

## **Introduction**

Travelling by air is the safest and the fastest means of transport. The aero transport industry provides services to every part of the world. The industry does not only provide transport services to travelers but also greatly contributes to the global economy. The industry does not only experience huge revenues (very few economic activities generate the revenue compared to the one generate by the airline industry) but the industry also contributes greatly in making sure that the other parts of the economy move smoothly, this is because of its impact to the various economic sectors for example the flower industry, tourism and manufacturing (Centre of Asia Pacific Aviation 2010).

During its inception the airline industry witnessed a lot of regulation, but recently, the airline industry has witnessed several milestones; one of them is the introduction of computer technology. The development of the information technology has had several impacts in the airline industry such as reduction of travel agencies (Centre of Asia Pacific Aviation 2010). Technology has also lead to the introduction of features such as online booking so travelers don't need to book physically in order to get a ticket instead just go online and obtain your ticket. The airline industry is currently made up of over 2000 airlines and the total amount of airplanes is believed to be 23000 and 3700 airports. Recent statistics show that the airline industry conducted around 2.8 million flights around the globe which saw t it that two billion passengers were safely delivered to their desired destination. The airline industry has been growing at the rate of 5% per year but the recent global economic recession greatly reduced the rate of growth of the airline industry. This growth varies greatly depending on the geographical and economic conditions of a particular place (Centre of Asia Pacific Aviation 2010).

## **Economic effects on the airline industry and other effects**

The airline industry has been faced with many challenges. The events of September 1999 made many individuals to avoid using airplanes; this issue also saw the intervention of the government to the airline industry in order to put measures that regulate air travelling. Another setback that the airline industry faced is the global economic recession. The global economic recession greatly affected the airline industry which saw its rate of growth greatly reduced. The recession also lead to laying off of employees hence reducing the number of people with the ability to afford world visits, this greatly impacted the revenue of the airlines that some of them ended up making loses. The recession also saw the price of fuel rise to very high prices hence increasing the operations costs of the airline industry. However, the airline industry is being expected to fully recover from the setback caused by the recession in the next four to five years (Centre of Asia Pacific Aviation 2010).

## **Economic effects on luxurious life**

The global economic recession had a very big negative impact towards the income of the people therefore many people could not spend too much on other issues other than their basic needs. The economic recession saw the rate at which people had access to luxurious lives reduced. This greatly impacted the airline industry; this is because of the reduced world visits. The recession also caused the reduction of tourism activities and explorations. This had a great impact on the revenue generated in the airline industry this is because of the reduction of flights from continents such as Europe to Africa and the United states to Africa. Therefore we are able to see that any effect on the global economic status does not only affect industries such as the airline business but also goes further to affect other industries which provide luxurious services such as the tourism industry. The recession also reduced the purchasing power of people, this saw to it that some commodities which

are not necessities i.e. commodities which provide comfort have a very low demand. From the above we are able to see that a change in economic trends greatly affects the way people live. It forces them out of their luxurious life due to limited resources; this is because people tend to utilize the limited available resources to acquire the products and services that will tend to be economic friendly i.e. within their purchasing power (Schiffman 2010).

The 'ups' and 'downs' in the airline industry have made the profit from the industry unpredictable. The industry has been faced with years of very high profits and years of very high losses. For example there was a time the airline industry posted a loss of over 22 billion USD for a consecutive period of four years. This period was overturned by another period which saw the industry post an accumulative profit of 25 Billion USD over a period of four years. In the recent times the industry has also been posting losses with regard to high operating costs which was also characterized by a financial crisis caused by the global economic recession, this period was between the year two thousand and the year two thousand and five.

However, this did not discourage new players from joining the game. The year two thousand and three saw the introduction of a new and very competitive airline from the United Arab Emirates. Etihad airline, Etihad is a recent but major player in the airline industry. Even though it was inception when the airline industry was facing economic complications it was able to stand to the challenge and navigate through the available opportunities to reach its current level. The presence of Etihad airlines is being felt by the other major airlines in the East such as the Fly Emirates and Qatar airlines (Centre of Asia Pacific Aviation 2010).

### **Consumer behavior regarding Etihad airlines**

Just like other businesses, the airline industry experiences changing consumer behavior. These changes are attributed to changes in economic trends, quality of services offered, political issues and sometimes the general public attitude towards a particular product or service. Since its year of inception Etihad has witnessed changes in the consumer behavior and price fluctuations. The changes in consumer behavior are mostly controlled by the current market price and the general economic climate (Schiffman 2009). Therefore Etihad experiences changes in the consumer behavior as it experiences changes in the prices of flights. Therefore the changes may not be by a great margin. However there are certain major changes which were brought about by serious changes in the economic status of the whole world. This was referred to as the global economic crisis. These changes in the economic status of both individuals and government caused a reduction on the rate at which people accessed luxurious services and products (Schiffman 2009).

This did not only reduce the number of fliers using the Etihad airlines but also the number of people who accessed and used the executive services i.e. the first class services offered by premium airlines. The economic crisis also reduced the number of persons travelling by air because the airline was forced to increase the fare to cover for the operations costs caused by the hike in the fuel prices. Increase in the fare and decrease of the fliers' income caused a great variation in the consumer behavior, this is because, some of the people who used the first class service had to move to a lower class to cut down on costs or sometimes quit travelling by air. On the other hand those middle class fliers had to quit travelling by air completely or reduce the rate at which they used the airline as a means of transport. Etihad as a premium airline really suffered the effects brought about by the economic recession (Schiffman 2009).

