whether they made the reservation themselves or this was done on their behalf by travel agencies. The costs of using GDS are very high and amount to 4-6 per cent in the structure of total costs, i. e. 20-30 per cent of costs that refer to the costs of sales and marketing in a wider sense, out of which the most part refers to costs of distribution and product placement. The share of GDS costs in Croatia Airlines in 2005 amounted to 4.2 per cent. Recently, new companies have been appearing as a response of the market to high costs of established

GDSs, and they develop the concept of global distribution at significantly lower costs.

Along with the classical distribution method which still represents an important factor of company distribution combination, more recently, and particularly with the advent of *low cost* carriers, there has been increasing significance of the advanced electronic distribution channels. Sales and distribution via the Internet and electronic ticketing will play an especially important role in improving the passenger service on the one hand, and operation of the companies on the other hand. These two tools together represent the key elements in electronic commerce (*e-commerce*) in airline industry and will no doubt dramatically change the way in which airlines advertise and distribute themselves. The process has been far advanced, but full impact is still to be expected in the future. The objective of IATA is to introduce electronic ticketing in all members by 2007.

There are several main reasons because of which the airlines try to increase the share of electronic distribution channels. The first reason is to reduce the distribution costs. Over the last several years the costs of issuing tickets, sales and promotion amounted to 17-18 per cent of the total operative costs of international air carriers.[7] According to 1996 IATA study the commission paid to agents and other companies amounted to almost 42.8 per cent of distribution costs, i. e. 7.5 per cent of total operative costs. Ticket reservations and issuing accounted for additional 31 per cent of distribution costs, and global distribution system payments 7.1 per cent.[8] The US Air Transport Association estimated that the cost of processing a passenger ticket sold by an agent is on the average USD 8, compared to a ticket sold at one's own Internet site when it amounts to USD 1.[9] Sixteen members of the STAR alliance pay to global distribution systems annually about USD 2 billion.[10] The average reservation price for STAR members amounts to USD 13, out of which USD 5 are paid for transaction costs, and the rest is divided between travel agency stimulations and the profit margins of GDS. Such model is unacceptable for the airlines regarding the general trend of revenue decrease (revenue of passenger kilometre) present on the world market.

Today, there is increasing usage of new information achievements that provide electronic issuing of tickets, distribution via the Internet and Intranet, and distribution through on-line systems.

Electronic issuing of tickets, i. e. travelling without air ticket certainly reduces the distribution costs. The best known is the so-called smart card. The passenger gets a card with a micro-chip with all the input data that are otherwise found on the air ticket, data about the passenger seat on board, FFC miles, etc. In spite of a number of problems and drawbacks that have occurred in electronic distribution until now, the airlines are of the opinion that these have to be eliminated and the implementation continued.[11]

The distribution of airlines services through the Internet and Intranet is growing daily. The Internet is an inexpensive medium that provides the passengers with fast usage of aviation system and services. By advertising over the Internet the flights that are less occupied, the airlines attract in a fast way passengers interested in their services. As a very fast instrument in the distribution mix for timely provision of information and direct connection to passenger. Unlike the Internet, the Intranet plays a big role within the same company, serves for publication and facilitation of access to information that are required by its employees in their daily operation (e-mail, telephone number, company procedures, conditions, rules, etc.).

3. SYNTHESIS OF FACTORS OF OPTIMAL POSITIONING OF AIRLINES

Because of the scope of the planning and marketing process of an airline, high level of automation and integration of the mentioned activities are necessary. The airline has to decide which place it wants to occupy on the selected market segment, i. e. clearly position its product, i. e. service.

Potential passengers classify companies on the basis of different criteria into exactly determined categories, compare them with other competitive companies and make the final decision. Often, in order to make a decision they do not manage to analyse in details all the necessary elements, and this is precisely the chance for the airlines to try to stay as deeply positive as possible in the minds of their potential passengers.

In positioning of their own products, i. e. services, the airlines have available several different strategies schematically shown below.

In selecting an adequate positioning strategy it is important to select the strategy which best emphasises the comparative advantages in relation to competition and to continuously and thoroughly build a positive acceptance by the service users.

