

BBA2 - Marketing 1 – Prof. Taylor Term Paper – SS/02

Cathay Pacific, Lufthansa, and Thai Airways



By Stefan Broda, Dennis Damer, Suttinee Keawsuwan,
Yin Tong, and Li Xin

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1. Introduction

This marketing paper examines three major international airlines in terms of their performance and marketing strategies. Thai Airways, Lufthansa and Cathay Pacific all operate routes between Asia and Europe. They all apply a distinct marketing mix to differentiate themselves from the competition drawing on their key competencies and corresponding to their reputation. Though taking into account the effects of other business segments, the main emphasis will be put on the passenger business.

Together they transport about 60 million passengers annually. Air travel from and to Asia has become more and more important over the last decades. Booming economies in Asia have led to an increased number of business contacts. There is heavy competition for the Chinese market which is slowly opening up.






The preconditions of the airlines for doing business are dissimilar. Lufthansa enjoys the advantage of a substantial domestic market. Thai Airways` domestic market is much smaller compared with its international operations and the company is still heavily influenced by the Thai government`s policies. Cathay Pacific strictly speaking does not have any domestic market at all and is backed by the powerful Hong Kong based Swire group.

Internationally the airline business has really become global. Prices can easily be compared and keeping customers loyal is a tough task. Due to overcapacities in the airline business, made evident by the major financial difficulties of Sabena and Swiss Air in the last months, most companies are therefore trying to define, acquire and keep those customer groups most important to them.

Recently the nature of competition has changed. The creation of *Star Alliance* and *oneworld* has resulted in more cooperation between the members and fiercer competition with other alliances and their member companies.

A major obstacle to comparing companies within the airline market is the highly regulated market structure, which allows for only imperfect competition. Often the national carriers are seen as symbols of national pride and enjoy a privileged status domestically.

2. About the Three Companies

					
Destinations	571	729	44	93	73
Countries/Territories	135	124	26	352	35
Daily departures	8.511	10.728	151	1,700	244
Passengers (000)	238	292	11,864	41,300	18,038
Fleet	2.023	2.058	72	243	81
RPKs (000,000)	--	--	47,153	88,606	42,395
Operating revenue (000)	--	--	4,426,194	13,356,240	2,869,686
Operating profit (000)	--	--	678,103	914,727	358,368
Net profit (000)	--	--	641,691	605,424	113,656
Frequent flyer programme	Yes	Yes	Asia Miles	Miles and More	Royal Orchid Plus
Airport lounges	Yes	Yes	First&Business	First&Business	First&Business
Major hub airports	--	--	Hong Kong	Frankfurt, Munich	Bangkok
Year of formation	1999	1997	1946	1926 (refund 1951)	1960
Ownership	--	PLC	PLC	PLC	PLC

In \$US Dollar

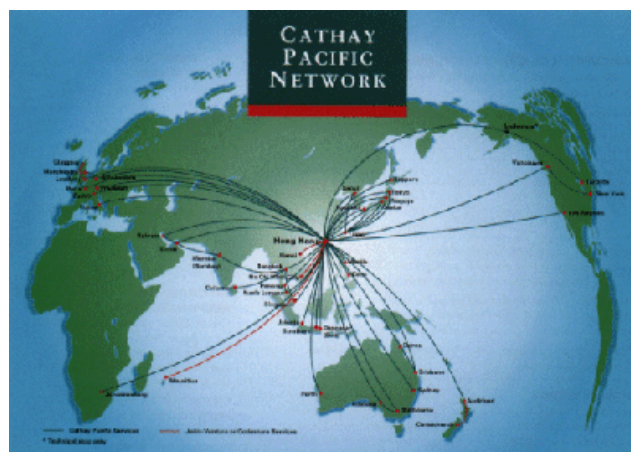
Revenue Passenger-Kilometres (RPK)

Passenger capacity sold expressed as number of passengers multiplied by flown kilometres.