The other reason for changes in consumer behavior is changes in the prevailing weather and geographic condition. For example the volcano crisis which was caused by the eruption in Iceland. According to reports from the Etihad management, the volcanic eruption in Iceland is one of the major challenges which resulted to changes in the consumer behavior in the year 2010. This is after some of the anxious customers cancelled their flights even after being urged to be patient since the crisis was about to be over (Centre of Asia Pacific Aviation 2010).

Due to multiple changes in the consumer behavior majorly caused by economic problems, Etihad launched type of plane which was all consumer i.e. the plane was not only there to carry first class passengers but also the middle class passengers. The airline introduced this class of service in order to have access to other fliers who are of the highest number but low income (Centre of Asia Pacific Aviation 2010). In a bid to maintain a constant and predictable consumer behavior Etihad made sure that give attractive fare packages that are considerate to people of all economic levels. Etihad also adopted a system which a developed by a company known as Specialist in air transport communication and IT tools. Etihad made a deal with Specialist in air transport communication and IT tools which saw that they develop a comprehensive pricing system that will help in price management to address fare price fluctuation problem, the system will also see to it that Etihad understand and make quick adjustments with regard to changes in consumer behavior and the prevailing market conditions (Centre of Asia Pacific Aviation 2010).

### **Etihad Presence in the UK airline market**

Etihad is has not been competitive and a major player in the UK airline market. The main airlines controlling the UK airline market are, The British Airways, Virgin Atlantic Airways Limited, Easy jet company limited and the British midland airways. However, Etihad Airlines has made a move that will ensure that with time it establishes itself in the UK Airline market (Centre of Asia Pacific Aviation 2010). Etihad has made a deal with flybe which will see to it that the persons living in the United Kingdom who use the air as a mode of transport have direct easier accessibility to Etihad. This will have a positive impact towards Etihad's establishment in the United Kingdom.

Under the agreement, Etihad will have the opportunity to place the letters EY on the Flybe planes which will be travelling to Paris, Manchester and Frankfurt and other regional airports within the United Kingdom, in return Etihad will put the code BE on the Etihad planes which will be trading the same destinations. This deal will give Etihad's users the ability to access more airports and destinations in the United Kingdom other than the only three destinations that Etihad Flies currently i.e. Manchester, London and Heathrow. This is a very nice marketing initiative since it will greatly assist Etihad establish itself in the United Kingdom market within a very short period of time (Centre of Asia Pacific Aviation 2010).

### **Etihad Marketing and Brand Product Management**

Etihad has employed several marketing strategies in order to promote their services; this includes advertisements on websites and placements in movies. The advertisements on websites include PowerPoint presentations and other photos which they have used to display the various locations that they fly to. The advertisements outline the various positive reasons why one should use the airline to fly to its major destinations such as the capital city of the United Arab Emirates among others. These advertisements really move those consumers who prefer premium services since it is

the airline's current specialty (Schiffman 2009). One of the advertisements made by Etihad through the internet and on web pages can be found on <http://www.tbwa-london.com/work/etihad>. The airline has also placed advertisements on other websites which display the quality of their first class service.

The firm has also made placements in movies for example Sex and the city 2 were one of the characters says "...Etihad Airways' first class means private cabins, with little doors and flat beds. It feels very private and obviously, very luxurious..." The airline also gave out tickets to the public to go and see the movie. This is a very nice way of promoting its product and services.

## **Forecast**

Keeping in mind the new moves and marketing strategies which have been initiated by Etihad. Etihad is on its way to becoming one of the greatest airlines in the planet (Centre of Asia Pacific Aviation 2010). The airline is not only enjoying great opportunities in the Middle East but it will soon be able to establish itself in the United Kingdom airline market; this is because of forming partnerships with Flybe and Virgin Atlantic airlines (Centre of Asia Pacific Aviation 2010). The airline has also adopted new technology that will assist it in addressing issues concerning consumer behavior and changes in the way the market operates this and other moves will assist in ensuring quality service provision hence improving their consumer number and revenue.

The airline is also moving from a first class only airline to an 'all economy' airline. This greatly assists in addressing the changes in consumer behavior i.e. once the economic status of a person changes and can no longer afford the first class services he/she will have something to fall back to. This ensures that the airline does not completely lose customers due to economic changes which may have adverse negative effects to the airline's revenue. The above strategies place the airline at a very good position in the future. This is because the recent steps taken to improve the airline have positive long term effects (Schiffman 2009).

Source: (Centre of Asia Pacific Aviation, 2010)

According to the above graph, the airline has experienced continuous growth since its inception; the graph represents growth in forms of the asset base, number of customers served and destinations covered. The chart signifies continuous growth in the airlines revenue and assets which is a positive indication proving that the airline is built on a strong foundation hence a good future (Centre of Asia Pacific Aviation 2010).

## **Service Improvement**

When we talk of luxurious brands, we refer to commodity which offers absolute satisfaction when it comes to the main aim of the brand (in this case, transport). Etihad provides first class services when it comes to transport services but in few locations in the planet. In order to increase the use of Etihad's services they need to consider offering their services to the whole world just like other airlines do, the airline should also improve the quality of the services they offer at a discounted price (Schiffman 2009).