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## Executive Summary

Etihad came about in the year 2003 following a Royal decree issued by the current sitting President of UAE, Khalifa bin Zayed. Etihad Airways' main business segments include passenger, cargo, and holiday flights. It mostly offers international flight services. It competed fairly in the industry until three years ago when it started making losses. However, its principal business segment, Passenger unit, is still alive and has not shrunk regarding revenue apart from a slight decline in volume.

The study investigates the market analysis and performance of Etihad Airways. Herein is its thorough internal and external marketing environment. The detailed scope consists of selected market analysis using various theoretical, analytical tools, including a competitive overview, target marketing, market segmentation, SWOT analysis, market research, and marketing mix. The results of this discussion points indicate that Etihad Airways have several favorable internal and external factors ranging from the prime market, innovation, supportive government, among others.

The conclusion indicates that Etihad Airways is facing a lot of competition from other key brands in the market. In this regard; the recommendations are:

- Etihad to remain innovative and technology conscious for it to gather more awards
- Etihad Airways to pursue further differentiation like including more of domestic flights
- Etihad to Airways to safeguard its title for the Airline offering the best first-class passenger flights



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## Introduction

Etihad came about in the year 2003 following a Royal decree issued by the current sitting President of UAE, Khalifa bin Zayed. This Airline operates more than one thousand flights on a single week, taking passengers and cargo to more than one hundred and twenty travel destinations across the world. Its current fleet consists of more than two hundred and twenty aircrafts. Etihad Airways kicked off very well and recorded a break-even only eight years after starting its business. Today, Etihad Airways offers employment to about twenty-one thousand five hundred and twenty-nine employees. Etihad Airways has amassed prizes various awards like the Aviation Business Award in the year 2018, ESQR Best Quality Leadership Award, and the Unsung Hero of the Year Award, among others (Emirates Airlines, n.d).

For the last three years, things have not been going well for Etihad Airways. The recent financial reports indicate that this company is continuing to record the shrinking of its major business segments, including passengers, cargo, and finally decreases revenues. For the last three consecutive years, Etihad Airways has recorded a total loss of around seven billion dollars (Brook, 2019). However, encouragingly, despite the decline in earnings, the revenue from the passenger docket remains steady and recorded a five billion profit last financial year (Dudeley, 2019).

Since passenger is the primary duty of Etihad Airways, the constant income could probably mean that despite other challenges, this company still attract passengers and maintains its operational efficiency are good levels. It is good to note that Etihad Airways' number rival, Emirates Airlines is still making good profits. In this regard, Etihad should increase its game and compete at another level so that it shares the benefits fairly with other industry players.

Considering the factors in the market under which Etihad Airways operates, this company is already in the maturity stage of product or brand development. For three consecutive years not, Etihad Airways has been reporting losses. While making losses is not overlay abnormal in such industries on one side, on the other hand, the situation could aggravate. However, Etihad Airways is not fairsing that bad regarding the ranking of the best airline companies, meaning that there are still high chances of this company recording even better results.



When a brand has reached the maturity stage, the best way for the company to remain relevant in the market, and probably avoid phase-out include the pursuit of serious innovation and diversification strategies. Etihad Airways is trying in this respect and hence should continue following such initiatives (Etihad Airways, n.d). Coming up with successful business strategies requires the formulation of highly-competitive policies. Businesses should always develop a marketing plan that improves their competition in their respective markets. Focusing on Etihad Airways, this company kicked off very well and managed to break-even within a short time.

The initial progress was characteristic of highly innovative measures that made Etihad Airways amass three world title awards, including the airways that have the best first-class flight services, among others. However, as usual, competition has been ruthless over time, and perhaps it is out of results that have seen Etihad Airways start recording negative profits, among other factors (Etihad Airways, n.d).

This study attempts to develop and investigate the market analysis and performance of Etihad Airways. The question that this study endeavors to answer is how Etihad Airways is faring regarding the internal and external marketing environment assessment. This scope follows selected market analysis theoretical tools, including the competitive overview, target marketing, market segmentation, SWOT analysis, market research, and marketing mix. The last section includes a summary of the finding and some well-considered recommendations that will help Etihad Airways not to fall into the decline stage of brand development.

## Marketing Management Assignment Structure – Marketing Strategy (**Etihad Airway**)

For your brand of choice please prepare a marketing strategy on the below guidelines. This should clearly reflect the marketing mix – product, place, price, promotion and packaging as discussed in the class. The learnings on Brand Equity in the class should be the emphasis of the assignment.