2.1 Cathay Pacific Airways Limited

Cathay Pacific Airways is an international airline offering scheduled passenger and cargo services radiating from its headquarters in Hong Kong. It was founded in 1946 and is a member of Swire Group of Hong Kong. Together with Hong Kong Dragon Airlines Limited, the global network of Cathay Pacific extends to 62 destinations in addition to 27 destinations in mainland China. As a founding member of the *oneworld* global alliance, it operates in a combined network serving over 550 destinations worldwide.

Skytrax has voted Cathay Pacific the second best airline for the year 2002



Cathay is a medieval name for China popularized by Marco Polo in accounts of his travels, which was usually applied only to the area north of the Yangtze River as remote places. The airline named itself Cathay indicating that it aims to connect faraway places and to provide people access to Hong Kong and the Pacific region so that nowhere in the world would be any barbarous,

mysterious and unknown places left. Its logotype is of attractive, precise and elegant design symbolizing its two characteristics, *Chinalization* and *Traveling on Air* as well as implying the modern and efficient management of Cathay Pacific.

2.2 Lufthansa Public Limited Company

Lufthansa is the major German airline. It was founded 1926 in Cologne, stopping operations after World War II and was re-founded in 1951 by the German government. After 40 years of



expansion, the company was confronted with the second worst crisis and privatized during a sweeping rehabilitation program. The last ten years were dominated by further globalization through forging the *Star Alliance* and focusing on e-Business. Lufthansa is a founding member of *Star Alliance* which serves 329 destinations throughout the world.

The name Lufthansa can be divided in two parts: **Luft** in German means “air” and **Hansa** stems from the medieval times of Europe describing the trade network of mainly port cities in the Northern and Baltic Sea. For more than 75 years, the company sticks to the same logotype, whose colors and appearances are being modified from time to time.

2.3 Thai Airways International Public Company Limited

Thai Airways International is the major airline in Thailand which operates domestic, regional and intercontinental flights radiating from its headquarter based in Bangkok to key destinations around the world and within Thailand. It was founded in 1960 as a joint venture between Thailand’s domestic carrier, Thai Airways Company (TAC), and Scandinavian Airlines System (SAS). After a 17-year capital participation partnership with SAS, the Thai Government bought out SAS holding. In 1997, Thai Airways International became a member of the *Star Alliance*, and in 1998 merged with TAC, a domestic airline.



