



## RESEARCH ARTICLE

### BUILDING IMAGE IN THE AIRLINE INDUSTRY. PAKISTAN INTERNATIONAL AIRLINE AS THE POINT OF CONVERGENCE

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#### ABSTRACT

The present research paper examines the reasons of awful picture winning in aircraft industry of Pakistan particularly to a contextual investigation of PIA. Aircraft industry is an administration industry and administration quality is not effectively measured. An administration can have many traits including cost, esteem for cash, client administrations. In carrier benefits the in-flight benefits, client administrations, sustenance quality, team individuals' state of mind, admission rates and flight delays are critical characteristics and that is the reason they are chosen for the investigation. The investigation depends on both the essential, auxiliary information and a genealogical examination. Essential information gathering incorporates Interviews and discourse with the respondents. A survey in view of a few traits was outlined in order to recognize what picture of PIA's client has in his/her mind. The wellspring of optional information was articles, diaries, brochures and yearly reports. It was found in the examination that some regular issues which were making severely picture in the psyches of the clients are absence of value climate in an airplane, non-agreeable team individuals, and baseless charge rates, only an aftermath of the parts. The exploration essentially centred on the long standing customers and the investigation was really led in Lahore showcase as it were.

#### INTRODUCTION

The research is conducted to know about the image of Pakistan International Airlines in the mind of its customers and customer satisfaction. Only frequent flyers group has been selected for the study because only those people have a clear idea of the service quality of an airline. Pakistan International Airlines is having most of the market share in the aviation industry. A basic research has been carried out to find out if there are any problems with the service quality of PIA but appropriate measures are enumerated at the latter part of this paper in as much as some possible recommendations were outlined to solve the cankers.

**Pakistan aviation industry:** The Pakistan aviation market has seen many airlines. However, due largely to the economic sanctions placed on Pakistan during the 1990s the industry growth eventually levelled off due to the increase in oil prices. The Pakistan aviation industry was started up when Orient Airways merged with Pakistan International Airlines Corporation (PIAC) to become the national flag carrier of Pakistan called Pakistan International Airlines or PIA for short. PIA remained the only operator for many years after its creation, but soon private airlines arrived at the scene to compete with the national flag carrier.

##### Current Airlines of Pakistan

- Pakistan International Airlines

- Aero Asia
- Air Blue
- Shaheen Air International

**Domestic industry analysis – Pakistan:** Air transport has probably never been more important to the development of a new nation than in the case of Pakistan. Pakistan aviation industry is comprised of five commercial airlines. The Pakistan aviation market has seen many airlines but due to uncertainties in the industry some airlines defunct and today, the industry is pursuing new opportunities globally.

**Civil aviation authority 2014:** PIA has the maximum share in the market with 71.40% of the industry, Aero Asia has share of 15.29% and Air Blue has 8.70% share in the Pakistan's Aviation Industry. So, PIA is the most favourite airline of the nation and people believe in their services and love to travel with Pakistan International Airline. But as at 2016 hitherto, Shaheen Air International has taken over the market from PIA after its arrival in 1993.

**Swot Analysis:** The SWOT Analysis is a great degree helpful apparatus for comprehension and basic leadership for a wide range of circumstances in business and associations. SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. The SWOT examination headings give a decent structure to assessing procedure, position and course of an organization or business suggestion, or any thought. A SWOT investigation helps in comprehension, introduction, discourse and basic leadership. A SWOT examination typically involve four segments, one for each of the SWOT headings: Strengths,

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Weaknesses, Opportunities, and Threats. It is imperative to obviously recognize the subject of a SWOT investigation on the grounds that a SWOT analysis is a point of view of a certain something, be it an organization, an item, a suggestion, a thought, a strategy or alternative.

# SWOT ANALYSIS



## An Alternative SWOT Matrix

Positive	Internal	Negative or potential to be negative
	Strengths	Weaknesses
	Opportunities	Threats
	External	

**Swot analysis of PIA:** After all the information about PIA, it’s imperative for us to make a short SWOT examination of the Pakistan International Airline Corporation. We now know every one of the qualities, shortcomings openings and dangers of PIA. We need to investigate this data which may help us in making a few conclusions and proposing a few suggestive measures.

