

STRATEGIC MANAGEMENT OF AIR TRAFFIC OPERATIONS

Zsolt KELEMEN

Department of Application Management
H-1675 Budapest Ferihegy International Airport, Hungary
Phone: (+36) 1 296-6807, Fax: (+36) 1 296-5406
e-mail: zsolt.kelemen@bud.hu

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Abstract

This paper provides details on several key issues on strategic management of passenger services in the air traffic industry focusing on creation a competitive strategy in air transport, namely the information system development, using of new technologies, staff management, airline marketing and finally possibilities and benefits of airline alliances. I deal neither with cargo transport nor with the revenues coming from other activities of airlines.

Keywords: air transport, airline and airport strategic management.

1. Introduction

Civil aviation has celebrated its first 100 years. During this time flying has become the most popular form of public transportation. Air transportation has enabled people to reach any point in the world within hours and it is now as much a part of way of life as the telephone or the computer. Speed, efficiency, comfort and safety – these are the symbols of both modern civilization and modern air transportation.

Today in increasingly globalizing network, airports and airlines are differentiated more by their quality of passenger services and operational efficiency. In today's deregulated air transportation markets, airlines and airports have unprecedented freedom in their operations, especially in their choice of network structure, information system, staff management marketing policy and alliance partnership. A well prepared, competitive strategy is the structured mixture of these elements [1].

2. General Strategic Management in the Air Traffic Industry

In the air traffic industry, the pressure to *provide better customer service* has never been greater. Yet the pressure to reduce operating costs is equally strong. Airport automation can play a key role in attaining these goals. To meet these challenges, there are plenty of software solutions that help airports, airlines and ground handling companies [7]. As airports were flooded by more and more passengers it became more and more obvious, that only the technology of the integrated information

system can be the way leading to the future. So the first part of the airlines' and airports' future strategy is establishing a modern, well-constructed *information system* with wide range compatible connection. A well-prepared information and management system development can help to find the best solution.

It is well known in the airline industry: boarding passenger is the lifeblood of an airline. Staff of airlines and airports has to continue to provide an even more punctual and polite service for passengers in order that everyone who travels by air chooses the same airline again when next travelling. Unavoidable background of this service is the information system suitably set up, and updated all the time. Also *staff training* programmes will need to be adjusted. This is the second main part of strategy.

Marketing and Public Relation are certainly one of the most important activities in airlines and airports. So the third element of the strategy is the so-called *passenger-oriented marketing*, whose objective is to furnish passenger satisfaction.

Apart from complex interactions between airports and airlines in the deregulated airline industry, we also witnessed evolving relationship among the airlines. Most airlines, among others Hungarian Airlines, are now members of strategic alliances. An alliance relationship can offer passengers the best choice and flexibility and enable airlines to concentrate on the most profitable markets. More people today want to reach more places more easily. It is impossible or impractical for any specific airline to fly to all destinations to which its customers want to travel. That is why airlines force alliances. So the fourth part of airlines' future strategy is to strengthen their competitive positions in *strategic alliances*.

We know that the practice of the air traffic industry now is dramatically different from that two decades ago, and has a constantly challenged research community with unresolved issues and problems. No doubt, the research on these topics will go on as the industry continues to evolve in the future. But if airlines and airports create and realize competitive strategies in the future, it will help to achieve their goals, to operate at lower costs, to increase profitability and last but not least to improve level of their passenger services. For fear we should forget that the main purpose of airlines and airports is to have passengers leaving the flight and the airport fully satisfied.

3. Elements of Air Transportation Strategy

3.1. General IT Strategy

Managing airport and airline community has never been as challenging as today. There is a great demand to integrate diverse sources of airline and airport data into a comprehensive source of all airline and airport functions.

A good information technology enables operation to run efficiently, while emphasizing customer service. Technology has the potential to answer the demands of politicians and the travelling public – increasing the level of security, without

creating excessive time delays and without adding significantly to the cost of travel [4]. Different vendor companies have developed many solutions to improve the passengers' journey, integrate airline and airport operations, and ensure the highest levels of safety and security.

Airlines and airports nowadays resolve to establish an integrated system to support their tasks. With introducing further systems co-ordinating the complex procedures, the integration between information systems becomes more and more difficult. That calls for a new way of thinking about airport operations.

Entering similar data into different systems means unnecessary additional work for users, which results in possibility of mistakes. That is why airport informational experts' purpose is to connect isolated present systems which serve and guarantee all the airport procedures. The main objective of a typical airport informational database is to have a centralized store of airport data.