Consequently, there are in principle two positioning models present on the airline market: network operator and the niche player. The network operator such as e. g. *American Airlines, British Airways, Lufthansa* or *Singapore Airlines* in order to increase their market share use the advantages of big hubs which drive their success. Unlike these airlines, niche players operate without the advantages of major transfer points, adjusting themselves to different market conditions currently appearing on the market. Many of these airlines fly mainly within the big national systems such as e. g. America and China, whereas others

Product	Quality of service	Supply specifics	Categories of users	Competition
modern fleet	safety	dominant agency sales	business passengers	feel the difference
flight frequency	punctuality	free tickets for children under 2 years of age	tourists	fly above the crowd
direct flights	lost baggage	simple pricing system	students	
min. connecting time	passengers' complaints		children	
low prices			companies	
top-quality catering				

Schematic presentation 2 - Examples of airline positioning strategy

operate on the global markets such as e. g. *Virgin Atlantic Airways*. In any case, these airlines have found a way in which to compete with airlines network operators.[12]

Network Operator

Those airlines that operate as network operators concentrate their operation on one or several transfer airports. They tend to optimize the flights via these hubs so that they can dominate on the local market and maximize their revenue.

The characteristics of big hubs are an extremely developed market, geographic connections and position, possibility of a large number of slots, big advantage in applying the frequent flyer program and passenger awarding (the same passengers have greater possibility of using their awards offered by the airline), and lower flying costs unlike the airlines that operate on the point-to-point principle.

In order to operate successfully as a network operator, the airline must meet several elements:[13]

- safety, punctuality, cleanness, and neatness of aircraft,
- have a developed network of flights,
- have new aircraft in their fleet,
- have a developed high-level service, and
- developed frequent flyer programs, etc.

All this makes up the image of the airline and at the same time satisfies all the passengers' needs and the company profitability. For instance, the British Airways service is different from the Singapore Airlines service, both being at a high level, but regarding their image unique and different. Over the last five years these airlines have been noticing more and more the growth and activities on the market which motivated them to form networks, different code sharing agreements and alliances.

Niche players

Airlines that are building their marketing position on the available market interspaces are increasingly present on the air service market, and good examples are *Southwest, Midwest Express, Virgin Atlantic,* etc.

These airlines offer their potential passengers point-to-point service, and they are characterized by the following elements:

- safety and neatness of aircraft,
- point-to-point service,
- price elasticity,
- low costs, etc.

Thus e. g. *Southwest* has a characteristic strategy which is based on simplicity and low costs. This airline does not have its own frequent flyer program based on the miles like network operators, but rather on travelling segments (a passenger has to travel a certain number of return flights to get free tickets).

Unlike *Southwest, Midwest Express* has developed its strategy on the principle of business-passenger-only service, adjusting their size, flight schedule and other services to this segment of passengers only, and thus positioning itself as a leader on its market.

Virgin Atlantic has defined its strategy by flying only long-haul aircraft from London and to London. Due to the fact that London airport - *Heathrow* is overloaded, airports served by *Virgin Atlantic* often open up new possibilities thus increasing the possibility of business profitability. To avoid being mistaken by the passengers for the British Airways, their marketing strategy is based on the image *"Not BA"*.

Each of these airlines has a different approach to market, but what connects them is the fact that each has used in a special way the economic advantages of the market on which they operate unlike network operators which find this way of operation especially complex.

Every type of airline, whether network operator or niche player will have the best chance for success if its strategy and implementation are based on the capitalization of the basic economic advantages.

In general, taking into consideration all this, the marketing strategy occupies today the dominant position in the theory and application of marketing. It has become the sign of identification for advanced marketing and marks the highest phase of its development. Regarding all mentioned, experts and scientists warn especially of the need for more precise defining of corporate mission of those airlines that do not belong fully to any of the mentioned two basic categories, but are rather somewhere in between. These are the airlines: Finnair, LOT, Olympic, Pakistan International, Mexicana, etc.[14]

Other divisions are also possible and more and more frequent, with the dominating role played by the low-budget "LCC no frill" airlines.