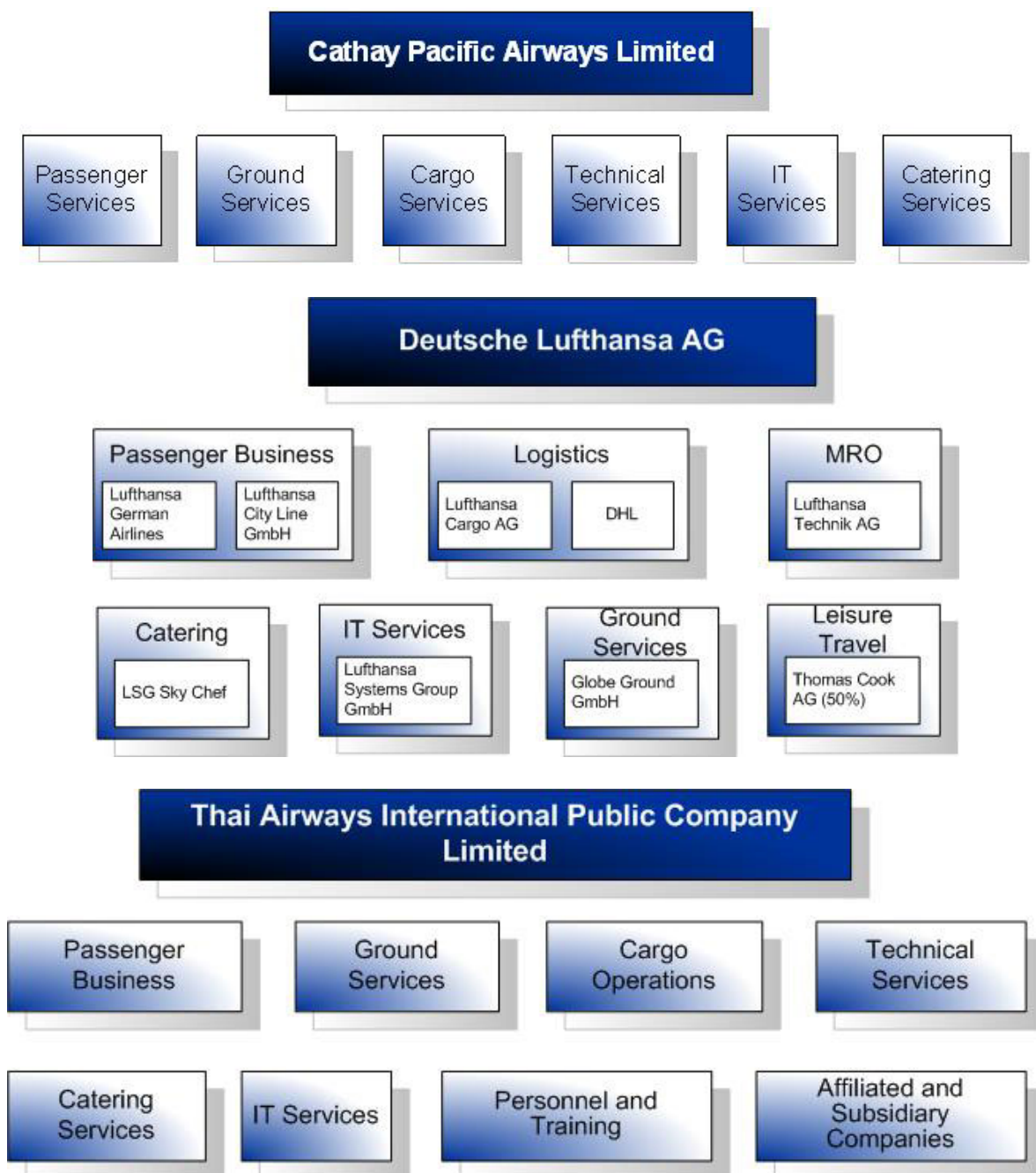
In 1238, Thailand was liberated from the domination of other countries and changed its name from Siam to Thailand (*Thai* means freedom, and Thailand stands for “Land of the freedom”). The name of the company means the national carrier of the Kingdom of Thailand in both Thai and English.

Thai Airways’ logotype is linked to an orchid and of high legibility and graphic impact. It is a symbol conveying the essence of Thailand; its soft, curving lines combined with a speed line suggest an effortless flight; the colour scheme reflects the culture of the country - gold (temple), magenta (silk) and purple (orchid).

3. Business sectors

Each company not only operates passenger flights but cargo shipping, ground services, maintenance and overhaul services, as well as many other services related to their core business. The most diversified company is Deutsche Lufthansa AG having developed from an airline into an aviation group comprising several subsidiaries and affiliates (e.g. Thomas Cook AG, a travel agencies networks and Condor, a charter airline). The company is the world market leader in catering in terms of market share, though its catering service continues to incur considerable losses.

Thai Airways’ catering service operates with great efficiency and supplies airlines stopping in Thailand. Plans for the future include setting up restaurant franchises abroad.



4. Market Segmentation

In general, an airline's customer base can be divided into several groups seeking different benefits each and being characterized by their preferences:

- Large corporate customers
- Small and medium – sized corporate customers
- Tourists
- Students & others
- Privileged customers (only Thai Airways)

Large corporate customers

Employees and managers of large corporation put more emphasis on reliability, safety, service and prestige. They are often willing to accept higher prices than the other customer groups.

Booking and organizing the flight is normally carried out by the administration department and not by the employees themselves.

Tickets are usually bought directly from the companies under special conditions.

