

## EGYPTAIR MARKETING GLOSSARY

### A

**AIRLINE DEREGULATION** The legal process whereby governments seek to make the airline business into a fully competitive industry open to all companies that wish to participate.

**ADVERTISING:** Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor (compared with "Personal Selling").

**AIR SERVICE AGREEMENTS (ASAs):** Agreements between governments relating to scheduled air services are known as Air Service Agreements. They cover every aspect of air service between the countries concerned.

**ALLIANCE:** A partnership between two or more Airlines that involves the integration of some or all operations and marketing activity.

### B

**BOTTOM UP:** An approach to identifying priorities and agreeing courses of action where people at junior levels in the company actively participate rather than react to given instructions and policies.

**BRAND:** A name, term, sign, symbol or design, or a combination of those intended to identify the goods or services of one seller or group sellers and to differentiate them from those of competitors.

**BRAND POSITIONING:** Customer's perception of a brand in relation to other competing brands.

### C

**CANNIBILIZATION:** When the customers of an airline buy a lower-priced ticket or seat instead of their usual higher-priced ticket or seat. For example, a first class passenger who starts buying business class seats.

**CAPACITY MANAGEMENT:** The objective of yield or capacity management is to optimize the passenger mix on each departure consistent with management objectives so that revenue on each flight is maximized.

**COMPANY MISSION:** A concise and clear statement of what the company's main goals are and what this means for everybody who works in the company.

**CONTINGENCY PLAN:** A contingency plan is a way of being "prepared for the unexpected". It describes what changes your company will make if and when different scenarios occur. For example, if you expect the market to grow, your Marketing Plan will be based on this assumption; a contingency plan will show what adaptations would be needed if the market does not grow!

**COOPERATIVE ADVERTISING:** When two or more parties jointly develop and pay for

advertising space.

**CORPORATE BUSINESS TRAVEL:** Business travel from large corporations that is paid for by the company.

**CORPORATE CONTRACT:** An agreement between a corporation and airline that sets sales volume targets and rebates schemes. Travel agents are sometimes also included in these agreements.

**COST-BASED PRICING:** This is a pricing strategy that is based on a complete knowledge of the fixed and variable costs involved in producing different levels of output. This provides the range of costs per unit of output that apply to a range of output levels.

**COST-PLUS PRICING:** Cost-plus pricing entails the adding of a standard mark-up to the cost of the product. When applying this to the airline industry, the cost per passenger is calculated and a mark-up is then added on to give the selling price.

**CUSTOMER:** The individual or company that buys and uses the company's products and services. These are not always the same; in the case of corporate business travel, the user is the traveler and the company pays. In this case, attention needs to be paid to who specifies the airline to be used.

**CUSTOMER BEHAVIOUR:** The customer knowledge that you hold concerning customer decision making processes, purchasing patterns and usage patterns.

**CUSTOMER FOCUS:** A business philosophy where understanding the needs and wants of customers and ensuring that these drive everything the company does become the company's mission

**CUSTOMER KNOWLEDGE:** The complete body of analyzed and interpreted information that a company holds about customers that are in its market.

**CUSTOMER PROPOSITION:** The complete offering that a company makes to particular customers including all elements of the marketing mix and usually expressed in the form of benefits (what the offering does for the customer).

## D

**DEMAND CURVE:** The classic demand curve is normally a line sloping downwards to the right. It shows the marketing manager the number of units the market will buy in a given period, at the different prices that might be charged.

**DEMOGRAPHICS:** This refers to the study of the human population in terms of size, race, occupation and other statistics. The demographic environment is of major interest to marketing managers because markets are made up of people.

**DESK RESEARCH:** The integration and analysis of all existing information about a given market situation. A vital first stage in any marketing program, the largest example of this exercise is the marketing audit that starts the Marketing process.

**DIRECT MARKETING:** Marketing that involves direct contact between supplier and end

customer.

**DISTRIBUTION CHANNEL:** The various options that exist for making sure that your product is in the right place at the right time for the customer to buy it. Channels can either be direct (your own) or indirect (someone else's such as retail travel agents).