The strategy of Croatia Airlines is based on the mission defined so as to render Croatia Airlines a modern European mid-size airline, whose success is recognized especially through safety and regularity of flights and the quality of service. The intention of Croatia Airlines is to offer their passengers more than just a comfortable flight, with a modern fleet, carefully developed flight schedule adjusted to the passengers' needs, staff professionalism and constant improvements in the level of service on board and on the ground. Croatia Airlines is a typical example of a regional carrier that is making efforts to survive successfully covering the market niches.

Profile | Croatia Airlines

REPORT BY GÜNTER ENDRES IN ZAGREB

Niche
player

Figure 1 - Title page of an article about Croatia Airlines

Source: Airline Business, April 2004, p. 58

4. BENCHMARKING IN AIRLINE MARKETING

The term benchmarking has no adequate translation in the Croatian language, and different authors give different definitions and interpretations, but its basic function is to measure the effects and processes in relation to others, and to determine the causes of better and more successful results of the competition. The crucial word, in fact, is comparison.

Benchmarking gives the company guidelines on how to make a change in its problems, business processes, services and functions. It is not substitution for a strategy, it is the most efficient way of realizing the objective, and that is the business success.

There are several types of the benchmarking process, but they can be basically divided into internal and external ones, whereas the latter is divided into the competitive, industrial and generic.[15]

Aviation industry is ideally positioned for the application of the *benchmarking* techniques. The scopes of application are very different such as e. g. strategic planning, forecasting, new ideas, comparison of products and processes, and defining of objectives.[16]

The leading airlines use benchmarking as a tools for support of constant improvements in order to achieve enviable advantages over the competition. The objective of benchmarking is to institutionalize the systemic tendency to reach perfection and implanting the wish to be the "best of the best".

For example, the AEA members publish monthly the indicators of the service quality measured by different criteria, and among others also the lost baggage per 100,000 carried passengers. Croatia Airlines realized during 2004 a result better than the average of the members thus ranking fourteenth on the success list.

Efficient benchmarking is the one which is repeated, it is the constant effort invested into the improvement of company activities. In well managed operations benchmarking becomes an additional practice which is extended to all the company functions. One of the examples of the phases in the benchmarking process is presented below.

However, Kotler divides this process into 7 phases, and Harringhton has the slogan: "Become a star using 5 phases of the benchmarking process."[17]

In the concrete case of benchmarking in the marketing strategy, it has to encompass the analysis of external factors, i. e. consumers, competition of the market and environment, internal factors and the known SWOT analysis of strengths, weaknesses, opportunities and threats.

In the study done by the British institute Transport Research Laboratory, in a group of 50 very representative world airlines, on the list of the selected performance indicators, Croatia Airlines was ranked from the 12th position (basic shareholder dividend, which is a very good result, and the number of passengers per employee), over operative profit (24th position) and operative profit per passenger (27th position) to the
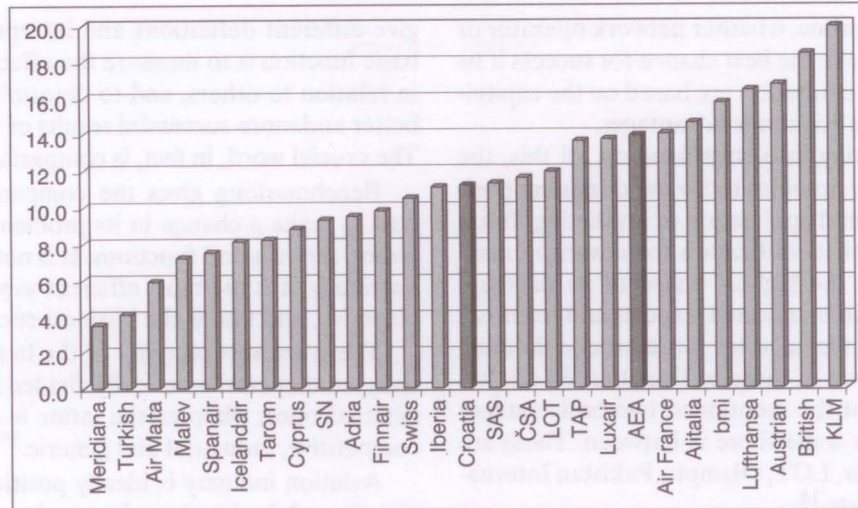
Graph 2 - Benchmarking of AEA members acc. to indicator of lost luggage per 100,000 passengers in 2004