Small and medium - sized corporate customers

The needs of small and medium – sized corporate customers are similar to their larger counterparts although price plays more of a role. Tickets are more often bought via travel agencies.

Germany's and Thailand's domestic markets are primarily dominated by these two business customer groups.

Tourists

Tourism continues to be important. Still, most airline companies see other sectors as more profitable. The majority of ordinary tourists is rather price sensitive. They will readily make use of special promotional offers or package tours as provided by Thai Airways and Cathay Pacific.

Students & Others

Discounted tickets are offered for students and other groups such as senior citizens or company employees. These passengers are hesitant to pay high prices but mostly place lower demands on service or comfort.

Privileged passengers (only Thai Airways)

Due to the state's heavy involvement in Thai Airways, it has to serve privileged passengers such as the royal family and politicians (including their attaches). Normally passengers of this type are

treated as first class passengers, do not pay any airfare, but demand high – quality service and attention. Citing economic reasons Thai is working to reduce these expenses.

To serve these different customer needs, these airlines have introduced several approaches. Firstly, each airplane has different classes. The economy class targets small corporate customers, tourists and budget travellers (such as students) whereas the business class aims at medium and big corporate customers. The first class is for high budget travellers comprising passengers working in high managerial positions or travellers seeking and being able to afford this special service and image plus.

5. Target Markets

Cathay Pacific

Cathay Pacific mainly targets business travellers from Hong Kong, North America, Asia and Europe. Its services are of interest for travellers who are not overly price sensitive and willing to invest in entertainment, service and comfort.

Lufthansa

Lufthansa's target market consists mainly of German and international business and leisure travellers. According to the Focus survey, Lufthansa seems to slightly neglect economy passengers from time to time. Some of the most important Asian routes are those from Munich to Shanghai, Beijing and Hong Kong.

Thai Airways

The focus of Thai Airways is placed mainly on business passengers in the first and business class as well as economy class tourists. Among European tourists, its economy class enjoys big popularity as Thai Airways is the cheapest of the three carriers.

6. Marketing Mix

6.1 Similarities

All three airlines employ distinctive marketing mixes to satisfy existing customers' needs and to attract new ones. Though each airline emphasises different aspects within the marketing mix, similarities exist and can therefore be summarized together defining a general marketing mix. As we have seen before, the companies are active in different business areas including passenger service, cargo, catering and IT services. In the following parts we will concentrate on the passenger business sector.

Product

The basic product offered is a flight connecting two distant places. Each company's ability to satisfy its customers therefore depends on a tight network of as many destinations as possible. For this purpose most airlines have formed strategic alliances, harmonizing their timetables and establishing code-sharing agreements as well as connecting their IT systems to allow consumers to check in from any member airline's terminal for any member airline's flight. As a result, their destination networks have expanded enormously and increased flight availability for their customers.

Technological innovations regarding Information Technology have led to an increased involvement of the internet in the airline business. Customers can book their flights, reserve seats and finally check in via internet, reducing waiting time at the airport. Furthermore, they will be informed about eventual flight delays via email, SMS or WAP.

Cathay Pacific is already offering in-flight e-mail services. Internet access adequate for professional usage will probably be available at Lufthansa and Cathay Pacific between 2003 and 2005.

Airport lounges do not only offer food, drink and a relaxing atmosphere to upper class passengers but PCs equipped with a broadband internet access and internet access via wireless LAN for passengers in possession of a notebook.

Lufthansa and Cathay Pacific have invested heavily in their IT infrastructure and services. They are technologically more advanced applying new technology faster and more extensively than Thai Airways.

Global Alliances

Competition in the airline business has moved away from the competition between airlines to an increased competition between alliances. In 1997, the *Star Alliance* was founded by five major airlines including Thai Airways and Lufthansa. Though still the largest and most competitive alliance, the competitive climate got fiercer when in 1999 *oneworld* was created of which Cathay Pacific is a member.