Please note the brand should have linkage in the UAE – must be an existing brand or a brand that intends to be introduced in the UAE.

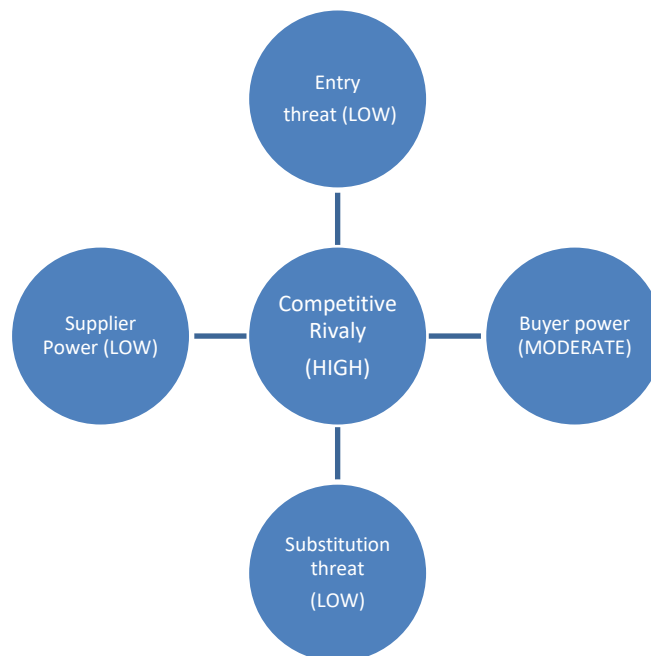
1. Executive Summary – summarizing points 2-8.
  2. Brand Overview – describe the current status of the brand with a brief historical background. Also define the brand's current state on the Product Life Cycle.
  3. Competition Overview – Define competition
  4. Target Market – Define who is being targeted
  5. Segmentation – Demographic, Behavior, Psychographic
  6. SWOT – on brand or industry
  7. Market Research if any carried out – if no research carried out then suggest a need if any
    - 7.1 Product – BCG matrix. Also include packaging plans if any.
    - 7.2 Place – Choice of retail strategy
    - 7.3 Price – penetrative or skimming or competitive
    - 7.4 Promotion – pull or push strategy including choice of medium – digital or traditional
  8. Conclusions and Recommendations – suggestions for change in current practices if any to make it more effective should be discussed.
- Appendix – Any other information you may provide.

## Competition Overview

In the business environment, companies compete because of the end goal of earning revenue. Competition is a contest that occurs between two or more parties (Fleisher & Bensoussan, 2015). The concept of business competition is usually complicated and multifaceted. It changes meaning with differing contexts, some of them including rivalry of products, services, supplier contracts, access to resources, investor relations, among others (Medlin & Ellegaard, 2015).

According to Bose (2018), Etihad Airways experiences stiff competition in its business undertakings. Bose continues to argue that UAE is among the leading aviation market across the globe and harbors three world-class airports. Among the frontrunners is Etihad Airways, which faces a lot of competition. Under such competition, innovation remains the best tactic for airlines to stay competitive in the market. Some of the leading rivals of Etihad airways include Qatar Airways, Emirates Airlines, Cathy Pacific Airways, among others.

Porter's five pressure analysis framework below develops a more specific situation analysis of how Etihad Airways experiences competition.



### **Threat of new entry**

Starting an aircraft company is not easy because it requires a lot of capital investment (Fozer et al. 2017). In this regard, the threat of entry at the moment is low despite a lot of favorable conditions. Heritage Foundation (2020) and Maceda (2019) observe that the UAE economy has been faring well over time. People from all over the world are increasingly seeking job positions from the UAE countries.

### **Threat of substitutes**

At the moment, there is no perfect substitute for air travel, especially on international distances. However, for shorter distances, people may use other modes of transport, like roads. In this regard, the threat of substitutes is generally low. Since Etihad Airways mainly concentrate on international flights, the substitute threat is arguably low.

### **Supplier power**

Fozer et al. (2017) note that in the aviation industry, supplier power reduces because of high supplier concentration, high input differentiation, and, last but not least, increased threats of forward-integration. That way, Although Etihad Airways mostly use Boeing and Airbus types, the supplier bargaining power is low.