Source: AEA Consumer Report December 2004, Bruxelles, 2005, prepared by the author
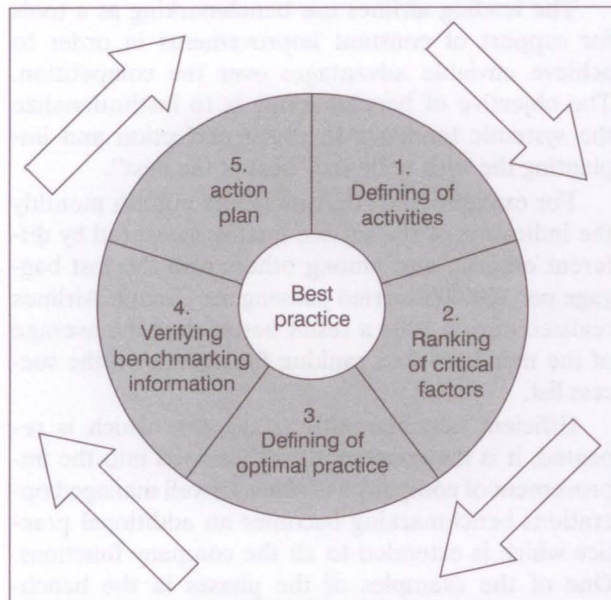
Schematic presentation 3 - Success strategy in the changeable global airline environment

Source: Baur, U.: Winning Strategies in a Changing Global Airline Environment, Handbook of Airline Marketing, 1998, New York, p. 541

number of passengers per flight and revenue per passenger (42nd position), i. e. cost of employees per passengers (43rd position). The worst score was realized in the indicator of aircraft utilization, occupying the 48th position.[18]

Croatia Airlines occupies the worst position in all the indicators that contain passenger or tonne kilometres in the numerator (average flight shortness), and contrary in the situation where these indicators are in the denominator. Thus e. g. according to the indicator passenger yield per travel kilometre Croatia Airlines is the third, and the first in cargo yield per cargo tonne kilometre.[19]

A comparison follows of the daily utilization of aircraft Airbus 319/320 for a total of 55 airlines.
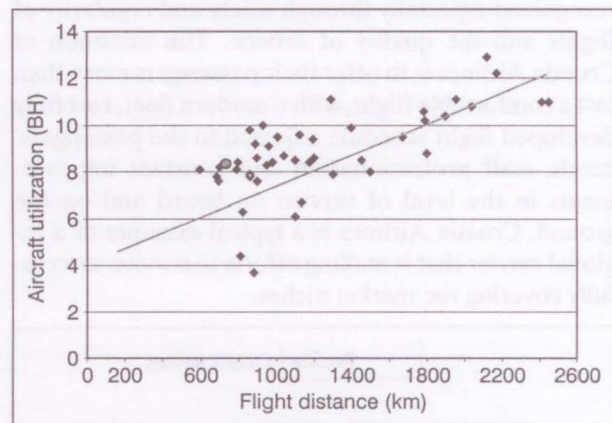
Graf 3 - Benchmarking of using Airbus 319/320 in 2001

Source: According to ICAO Dos 504: Fleet-Personnel 2001, Montreal, 2003, p. B2/B3, prepared by the authors

Croatia Airlines realized the aircraft utilization of 8.2 block hours (BH) daily, which means an above-average performance of the considered group of airlines. For a more credible comparison the scheduled carriers should be segmented and separated from the non-scheduled ones, since as a rule charter airlines operate on greater flight distances and consequently realize greater aircraft utilization. During the year 2005 daily utilization of aircraft ATR42 amounted to 7.3 BH, whereas the world average ranges between 5.5 and 6.5 BH daily.

In case of *benchmarking* in the realization of selected factors of total productivity, Croatia Airlines realized in 2004 the following comparison indices in relation to the AEA members, using for comparison the route area within Europe which encompasses domestic and international scheduled traffic:

1. Aircraft load factor WLF   52.2%   index   93
2. Passenger cabin load factor   61.4%   index   94
3. Tonne-kilometres per
   employee (000)   99.1   index   74
4. Tonne-kilometres per
   tonne of fuel (000)   1.8   index   98

A solid level of aircraft and fuel productivity is obvious, as well as the big unbalance in the operation productivity.