The companies negotiate code-sharing agreements (passengers can reach destinations via flights of several companies without major difficulties), connect their IT infrastructure, use common check – in facilities and harmonize their flight schedules and bonus programs.

Lufthansa reported to have saved about \$450 million in 2000 through its membership in *Star Alliance*. Promotion and advertising is made more efficient. Advertising for *oneworld* or *Star Alliance* means advertising for the members and vice versa.

For statistical information see table on page 2.

Place

The distribution channels used to reach the customers display lots of similarities as well. The companies continue to co-operate with travel agencies to sell their tickets. This is particularly important as far as middle-aged and older leisure travellers are concerned. Internet travel agencies have developed and cater for the needs of customers willing to sacrifice a personalized service for a lower price and the convenience of doing business via the Internet.

All three companies have set up an IT infrastructure creating internet portals to gain direct access to customers without the use of channel intermediaries. Lufthansa even offers one portal for individual and one portal for corporate customers. Like the websites, call centres offer customers the possibility to book/ change flights etc. 24/7.

The three airlines operate self – automated kiosks which allow customers to book or collect tickets, check – in or simply get the latest information on a flight.

Airports continue to be important channels for the companies attracting numerous potential customers. As many different travel agencies are present and a great variety of offers is presented to customers, airports continue to appeal to customers. This is complemented by the busy and international atmosphere at the airports.

Price

Mileage programs in form of bonus cards are offered by each company. They give rebates to frequent flyers and as soon as customers have accumulated enough points, they can exchange these for further services (see table on page 7).

Discounts are usually available during promotion campaigns as well as such to such groups as students or senior citizens. Corporate customers buying tickets in larger quantities allowing airlines to plan ahead may also qualify for discounts.

The time of the year (e.g. high season or low season) and the scale of demand are other important determinants of ticket prices. Discounts are also granted to last – minute and stand – by flyers. Passengers booking their tickets a certain period of time in advance are also likely to receive a discount.

The slow down of the global economy together with decrease in passenger business and rising oil prices due to the effects of September 11th have led prices to appreciate in the whole aviation sector.

Customer Loyalty Programs

On average, “six percent of an airline’s customer account for 24% of the miles flown” (R2ISC Associates). Rewarding this customer group is thereby essential and will increase their loyalty and therefore the airline’s profits. Customers flying a certain amount of miles annually will obtain frequent flyer status. Within this customer group two to four different levels of privilege exist according to the respective airline. Some of the advantages are priority check-in and boarding, extra baggage allowance, access to airport lounges and free ticket upgrades. All airlines feature a broad range of partners from various business sectors. Therefore, miles can be earned and redeemed with different partners such as hotels and car rentals. For instance, Lufthansa enables their customers to obtain mobile phones by Siemens or financial services offered by Deutsche Bank.

Through further cooperation with banks, airlines also offer credit cards allowing miles to be earned with each transaction.

Miles of our three companies can be exchanged within their alliances and with additional partners whereas certain restrictions still exist (e.g. Thai Mileage can only be used with Star Alliance partners when one part of the flight is operated by Thai Airways).



oneworld



Star Alliance



Lufthansa



	oneworld	Star Alliance	CATHAY PACIFIC	Lufthansa	Thai
Status	Base Member	Green	Base Member	Miles & More	THAI Royal Orchid
	Ruby	Silver	Silver	Frequent Traveller	THAI R. O. Plus
	Sapphire	Gold			THAI R. O. Plus Silver
	Emerald	Diamond	Gold	Senator	THAI R. O. Plus Gold
Members		ca 1 mio		> 5 mio	1.3 mio

Promotion

The promotional strategies of the three companies all stress slightly different aspects. Some aspects are particular to the single companies others can be treated together. Advertisements in international magazines such as Business Week, The Economist, Newsweek are powerful tools to reach a target market of internationals with interest in business, international affairs and travelling. Especially international editions of journals are of great interest to these companies.