### **Buyer power**

In aviation, the customers usually price sensitive, meaning that they tend to go for the company with the best prices compared to the services the company is offering (Fozer et al. 2017). However, Etihad Airways has successfully formed numerous partnerships and set reasonable prices for their services (Etihad Airways, n.d). In this regard, the buyer power concerning Etihad Airways is moderate.



## **Competitive Rivalry**

According to Fozer et al. (2017), the competitive rivalry in the aircraft industry increases because of factors like concentration, differentiation, low switching costs, among others. In this regard, several domestic and international air carriers operate in UAE; hence Etihad's competitive rivalry is high.

## **Target Market**

According to Camilleri, Camilleri & Acocella (2018), target marketing involves the process of segmenting the market into distinct groups and, after that, developing customized products and services that meet the needs of those segments. In this regard, target marketing is interested in the client's needs, and hence is a prerequisite undertaking for the realization of impactful customer-centric strategies. Target marketing is also critical in assisting businesses to pinpoint the most profitable of viable market segments. Etihad Airway mainly groups their customer's accordance with corporates, upper-middle-class, and last but not least, the middle class. Out of these groups, Etihad Airways endeavors to get other subgroups whereby they majorly target tourists or leisure travelers, business travelers, and job-seeking passengers. Tourists and business people are many in this region because of several tourists' destination sites and economic growth that has seen an increase in job opportunities (Maceda, 2019). In the pursuit of satisfying their target group's needs, Etihad Airways has designed several innovative ways of stimulating the respective demand for travel, increasing customer loyalty, among other tactics for maintaining customers.

## **Market Segmentation**

In marketing, there are various bases under which businesses conduct market segmentation. These bases include demographic, geographic, socioeconomic, psychographic, and last but not least, the behavioral market segmentation (Cristina & John, 2018). In this respect, Etihad Airways follows behavior market segmentation whereby it profiles its customers, according to benefits sought, the purpose of travel, among others. Further, Etihad's targeting strategy follows a market specialization policy because it primarily concentrates on meeting

the needs of people following various reasons for travel. Additionally, premium pricing is one of the positioning strategies pursued by Etihad Airways (Kim, 2015).

Geographically, the majority of Etihad's customers are scattered internationally but most concentrated in regions like the Middle East, various countries of Africa, Europe, Asia continent, Australia, and the United States of America. More so, using the bases of demographics, Etihad airways successfully categorize its customer depending on price-sensitive passengers, loyalty aspects, and last but not least the purpose of travel, including leisure or businesses seeking. Psychographic basis assists Etihad Airway to classify their customers further following attitude, lifestyle, and opinions, among others.

### SWOT Analysis

The following SWOT analysis assists in examining the current industry situation of the case study company, Etihad Airways.

#### Table Etihad Airways SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Great government support</li><li>• Strategic location</li><li>• Well-developed brand</li><li>• Employee diversity</li></ul>	<ul style="list-style-type: none"><li>• Stiff domestic and international competition</li><li>• The poorly developed product range</li></ul>
Opportunities	Threats
<ul style="list-style-type: none"><li>• Young fleet</li><li>• Wide market</li><li>• Innovation</li></ul>	<ul style="list-style-type: none"><li>• Competition</li><li>• Fluctuating oil prices</li><li>• Political instability</li></ul>

## Strengths

Government support is very critical regarding Etihad Airways. Having been recommended by the President, help from the government is high. Etihad Airways is also strategically located, a situation that gives it easy access to international travel destinations. Etihad Airways are also well established and offers travel services to over fifty-six countries across various international destinations. Etihad Airways also enjoys the benefits of workforce diversity.

## Weaknesses

One of Etihad's critical weaknesses is that it only offers international flights, meaning that its operating cost is high. Mixing domestic flights could expand Etihad's Airways operational costs in a great deal. Another notable weakness is the availability of stiff competition from other brands, which in return reduces Etihad's market share.

## Opportunities

In the opportunities basket, Etihad Airways consists of one of the youngest fleets. This new fleet, in return, gives the passengers a rich customer experience and hence increases loyalty with this company. More so, Etihad Airways can also easily tap a lot of other global destinations so that they increase their business volume.

## Threats

The Middle East region is already characteristic of several competitions, which, if it can increase any further, Etihad Airways will experience slowed business. Fluctuating oil prices is also a threat in that its increase will mean a decreased profit margin for Etihad Airways. Other risks include economic depression, terrorism, and such.