Present separated databases are usually not consistent, using not the same abbreviations for the same data or for the same category. Sometimes it is impossible to integrate some current informational systems with each other, and it is plenty of work and cost to operate them in the future. That is why the real solution is a centralized airport database. A complex operation database is the enabler of the system integration [8]. For the system connection it is the best way to build a so-called integration broker by using internet protocol.

Nowadays, after the September 11 terrorist attacks in the year 2001, *safety* is the key word. That is why airlines and airports have to consider this much more intensive than they did before. Major air transport organizations have teamed up with world leading smart card and biometrics integration companies to develop and trial a 'secure-travel' initiative [6]. So the main part of informatics strategy is to handle passengers in safe mode in order that they feel secure and consequently get a higher service level.

3.2. Staff Management

Staff is the main part of any strategy. Airport staffs are the customer representatives. And a customer's perception of an airport can be strongly influenced by the service he receives. Airlines and airports have to invest in providing the best possible working environments to inspire their people.

- One possible goal is to *simplify the check-in agents' working conditions*. Through the use of modern check-in systems, agents and staff see the same screens no matter what host system they access. Agents sign in only once, after which hosts are accessed by simply entering the flight number. User prompts, colour-coded screens, drop-down menus and dialogue boxes allow agents to quickly complete passenger check-in. Edit checks at the PC level prevent wasted typing and considerably reduce transaction costs. Within seconds data can be displayed on the screen, and agents can verify passenger

requests for special services. In this way passenger and baggage check-in is quick and requires minimal agent interaction.

- Another possible goal is to *increase agent productivity while better serving customers*. A good information system enables the airport staff to provide the utmost in customer service. Onscreen user guide and other easy-to-use features allow experienced agents to spend more time in important personal contact with the passenger, because routine check-in activity is performed quickly. They no longer need to concentrate on the computer processing aspects of their jobs, but the system provides additional information, special promotions, and personalized service. These solutions enable newer agents to become proficient quickly, without lengthy on-the-job training, and reduce initial and refresher training for new and experienced agents.
- Many state-owned air companies have been sold or will have to be sold off into private ownership. Without well-motivated staff, the total value of the companies in the stock-exchange is not so high. That is why it is very important to *inspire and motivate airline and airport staff*. Airlines and airports have to try to improve employee motivation by offering incentives. Various performance-related schemes can be used to reward employees, if agreed targets are achieved. Individuals can be monitored through a performance appraisal system. Bonuses may be taken in cash or in the form of company shares. But the most important issue is to provide job satisfaction and be capable of motivating all employees, whatever their jobs are.

3.3. Marketing and Public Relation Strategies

Marketing is certainly one of the most important activities in any company. It is not different in the case of airlines and airports. Reservations personnel, ticket and customer-service agents, baggage handlers, representatives, and pricing and market research analysts are involved in marketing. In order to implement the selling function, staff of airline must have complete knowledge of who passengers are, what makes them purchase the product, and how they can be reached.

With the so-called passenger-oriented marketing concept in use in recent years, whose objective is to furnish passenger satisfaction, market research and forecasting has been recognized by most major carriers as coequal in status with sales, advertising, new product and services development, pricing, and scheduling.

There are plenty of *marketing tools*, which can help airlines and airports to get closer to the passengers. In the following I outline the most promising ones.

- *Frequent Flyer Programme* (FFP) is the airlines' most successful marketing tool. For loyalty, airlines give bonus points by using FFP according to the flown miles. One can get a free ticket or can upgrade (to fly with tourist ticket on business class). Airlines invite their FFP travellers yearly to an elegant party. Today almost all airlines have their own frequent flyer programmes. It is a great opportunity for the club members to get discount at certain hotel

chains or at rent a car services or to enjoy a free car. Airlines have to make further steps to realize these services.

- *Code sharing* refers to two airlines, usually a major and a regional carrier that share the same identification codes on airline schedules [7]. By code sharing with a regional airline, a major airline can advertise flights to a much larger market area and expand its market at relatively low cost. These interline agreements have been attractive to the small carriers, for it offers them access to more passenger traffic, limited airport facilities, financial support, and marketing intelligence. Furthermore passengers can obtain boarding passes not only for their initial outbound flight but also for their entire trip. So it is no question, that code sharing is beneficial for all the partners and passengers. That is why airlines have to strengthen their existing code sharing agreements.

Public Relation is also very important. Today, most *airline advertisings* have changed considerably. The emphasis has shifted from service to a combination of price, destination and frequency [9]. Potential travellers should be informed about all the opportunities, actions, campaigns, etc. Advertising is an extremely important marketing function, particularly in today's competitive environment. Almost every airlines use their own slogans, e.g.: „We fly for a smile”, or „You will love the way we fly”, or „There's no better way to fly”. They advertise them on different channels. It is very important to be close to the customers, if an airline wants to find out how passengers' mind is working when he buys an airlines ticket. Advertisements are working for catching new passengers, who have never flied before, as well. This is working for tomorrow, and that is why the air carriers will continue this type of activity in the future.