**Strengths:** The strengths, which enable PIA to compete both in the local as well as international airline market, are

- Reaching most of the countries of the world than any other airline
- High technology airplanes
- Up gradation of the airplanes with the passage of time

We are proud to say that PIA is one of the airlines of the world, which have the airline coverage of maximum areas of Asia Europe Australia USA and most of the African countries. Along with this coverage PIA is facilitating its passengers with all the necessities and technologies and providing them with a safe, secure and enjoyable flight to any part of the world. The second point is that PIA has one of the most modern and technologically advanced airplanes of the world. In the beginning thus from 1954, PIA had very simple planes. However with the passage of time, it has improved its planes with different items. For example, PIA has changed all of its fan or blade planes with jet engine planes. Also for international flights, they have digital radar system in the planes to secure their passengers safety and avoid any casualty. Earlier on they provided the facilities of watching movies on a TV screen in the plane. However now they provide the facility

of personal TV screens at the back of each passenger seat of the plane. This ensures privacy of the viewer and does not disturb those passengers wish to rest or indulge in any other activity. The third point is that PIA is doing its best with the government to upgrade its planes with the use of modern technology. In the past PIA used the same planes bought in 1980s and 1990s. That is why its performance was not too good. Fortunately in the year 2003 PIA signed an agreement with the Boeing Company to provide them with new airplanes. These include 777 jet engine planes. According to the agreement PIA received three of these planes by 2005 and others were handed over to them in the subsequent years based on the agreement. These new airplanes really provided the customers of PIA great satisfaction because of the modern facilities.

**Weaknesses:** The main reasons of the weakness of the PIA is;

- The lack of related field staff or educated staff
- Unionization

The first point of the weakness of the PIA is that, there is no related staff in the airports and also in the different stations. When different political governments come into power they employ people of their own choice in the PIA, usually those who voted for them during the elections. The main factor that has weakened the performance of PIA is the recruitment of less qualified people or inefficient people. These people are able to get away with their inefficiency because they further hire qualified personal secretaries and assistants who carry out their duties for them. Another factor is that even though most of the staff are highly educated, their qualifications do not match their post. There are many employees in the PIA Peshawar airport that are on a high post and possess degrees that are not suited for the post. The next main weakness of the PIA is that there were labour unions. In an organization labour is very vital because all the employees cannot express their views directly. So they share their views and problems with one another and it is then presented in a formal manner to the concerned authority. This ensures steady relationship between the labour and the management of that organization. However, these unions can sometimes prove to be troublesome if given too much support or if they are created in a sensitive organization such as PIA. This problem has been there in the PIA over a decade now. The labour unions had become very powerful and influential. The president of the labour union was given a car, a driver and a residence. There were two people given these facilities one the stationmaster and the other the labour union president. The president was also not obliged to carry out his duties. This shows that in an organization where the class 4 employees were given such benefits, how was it to achieve its goals?

## Opportunities

The opportunities for PIA in the future are:

- To capture most of the Asian air traveling market
- To recover its low morale in Pakistan

The future opportunities of the PIA are to provide modern facilities to the customers at a cheaper rate. This is the major way that PIA can cover most of the Asian market. The major reason for this is that most of the Asian countries are developing countries and do not have a very steady economy.

So all the customers here want to travel in a safe, secure and modern manner at a competitive price. Therefore if the PIA starts adopting competitive pricing it may be able to capture this market. In Pakistan PIA has a lot of image building to do because it has not created an impressive image in the market in the past few years. The main reasons were last minute cancellation or late timings of the local flights. Also the planes used for local flights were in very poor condition. So now PIA has the opportunity to make use of modern technology to ensure timely flights as well as purchase luxurious and affordable planes for domestic flights as well.

### Threats

The following threats are being faced and will face PIA in the near future. These include:

- The emergence of new airline companies
- High fare rates

The main threat for PIA is the emergence of the new airline companies. If we look in the past, there was only one airline company in Pakistan i.e. PIA which was providing air traveling facilities to local and international destinations. However, in the past few years' three new airlines have emerged namely AeroAsia, Air Blue and Shaheen Airline companies that share the customers with PIA both locally and internationally. These companies face PIA with a great threat. These airlines have adopted different tactics to capture the market share. These include, low fare rates, scheduled and timely flights. As Pakistan is a developing country the people here like to travel at cheaper rates with timely flights. In this case if the PIA is not able to satisfy the needs of its customers efficiently, it has the threat of further losing its market share.