E

**ECONOMIC ENVIRONMENT:** This includes factors which affect consumer purchasing power and spending patterns. Such factors in the airline context are: Wealth per capita; Discretionary income; industrial development, Currency restrictions, balance of payments, level of imports/exports, Currency exchange rate fluctuations.

**ELASTIC DEMAND:** This is where a change in price changes demand. In other words, if demand is elastic, a change in price causes an opposite change in total revenue (total revenue = total cost + profit)

**ELASTICITY:** The relative responsiveness of changes in demand to changes in price.

**EMPOWERMENT:** The degree of decision-making authority that employees have been granted.

**ENVIRONMENTAL ANALYSIS:** Environmental analysis is the process of assessing and interpreting the information gathered. The analysis of collected data may be carried out by the marketing manager or by researchers who have been commissioned to carry out the research.

**ENVIRONMENTAL SCANNING:** This is the whole process of monitoring and understanding the impact of the environment on the company, and using this information as an input to strategy and planning.

**ETERNAL TRIANGLE:** This is used to illustrate the importance of understanding Customers, Competition and your own Company in all marketing activity. The relationships between these three points of the triangle underlie marketing success.

F

**FLOWN REVENUE:** Revenue information for all passengers that an airlines has carried in a particular time period. It is normally expressed as net of prorates and normal commisssion to retail agents.

**FREQUENT FLYER:** A customer that often travels by air and therefore has a high individual value. Exact definitions of how often a customer has to travel to be regarded as frequent vary, on short haul routes, this may be as often as once a month and on long haul routes as often as two or three times a year.

**FREQUENT FLYER PROGRAMME:** A programme designed to recruit, retain and develop frequent flyers by rewarding and recognising them whenever they travel with the Airline concerned. These programmes use direct communications channels and database marketing techniques to create relationships with the individual customers concerned.

## G

**GSA: General Sales Agent**

**GOING DIRECT:** A term used to describe a company that has decided to establish direct relationships with its customers rather than use intermediaries.

## H

**HISTORICAL ANALYSIS:** A historical analysis looks at the way in which market forces have affected the demand for airline seats over time. It is a useful part of Desk Research.

## I

**INCENTIVE TRAVEL:** A growing part of the corporate travel market where travel is used as a reward for employee performance.

**INDEPENDENT BUSINESS TRAVELLER:** Business travellers that make journeys at their own expense (or at the expense of their own small businesses).

**INELASTIC MARKET:** An inelastic market is one where price has only a very limited influence on demand level. An increase in price will therefore lead to an increase in revenue

**IN-FLIGHT SURVEY:** The in-flight survey is a commonly used method of data collection in the airline industry. As the name suggests, this relatively cheap form of research is carried out during the flight. It is aimed at establishing customers feelings towards product specifications, for example, seating comfort, meal quality and other features.

**INSTANT-PURCHASE:** A policy that requires passengers to purchase non-refundable tickets at the time of booking, rather than hold the seats for ticketing at a later time. This policy typically applies to deeply discounted fares.

**INTERNAL ENVIRONMENT:** The airline business environment that is made up of forces inside it that affect its ability to serve its customers. Such forces include the various company objectives and activities, company management, employee competence and motivation and intra-company communication.

**INTERNET PORTAL:** An internet web site that is devoted exclusively to travel. Examples include Orbitz.com, Opodo.com, Expedia.com, Checkfelix.com

## L

**LEVEL OF CONFIDENCE:** The level of confidence measures the statistical reliability of the results from a survey that has used a randomly drawn sample.

**LONG-TERM:** This is generally refers to any period of 3-5 years upwards

## M

**MACRO ENVIRONMENT:** The larger social forces that affect the whole micro environment

– demographic, economic, natural, technological, political and cultural forces.

**MARGINAL COST:** These are the costs that "vary at the margin". For example on an aircraft that has 250 seats, there may be 20 empty seats, the marginal cost of filling these empty seats may only include a small amount of extra fuel and the costs of catering for each additional passenger in the form of meals and drinks.

