

Chapter One

Marketing: creating customer value and engagement

Chapter preview

This first chapter introduces you to the basic concepts of marketing. We start with the question: What is marketing? Simply put, marketing is engaging customers and managing profitable customer relationships. The aim of marketing is to create value for customers in order to capture value from customers in return. Next we discuss the five steps in the marketing process – from understanding customer needs, to designing customer value-driven marketing strategies and integrated marketing programmes, to building customer relationships and capturing value for the firm. Finally, we discuss the major trends and forces affecting marketing in this new age of digital, mobile and social media. Understanding these basic concepts and forming your own ideas about what they really mean to you will provide a solid foundation for all that follows.

Let's start with a good story about marketing in action at Pegasus Airlines, one of Europe's leading low-cost airlines. Pegasus's outstanding success stems from much more than just flying passengers around Turkey. It's based on a customer-focused marketing strategy by which Pegasus creates customer value for its customers.

Learning outcomes

- **Objective 1** You will be able to define marketing and outline the steps in the marketing process. What is marketing? (pp. 5–7)
- **Objective 2** You will be able to explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts. Understanding the marketplace and customer needs (pp. 7–10)
- **Objective 3** You will be able to identify the key elements of a customer value-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy. Designing a customer value-driven marketing strategy and plan (pp. 10–14)
- **Objective 4** You will be able to discuss customer relationship management and identify strategies for creating value *for* customers and capturing value *from* customers in return. Building customer relationships (pp. 14–20)
- **Objective 5** You will be able to describe the major trends and forces that are changing the marketing landscape in this age of relationships. The changing marketing landscape (pp. 23–27)

Pegasus Airlines: delighting a new type of travelling customer

Until 1982, Turkish Airlines was the only airline company operating in Turkey, and it had no domestic competitors. Following deregulation and reduction of government controls across the airline industry, 29 airlines were established, with 22 finding themselves bankrupted a few years later, demonstrating the strong level of both internal and external competition and how the airline industry is affected by economic instability. Over the past 20 years, Turkey has experienced a number of financial crises, as well as political turmoil. Pegasus was created in 1989 as a charter airline partnered with Aer Lingus to create all-inclusive holidays. In 1994, the company was sold to a Turkish investment fund and in 2005 was re-sold to Ali Sabanci (of Sabanci Holding, an influential family-owned business in Turkey), who changed the airline from a charter airline to a low-cost airline. In 2008, Pegasus carried a total 4.4 million passengers in Turkey, more than any other private airline. However, by 2018 passenger traffic had exploded to around 29 million passengers carried. As of 2019, Pegasus has a fleet of 83 Boeing and Airbus planes. Its major competitors – other than the national carrier, Turkish Airlines – are Onur Air, Fly Air, Sun Express and Atlasjet. Instead of operating from Istanbul's main airport, which is overcrowded, Pegasus Airlines flies from Istanbul's second main hub, Sabiha Gökçen International Airport. Its on-time departure rate is around 85 per cent, which is well above the European average of 81 per cent, demonstrating the importance the company attaches to customer service. In 2017, Pegasus was awarded the title 'The Best Low-Cost Airline' and has been named the cheapest European low-cost airline numerous times.

What is the secret to the airline's success? Quite simply, it involves making sure Pegasus is continually developing to meet passenger expectations and priorities. Pegasus has put in place a yield management strategy for ticket pricing, using the strategy of Southwest Airlines of North America as an example. Supply and demand, as well as time, are taken into account in the ticket pricing strategy; for example, if customers book early (60 days) they receive further savings while those who book later pay the maximum current fare offered by competitors. The system is complemented by an electronic ticket policy whereby passengers receive their information via email and SMS. Pegasus has also developed a credit/loyalty card (the Pegasus Plus Card), which offers customers a range of benefits including insurance rate reductions. Although airlines can't often control flight delays, Pegasus has developed a specific customer satisfaction guarantee policy that provides customers with (i) in the case of a delay greater than 3 hours, a refund of the ticket and (ii) in the case of a delay greater than 5 hours, a refund and a free ticket. Pegasus also offers a customer service experience at the airport. It provides exclusive allotments for the first 72 hours of parking with a valet parking option, VIP and Business Class lounges, car rental and many hotel partners where customers can get some discount. Unlike many airlines, a one-class interior configuration is operated, but passengers can pay a small extra premium to choose their seats. This is complemented by the Pegasus Flying Café, which offers a range of refreshments and catering options for a small additional charge, allowing customers to pre-order and reserve their inflight meals. Pegasus offers further customer service options, including a 10 per cent discount to passengers on international flights who order their in-flight meals 48 hours in advance. An in-plane bulletin is also available, with a mix of offers and features on certain destinations. This bulletin is free for customers but generates income via advertising. These services are supported by Pegasus's own flight crew training centre and maintenance organisation, Pegasus Technic. Both are fully licensed and are used to train new staff members. The company

Pegasus Airlines – customer focused value creators.

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