The customer is the king of the market and this fact has been greatly recognized by the other airlines, as they are able to fulfil their needs because they have smaller planes and can attract customers by providing cheaper rates and timely flights. Pakistan is currently classified as a third world country. Therefore the people here cannot afford high prices for air traveling. They look for cheaper airlines or for alternative means of transport to travel locally. This is quite a serious problem for an organization like PIA because it cannot cut down its prices or does not adopt competitive pricing. Therefore they are losing their market share as well as reputation as the people view it as a highly priced airline. The third company which is Shaheen Airline emerged in 1993 and is doing tremendously well in the local airline market as well as international and gradually taken over the market from PIA hence, the market leader presently.

**Challenges in Pakistan aviation industry:** While the coming together of satellite communication and information technology has made mass communication affordable and efficient for many people, air travel continues to remain an important and integral requirement of all societies since it is an essential part of present day lifestyle, HafeezUd Din (Marketing Forces January 2007). According to him, though just about one hundred years old, the commercial airline industry has come a long way towards providing efficient, comfortable and affordable means of travel and trade. It has successfully shrunk the world into a global village'. GLOBAL TRENDS (Marketing Forces January 2007 Vol.2 No. 4).

- Too many costs; the charges of the monopoly suppliers, e.g., airport charges, navigation charges, fuel prices, are beyond the control of the airlines
- Labor is another big cost item between 18 and 38 % of operating costs. It is controllable but experience shows how stubbornly difficult labor costs can be.
- Competition is intense
- More aircraft are entering the industry
- Low fare competition is now global

**Airline-service industry:** Airline is a service industry where quality is very hard to measure. It is measured on the basis of different attributes which also contributes to customer satisfaction. Giovanna and Silvia (2006) explain the concept of "customer satisfaction in the airline industry". Different aspects of service quality and satisfaction are discussed. The research says that when a consumer receives a service, its evaluation is shaped by different factors which are psychological interactions and characteristics of the service. The psychological interactions are formed by psychological benefits and they are very difficult to measure whereas the characteristics of a service can be evaluated as for a product. Then two types of qualities are defined namely process quality and results quality. Process quality is customer personal and subjective evaluation with respect to their participation to a service process and results quality is to customer evaluation with respect to process output. So, the service quality is therefore difficult to measure because they are intangible, heterogeneous and inseparable. As they cannot be easily measured, counted, tested or verified. Services are heterogeneous because it is difficult to guarantee their uniformity, as they are the result of inter-personal interactions (customer and staff), rather than of machines producing objects in series with the same characteristics. Service to customers can differ from company standards. One another important dimension of quality is perceived quality which is linked to the concept of satisfaction. Perceived quality has further three dimensions.

**Technical quality:** It is the result of know-how available to the company

**Functional quality:** This represents the way the service is provided.

**Corporate image:** This is the dominant dimension influencing expected service.

The data obtained from the questionnaires filled in by 19,653 passengers in March 2003 on board British Airways flights have been analyzed. The global satisfaction and overall experience were indicated as dependent variables and the 10 dimensions of the service (overall booking, check-in, transfer, lounge, departure, cabin environment, meal, and in-flight entertainment, goods for sale and cabin crew) as explanatory variables. In service industry, people are a bit reluctant to make online buying. (Ailsa, Liz Lee and PuiChing, 2004). Their study showed that even in developed countries where consumers are used to online buying they do hesitate to take a decision online. The study has found that Hong Kong consumers are heavy users of the web and use it for transactional as well as communication and recreation purposes. However, there is a deep-rooted reluctance to purchase airline tickets online, primarily because these are relatively high involvement, high priced items where mistakes might be costly to rectify, as well as ongoing concerns, particularly about security and privacy.

**Measuring quality:** Giovanna and Silvia (2006) studies has shown that if we have to determine the quality and satisfaction for a product then it's not that complicated but here is the case of airline industry which is a service industry. As it is a service industry, so we have to use simple variable so as to avoid ambiguities and get the most probable results. Different features of these low fare airlines has been discussed and somehow the operating environment has been described as no-frill airline, Lesley and Tom (2000). They have to meet the same Civil Aviation Authority standards and safety requirements. They created new markets as well as a direct threat to current carriers. Deregulation involves the removal of many of the regulations affecting civil aviation. The development of air transport was greatly affected by government influences and legislation. The deregulation in North America occurred in mid 1980s. The deregulation in Europe occurred in 1993. Any European Union Airline can now start domestic services in another member country. Deregulation in North America encouraged a range of low-cost, low-frills airlines among which some fail to survive because they kept on focusing on reducing cost and didn't consider the importance of customer confidence. Not all low-cost carriers in the USA have been short-lived. Southwest is a highly successful niche market operator and is ranked amongst the top 50 airlines in the world. No-frill airlines used simplified pricing structure which means they were flexible in returning ticket without high cost premium as that of mainstream airlines. In-flight services in many flights were removed to reduce cost. In-flight entertainment is often excluded from the package. Among the low cost carriers in UK, Ryan Air was the first to give services of low cost.