**MARKETING ENVIRONMENT:** Those external forces that affect a company's ability to develop and maintain successful transactions with its target consumers.

**MARKETING MANAGEMENT:** The analysis, planning, implementation and control of programmes designed to create, build and maintain beneficial buying relationships with target customers for the purpose of achieving organisational objectives.

**MARKETING MIX:** The set of controllable marketing variables which companies blend to produce the desired response in the target market. Classically, this includes the "4 P's" of Product, Price, Promotion and Place – in the airline industry, we have taken the view that People and Process should also be included in the mix, as how customers are actually treated when they travel is a key element in their purchase experience.

**MARKETING PLAN:** This is a detailed statement of the marketing objectives, strategies and activities that a company will be implementing in its main target market segments, and the responsibilities for action involved.

**MARKETING STRATEGY:** The marketing direction required to achieve particular marketing objectives.

**MARKET POSITIONING:** Arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the minds of target consumers.

**MARKETING RESEARCH:** Market research may be defined as follows: "The objective and systematic collection, recording, analysis, interpretation and reporting of information gathered about consumers, products, competitors and other environmental factors affecting the market situation."

**MARKET SEGMENT:** A group of consumers who share characteristics that make them distinct and will respond in a similar way to a given customer proposition.

**MARKET SEGMENTATION:** An airline which groups together customers whose needs are broadly similar is carrying out the process of Market segmentation. It involves classifying customers into groups on the basis of their needs, wants, characteristics and behaviour.

**MARKET SHARE:** The proportion or percentage of a given total market that a particular company holds.

**MARKET TEST:** A market test is where an airline implements a price change for a fixed period of time and studies the effect.

**MICRO ENVIRONMENT:** The forces close to the company which affect its ability to serve its customers – marketing channel firms, customer markets, competitors, and publics.

## N

**NEED:** The need travel segment includes people who have to travel as part of their livelihood (the business segment) or other reason (medical, educational, etc.)

**NO FRILLS AIRLINE:** A type of airline such as southwest or easyJet that provides very little in terms of inflight entertainment, catering and amenities. The costs they save are then typically passed on to the customer as lower fares.

## O

**OBJECTIVES:** Measurable targets to be achieved in a specific period of time. They define the magnitude and time frame of a goal.

**OVERHEAD COSTS:** These are costs which do not vary with different levels of output. Such costs could include the cost of management, premises and other fixed items.

**OPEN SKIES AGREEMENT:** A type of air transport treaty between two countries under which all restrictions on capacity, competition, pricing and routes are lifted.

**OPPORTUNITIES:** Situations that exists in the external marketplace that should be exploited.

## P

**POLITICAL ENVIRONMENT:** this encompasses laws, government, agencies and pressure groups that influence and limit various organisations and individuals. Such factors affecting the airline industry include: Financial factors such as foreign debt, inflation and so on; National politics, that is, military forces, travel restrictions; regulatory legislation; Reciprocal trade including foreign investment; government tourism policies; Ecological considerations, for example, noise restrictions.

**PERSONAL SELLING:** A form of promotion where face-to-face contact with the customer is involved.

**PRICE:** The amount of money charged for a particular product or service, or the sum of the values consumers exchange for the benefits of having or using the product or service.

**PRICE ELASTICITY:** A measure of the sensitivity of demand to changes in price. Its key use lies in knowing whether increasing or reducing price for a particular target market segment will increase revenue.

**PRODUCT:** One of the "4 Ps" of the marketing mix, "product" covers all the basic features of the company's offering. In the case of an Airline, aircraft type, schedules and classes of service will all be involved. It is therefore a "bundle of attributes" that satisfies a customer's needs. In the travel business, these range from advice on a cruise booking to issuing airline tickets.

**PRODUCT SPECIFICATION:** A complete description of each product that a company provides, listing all the features and standards involved. Product Specifications are vital for monitoring performance and implementing new initiatives such as Product Upgrades and Relaunches.

**PROMOTION:** Activities used by the marketer to communicate with his target audiences. The activities include sales, advertising and direct mail, among others.