## Market Research

Market research assists businesses to gather critical information regarding customer needs, tastes, and preferences. In this regard, market research is one of the most fundamental tools of marketing or business strategies that any company can pursue in their short-term and long-term strategic operations. Notably, Etihad Airways has done ample research that has assisted them in formulating workable business strategies that consist of the market segment, market targeting, and positioning, among others. Etihad Airways has several business segments and exploits them differently depending on the respective realizable returns or opportunities for growth.

### **Product-BCG Matrix**

Currently, Etihad Airways ranks number three among the list of the best and most preferred Middle East airline companies (Etihad Airways, n.d). It also offers international flight transportation services for both passengers and cargo. In the passenger business segment, Etihad Airways provides three main products, the Economy, Business, and last but not least, the Diamond First Class. Out of the overall business undertaking of the Etihad group, the passenger transport constitutes of about sixty percent business portfolio. Out of these products brands, the passenger business segment records the most significant revenue, and therefore, becomes the stars of Etihad Airways. For instance, in the financial year 2019, Etihad Airways reported having gained revenue worth five billion dollars from the passenger segment (Etihad Airways n.d, and Maceda, 2019).

The cash cow for this company is observably the cargo business unit. Contrary to the passenger unit, the cargo segment does not attract a lot of investment cost, yet have been bringing good money to this company. In this regard, Etihad Airways has the potential to earn more from cargo services if they play their card well. The question marks are Etihad holidays that have been experiencing stiff competition from other industry players like Emirates Airlines. In this regard, Etihad Airways should think of ways of increasing its competitiveness in this business segment. The combination of the business segments that records the slow growth rate of declining revenue in this company represents the dogs. These business units should thus require better turn around strategies to make them profitable.

## Place

Etihad Airways operates from its head office hub at Abu Dhabi airport in Khalifa City. Every week, it records more than one thousand flights to different parts of the world, where they transport passengers and cargo. Travel destinations are various places in the Middle East, the United States of America, the Asia continent, Australia, and Africa. Customers can book tickets from numerous offices and main branches across the six continents. Many travel agents assist in booking Etihad's flight all over the world. In this regard, Etihad Airways has an efficient distribution channel.

## Price

Etihad Airways uses a penetrative pricing strategy, which allows them to increase the market locally and internationally. Different passenger classes attract different prices in Etihad Airways. The Economy unit has the lowest fares, while the first-class attract the highest rates (falling under the premium pricing). The second class segment attracts semi-premium pricing. In this regard, Etihad Airways provides arrays of options for its customers. The differentiation pricing policy increases ticket sales in this company because they can target a broad group of customers. The penetration policy, therefore, assist Etihad Airline to realize a degree of competitive advantages over its competitors. More so, Etihad Airways usually offers discounts to its customers as a way of increasing loyalty.

## Promotion

Etihad Airways undertakes regular promotional campaigns through coupon strategies and other incentives, especially during festive seasons. Customers who book their tickets from the Etihad Airways website enjoy the lowest possible prices. Recently, Etihad Airways formed a partnership with Facebook so that they assist in boosting awareness. Additionally, there are regular flyer programs that offer various discounts to loyal customers. The awards that Etihad Airways gather now and then also serve as the right promotional avenues for Etihad Airways. Observably, Etihad Airways uses a combination of traditional and digital promotional methods. It also uses a blend of pull and push marketing strategies to reach different customer segments (Etihad Airways, n.d).



## **Conclusions and Recommendations**

This study endeavored to analyze how Etihad Airways is faring regarding some of the common marketing strategy tools. The results confirm that Etihad is indeed facing a lot of competition from other key brands. In such an instance, Etihad Airways need to perform some changes in its business processes so that they compete favorably. For instance, Etihad Airways recapitalize more on its strengths and exploit the opportunities more aggressively so that they potentially reduce the impact of the existing weaknesses and threats.

Full exploitation of domestic flights will potentially increase Etihad Airways' profit margin because, contrary to the long flights, they will save the costs of meals. Another recommendation for Etihad Airways is to up the game regarding innovation and technology. Although Etihad Airways has won some awards, other companies that are above it in a ranking like Emirates Airline has amassed more prize than Etihad Airways. Innovation is among the key aspects that attract awards in the aircraft industry, and indeed in all business industries. That way, if Etihad Airways focus more on research and development, they will be in a position to various advantages.

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