It is now taken in consideration that European market is different from American market and the no-frills airlines face difficulties in the future because of these differences. First of all the state owned airlines were getting air from their states so the no-frill airlines were unable to compete with them. No-frill airlines were demanding to declare the state aid as illegal to airlines. Besides that, high speed rails were developing in Europe. Some rivalries were also seen in the market Robert (1997). Customers of the airline industry fall into two major groups: individuals and companies. Within the individual customer group, there are two main segments: leisure travellers and business travellers. The company customer group consists of companies which generally have a contract with an airline to purchase a set amount of tickets each year at a discounted rate. Company customers, and the members of this group, which includes business travellers, employees of the company and its affiliates, are valuable to airlines because they are major contracts, usually for high-yield seats in business and first class. Massive and rapid changes in the airline industry are driven in large part by customer demand. As more and more people have the opportunity to fly and fly often, customer demand to fly to more places around the world. As a result, demand for greater convenience and comfort, and for better value, is increasing. The benefit of airline alliances to customers lies in the 'seamless travel' enabled by complementary routes and code-sharing, particularly for business travellers on a tight schedule, for whom flexible scheduling and timely connections are of the utmost importance. Jason, Ben, Josh, Sean and Josh (June5, 2008), one of the most obvious differences among airlines is the cost of the ticket. It does not matter if the trip is for business or pleasure; all entities are trying to stretch their travel budgets while receiving the level of service and quality they believe

they deserve. In the United States, there are generally two types of airlines: "legacy carriers," which are defined as airlines that specifically operated interstate routes prior to the Airline Deregulation Act of 1978 and "low cost" airlines that compete solely on the basis of offering the lowest price per ticket within the market in which they are operating. Each airline must decide which regions to serve, based on their profit potential and competition in a given market. The legacy carriers have a higher operating cost and operate in most domestic markets, regardless of their ability to create shareholder wealth by operating in these markets. The low-cost airlines have been more prudent in their expansion and do not compete in every market, but are more selective in deciding on where to compete against the legacy carriers that have more capital, and more brand recognition. Raguraman (April, 1997). Innovative, unique products help to define an airline's brand of service. Route schedules are another aspect of an airline's product that helps to differentiate it. American Airlines has adapted its services to customer preferences, so that its route network is one of the most expansive and flexible. Frequent flyer programmes are marketing tools for airlines to foster repeat business. Frequent flyer programmes are important products for both British Airways. British Airways' frequent flyer programme, the Executive Club, recognizes and rewards loyal customers. In line with the strategy of doing business with its alliance partners, British Airways expanded its programme a few years ago so that reciprocal frequent flyer programme arrangements with other carriers have evolved. It is felt that for better service, facilities and comfort to the travellers in Pakistan, the PIAC shall have to work closely with CAA and the Airport Security Agency, the role of both of which is important. DAWN article "PIAC: imperatives for growth" by "Muhammad Bashir Chaudhry" – June 14, 2004 Chances are that the travellers would blame PIA if they are not happy with the facilities at the airport provided by CAA or ASA personnel are less courteous while processing security clearance. The PIAC might like to review such matters with them on regular basis. It is apprehended that benefits of restructuring and fleet renewal might be lost to some extent if the PIAC management does not seriously control and economize on various costs particularly the major cost items.

### **Forces that affect profitability, risk & strategy**

Jason, Ben, Josh, and Sean (June5, 2008), in recent years, the airline industry in the international realm and in the domestic arena has seen its fair share of turbulence. With rising jet fuel prices and increased competition, the industry is as competitive as ever. Does fuel hedging make economic sense? David, Daniel and Betty J. (September, 2002) Firms find it more valuable if they have a lower correlation between the investment opportunities and cash flows resulting from hedge able risks. Some variables were used in the study which are:

**Dividends:** Firms paying dividends are usually less likely to be financially constrained. In an industry like airlines, where so many bankruptcy filings are there, a dividend is seemed to be a positive signal.