**PROMOTIONAL MIX:** The specific mix of advertising, personal selling, sales promotion and Public Relations that a company uses to achieve its marketing communications tasks.

## Q

**QUALITATIVE RESEARCH:** Qualitative research involves the collection of customer information on needs, wants and attitudes from a relatively small number of people in a fairly unstructured way.

**QUANTITATIVE RESEARCH:** Quantitative research involves the statistical analysis of responses from a large number of people, usually in the form of a representative sample of them. Generally, this form of research is conducted in a highly structured way.

## R

**RELATIONSHIP MARKETING:** Marketing that is designed to identify the company's best customers and add customised value to the products and services sold to them in order to increase customer retention.

**REVENUE DILUTION:** The outcome of customers that would have used a particular fare but who switched to a lower fare is known as revenue dilution. Airlines have historically placed conditions on low fares to prevent this switching.

## S

**SAMPLE:** A sample may be defined as being a segment of the population selected to represent the population as a whole. It is a microcosm of the population from which it is drawn so that conclusions made about a particular sample can be extended to the population it represents.

**SEAT ACCESS:** This is the ability of the (particularly business) passenger to obtain a reservation for a seat when it's needed, even at short notice.

**STRENGTHS:** Relative advantages of the Airline that should be built upon or exploited.

**SUCCESS RATE:** The proportion or percentage of attempts to make a particular initiative work that actually prove to be successful.

**SWOT ANALYSIS:** Strengths/Weaknesses/Opportunities/Threats Analysis. A thorough and realistic assessment of the particular strengths and weaknesses contained within the company is made for each target market segment. The main opportunities and threats which are contained in the external environment are also identified.

## T

**TARGET MARKETING:** A marketing manager who applies target marketing starts by breaking the market down into segments. He or she then selects at least one of the segments

and concentrates on developing products/services to satisfy each selected segment.

**TARGET MARKET SEGMENT:** One of the segments selected using the above process.

**TECHNOLOGICAL ENVIRONMENT:** These are the effects of new technologies, which create product and market opportunities.

**TEST MARKETING:** Test marketing involves a trial of your new product with a representative group of customers. The reactions will enable you to decide whether the new product should be modified before its full launch.

**THREATS:** Situations in the external marketplace that challenge the Airline

**TOTAL QUALITY MANAGEMENT:** Many airlines are now moving away from the practice of treating the elements of the airline's product separately. Instead, they are trying to achieve total quality throughout the entire company by instituting TQM programmes. These involve measuring and improving delivery in all areas that provide or support customer services.

**TRI-PARTITE CORPORATE CONTRACT:** A corporate sales contract that involves and stipulates the terms for three parties: airline, travel agency and corporate account. Under such an agreement, the airline will typically provide the corporate account with a net fare, while the corporate account and travel agency will decide of handling fees that the corporate account pays to the agency.

U

**UNIT COST:** This is the cost of a particular function for carrying a passenger (or a kilo of cargo) over a specific distance – usually converted into cost per ATK (Available Tonne Kilometre)

V

**VARIABLE COSTS:** These are costs that vary directly with the volume of output such as all flight-related costs, commissions and other transactions costs.

**VOLUME PRICING:** This is essentially a price reduction given to those who buy large volumes of a given product – e.g. incentive and conference travel is normally organised for groups, so price is lowered in return for the higher volumes that result.

W

**WANT:** A customer need that has been modified by cultural factors. Wants can be either tangible or psychological

**WAP:** Stands for Wireless Application Protocol that is a set of open, global protocols for developing applications and services that use wireless networks. The WAP protocols are mainly based on already existing internet protocols, but are optimized for mobile users with wireless devices. Devices that are WAP-enabled are being used by airlines as another way to communicate with customers.

**WEAKNESSES:** Relative disadvantages of the Airline that must be corrected or compensated

for in another way.

Y

YIELD: In the airline industry, the technical definition of the term yield is as follows:"  
revenue per revenue passenger kilometre, which can be calculated from: Net revenue (after  
discounts and commissions) divided by the number of kilometres flown."

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