5. CONCLUSION

Numerous factors affect the optimal market positioning of the airlines. Among these, the important ones are the flight schedule, creation and placement of fares, revenue management, and sales and distribution of aviation documents.

It is especially important to use high-quality benchmarking to determine the actual position of an airline in order to be able to react efficiently in its current and future development.

The mentioned factors are crucial in the everyday complex and dynamic competition / fight for every passenger, which is the process which dominates in all parts of world airline market. Since the Croatian airline market is also more and more included in the competition challenges, it is extremely important to acquire high-quality and efficient knowledge about the dynamics of changes and adjust to the new circumstances.

This creates the necessary preconditions for the optimization of airlines positioning on the market, which is becoming increasingly important for their further survival.

Dr. sc. IVAN MIŠETIĆ
Croatia Airlines
Savska 41, 10000 Zagreb, Republika Hrvatska
Dr. sc. SANJA STEINER
E-mail: ssteiner@fpz.hr
Sveučilište u Zagrebu,
Fakultet prometnih znanosti
Vukelićeva 4, 10000 Zagreb, Republika Hrvatska
Dr. sc. MIRKO TATALOVIĆ
E-mail: mirko.tatalovic@croatiaairlines.hr
Croatia Airlines
Savska 41, 10000 Zagreb, Republika Hrvatska

SAŽETAK

ČIMBENICI TRŽIŠNOG POZICIONIRANJA ZRAKOPLOVNE TVRTKE

Rad obrađuje nekoliko marketinški relevantnih pojmova vezanih za strategijsko planiranje i pozicioniranje zrakoplovne tvrtke. Uz analizirane razlike između mrežnog i sporednog operatera, u radu se tretira status Croatia Airlines-a u sklopu AEA usporednog vrednovanja (benchmarking) specifičnih elemenata poslovanja zrakoplovne tvrtke. Također se obrađuju izvjesni aspekti tržišta koji utječu na tarifiranje i cjenovnu elastičnost potražnje, kao što su utjecaj niskotarifnih prijevoznika i praksa mrežnog pozicioniranja.

KLJUČNE RIJEČI

marketing zrakoplovne tvrtke, upravljanje prihodima, benchmarking, tarifiranje i elastičnost potražnje, sustav rezervacije i distribucije, mrežno pozicioniranje

REFERENCES

1. **Smith, B. C., Barlow, J., Vinod, B.**: *Airline Planning and Marketing Decision Support*, Handbook of Airline Marketing, 1998., New York, p. 119.
2. **Prebežac, D.**: *Poslovna strategija zrakoplovnih kompanija*, Golden Marketing, Zagreb, 1998., str. 189.
3. **Pearce, B.**: *AEA-Presidents Assembly documents*, Bruxelles, 2005, p. 8
4. Ibidem.
5. Prema znanstvenim radovima najvećih autoriteta na području revenue managementa (Peter Belobaba, Lawrence Weatherforth, Paul Rose…)
6. *Airline Business* 03/2006, p. 51
7. **Doganis, R.**: *The Airline Business in the 21st Centrury*, Routledge, London, 2001. str. 166.
8. Ibidem.
9. Ibidem.
10. *Airline Business*, June 2005, str. 42.
11. **Prebežac, D.**: Op. cit. pp. 285.-287.
12. **Berardino, F.**: *Integrating Airline Strategy and Marketing*, Handbook of Airline Marketing, 1998, p. 106.
13. Ibidem, pp. 107-111
14. **Doganis, R.**: Op.cit., p. 213
15. **Renko, N., Delić, S., Škrtić, M.**: *Benchmarking u strategiji marketinga*, Mate, Zagreb, 1999., p. 26.
16. **Spendolini, M. J.**: *The Benchmarking Book*, Pitmann New York, 2002., p. 25.
17. **Renko, N., Delić., Škrtić, M.**: Ibidem, p. 54
18. TRL: *Airline Performance Indicators*, 2004, Crowthorne, according to tables 1-38, prepared by the authors
19. TRL: Op. cit., pp. 75 and 79