**Leverage:** Capital structure may affect firm value as well as the firm's decision to hedge if a higher level of debt.

**Profitability:** ROA has been included because there is a positive relation between ROA and firm value.

**Investment Opportunities:** Firms with greater investment opportunities are likely to be valued higher by the market. This study proved that changes in the cash flow for most airlines are negatively affected by the jet fuel prices. In the paper, the author said that airlines, on average, increase firm value by using fuel hedging strategies. But if jet fuel hedging is a valuable activity, then why don't all of them do it? Because it has a cost and at times that cost is bigger than its benefit. Voldymyr (2005). Airline industry has different types and classes of consumers. Different consumers pay different fares for traveling in airlines and airline's fares price do disperse across different airlines. Research on price dispersion in the airline industry has so far yielded two stylized facts. First, business travellers pay higher fares than do leisure travellers. Second, the degree of fare dispersion positively depends on competition (Dana 1999a, Hayes and Ross, 1998, Stavins, 2001, Borenstein and Rose, 1991, Giaume and Guillou, 2005). But the question of the relative contribution of these factors remains open. Even though airlines do not specifically indicate what types of customers they are targeting with specific economy class fares, different screening devices (restrictions and/or penalties for changing the departure date and/or cancellation) are successfully used to make sure that business customers do not take advantage of the low fares, aimed at leisure travellers. Further, airlines tend to offer lower fares with more restrictions, the further away the departure date, on the premise that leisure travellers tend to plan more ahead than business travellers. Crossairline dispersion of fares, aimed at business travellers, appears to be more than substantial, with some airlines offering fares several times higher than others. For leisure travellers, however, no substantial variation in fares across airlines is observed. Further analysis suggests that short-term capacity faced by airline companies appears to contribute to the pattern of price dispersion we observe (Voldymyr, April 2000).

### The envisaged marketing strategies for PIA

Since PIA was initially the market leader of the airline industry in Pakistan, below are the perceived or envisaged strategies they could have adopted as the leaders of the market. These marketing strategies in effect, are not just applicable to the PIA solely but rather, marketing strategies for any market leader on the market in as much as the market positions are concerned.

- To protect the current market share
- To expand the current market
- To increase the current market share

The above strategies could have been the best game plan for the PIA instead of the skimming strategy in as much as being the market leader is not left out of oblivious.

**Recommendations and Conclusion:** Pakistan International Airlines has got a lot of potentials to be amongst the world top airlines because there were times when it used to be world's second best airline in earlier 1970's. But unfortunately they were unable to maintain their image. The research found some common problems which were creating bad images in the minds of the customers. These problems are lack of quality ambience in an aircraft, non-cooperative crew members, unjustifiable fare rates etc. They still have got a lot of market share but they are losing it. In order to get their lost image, they have to work on the quality of the services they are providing to their customers. Other things which they have to

take care of are as follows: They have to improve the customer services that start from ticket booking till getting your luggage on arrival. When a passenger enters an aircraft, he/she must be exposed to quality ambience. Quality in-flight services should be provided to the customer. Food provided to the customers should be of best quality so as to avoid dissatisfaction of a customer. Crew member's presentation should be good and their behaviour towards the customer should be polite. Crew members should also be very cooperative in solving the problems of passengers during the flight. They should not charge high prices for their ticket fare. If they do so, then they should justify it by providing quality service to the customer. PIA should also reduce its overhead costs. They should manage their resources more effectively, so that with less input, more output can be achieved and the saved resources can be utilized in other areas such as providing some extra services to get maximum customer satisfaction. PIA is a strong organization but has some deficiencies in many areas due to which it has been facing loss in the past years. If these problems are solved then there is no doubt that PIA can be successful and become one of the top class airlines of the world. A good management system will enable PIA to work successfully and ensure the service quality, good image and thus customer satisfaction in the future. In the nutshell, we can all fathomed from the above regurgitated that, SWOT Analysis is not just a tool hovering in the industrial domain but rather used in catapulting effectiveness of an organization in as much as the audit of the Pakistan International Airline is concerned. PIA is a strong organization but has some deficiencies in many areas due to which it has been facing loss in the past years. If these problems are solved then there is no doubt that PIA can be successful and become one of the top class airlines of the world.

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