It is also good to know, when a passenger becomes alienated from a specific airline, it is almost impossible to turn him back, so it is very difficult to build up the reputation again. That is why the good relationship with the customers is more important, when a company is already known or getting to be known.

Monitoring of customer *compliments and complaints* should also be undertaken. Comparing the number of customer compliments with the number of complaints will provide a first quality control statistic. Airlines and airports should also investigate the nature of the complaints they receive. If these focus to an increasing degree on only a small number of product components, this will be a strong indicator of the areas where management attention is needed.

The use of in-flight and airport *surveys* are ways of collecting information about customer requirements. If passengers are questioned during the flight or at the airport of arrival their memories of the service will still be fresh. Questioning of passengers can have a valuable customer relation function, of convincing passengers that the airline is interested in their opinions and that it is working on improve its product still further.

3.4. Strategic Alliances

The liberalization has put airlines under heavy pressure. As average revenues fell faster than average costs airlines had to reduce costs and achieve higher productivity and efficiency. This pressure has led to network reorganization and strategic partnerships in the form of airline alliances. Nowadays concentration is inevitable. These moves take many forms, including mergers and acquisitions, frequent-flyer agreements and alliances. Even large carriers must co-operate with other carriers, because they themselves do not have enough of a global reach.

We have to discuss briefly the competition benefits of alliance formation [3]:

1. Expansion of service network;
2. Traffic feed between partners and thus increase load factor on the flights;
3. Each partner may be able to increase flight frequency, and it can offer it the passengers without actually increasing its own flight frequency;
4. Cost efficiency;
5. Advantages of CRS (Computer Reservation System) displays – a code shared flight is listed twice in CRS screen, because both partners list the same flight as their own flight. These multiple listings of a same flight and priority displays push other airlines' flights further down the screen or onto the next screen. Therefore alliance partners can achieve substantial benefits from this CRS display advantage because travel agents tend to book flights that are listed on the CRS's first screen.

The smaller carriers must be very creative in reaching alliances. They involve in particular the co-ordination of schedules and the sharing of airport terminals so that the partners feed each other's services. The most logical strategy is for an airline to find a partner whose route system is complementary [5]. By making this step of enhancement, airlines can be linked closer to a global network, and airports will also benefit from higher transfer passenger number.

4. Conclusion

Successful airlines and airports will be those which seize the opportunities successfully, whilst accepting that changes of their past business policies will be necessary if they are to adapt themselves successfully to the new environment. Airlines now have the task of planning only for a relatively short time ahead, and making their plans flexible [2]. This enables policies to be changed as circumstances make themselves clear. But it is unavoidable to create a strategy for the future *focusing on passengers*. Passengers remain at the heart of everything airlines and airports do, and exceeding their customers' expectations is of paramount importance to the future. To summarize the creation of future strategy for airlines and airports there are four main fields:

- *Focusing on information system*
We have to know that passengers cannot be serviced by the airline at an appropriate level having no effective informatic systems available. Innovation and partnership will have to play a major part in airlines' and airports' strategy, which focuses on internet protocol technologies, end-to-end services to the desktop and airport database integration. To strengthen passenger safety and security is also very important by using different informational devices.
- *Focusing on staff*
Staff is the key to the success. That is why airlines and airports have to invest in providing the best possible working environments to inspire their people. We have to know that improving customer service while increasing staff productivity is impossible without the right tools. A modern information system provides staff with much more versatility than ever before and provides the capability for airport staff to focus on customer service. Furthermore the inspiration and motivation of the staff are very important elements of the strategy.
- *Focusing on marketing*
In the air traffic industry new competition can appear at very short notice. Competitors will be able to work in all areas of the marketing mix. The right selection is the key for successful operation.
- *Focusing on alliance*
Airlines is using network and new alliance relationships to offer passengers the best choice and flexibility, consequently a higher service level.

The strategic elements are enabling airlines and airports to concentrate on strong profitability in the future. The restructuring, and the development of network and alliances, will enable airlines to maximize the benefits of point-to-point traffic demand, improving the quality of the revenue they earn. The main challenge is to apply continual pressure on reducing costs while at the same time improving revenue through focusing constantly on yield management and what is probably the most important, delivering excellent passenger service.

Once an airline or an airport has gained a thorough understanding of air passengers and the environment under which its activity is taking place, it is essential to bring this information together in a well co-ordinated and well communicated strategy. Without such a strategy, airlines and airports can only respond in a haphazard, tactical and unco-ordinated way to rapid change of circumstances.

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