The web presences of the companies are another promotional tool. Besides advertisement, they also offer in-depth information on the airlines.

Existing customers are targets of direct mail and e-mail as they provide a ready-made market and as it is considerably cheaper to keep existing customers than to acquire new ones.

Sponsoring national sports and social events creates awareness within the public and helps to polish the companies' image.

Cathay Pacific and Thai Airways offer package tours which include the flight, accommodation and other services. This is meant to promote travel within Asia in co-operation with partners throughout the region. Cathay Pacific's services are marketed under the name "Cathay Pacific Holidays", Thai Airways' package tours are known as "Royal Orchid Holidays".

The alliances are important to the airlines' promotional mix. Membership in an international alliance with a good reputation has a positive effect on how a company is perceived by the consumers. Furthermore, advertising for a strategic alliance provides advertisement for the airlines and vice versa.

6.2 Key Differences



Product

Cathay Pacific is one of the main airlines in Asia offering a wide range of Asian destinations. Its fleet is among the youngest worldwide and the youngest of the three companies dealt with.

At the same time, the airline commits itself in applying high technology to enhance its passenger services, being for example the first airline in the world offering in-flight email and online check-in service.

In addition to its 62 worldwide destinations, Cathay Pacific operates in association with Hong Kong Dragon Airlines Limited which serves 18 destinations in Mainland China.

Using intensive research, customer expectations and wishes were identified. To serve these needs Cathay has formed its own Service Style. Through internal campaign called "Service Straight from the Heart", employees in all areas are intensively trained during workshops to learn and understand this new concept. As experience suggests, hard service products such as seats and

entertainment are traditionally easy to copy. The top management feels that Service Style should be relatively difficult to imitate. It carries over a million passengers a month and together with its *oneworld* partners, connects 135 countries and over 570 destinations. Cathay Pacific opened “The Pier”—its new lounge at Hong Kong International Airport, which offers a number of new features including exclusive daybreak rooms, bars, restaurants, and internet connection. The Pier’s first opened in 1998 was named first in *Forbes* magazine list of The World’s Ten Best Airport Lounges in 2001. Hong Kong airport was voted the world’s best airport by Skytrax in 2002.

Cathay Pacific launched its New Business Class product that features one of the longest and widest stretch-flat seats in the airline business, an exclusive bar and reception area to meet and socialize, a private dressing room and is also equipped with AVOD (Audio & Video on Demand).

Price

Besides the usual frequent flyer programs, Cathay Pacific offers a special pass which passengers can use to travel inside Asia (Asia pass) and around the world (World pass) under certain conditions in cooperation with its over 60 partners around the world.

At the same time, Cathay Pacific emphasizes its commitment to Hong Kong community. In its *World Biggest Welcome* campaign, it gives away 10,000 tickets for Hong Kong residents to invite their relatives to visit Hong Kong, which greatly increased tourism in Hong Kong. It provides a special discount on Economy Class tickets for Hong Kong senior citizens of up to 50%.

Promotion

Cathay Pacific’s marketing slogan “The Heart of Asia” implies two messages. On the one hand Hong Kong being the economic and logistical heart of South-East Asia – on the other hand service as being one of their strongest competences.

Due to its “Service Straight from the Heart” campaign the Hong Kong flag carrier has the best reputation of service in terms of efficiency, hospitality, passenger-oriented convenience and comfort in Asia.

Besides the normal channels of promotion, Cathay sponsors such Hong Kong community activities as Chinese New Year Parade, Solutes the World, and Wilderness Experience of Hong Kong Youth Federation each year and has developed an environment friendly, healthy, contributing and efficient image in Hong Kong.



Product

Lufthansa features a tight network of 352 destinations in 93 countries. The strategic partnership with 15 airlines in *Star Alliance* helps Lufthansa to provide an overall number of 894 destinations in 129 countries, ensure a greater punctuality of 82.4% and add value to its Miles and More frequent flyer program. Security and trust are two aspects assured by Lufthansa to passengers through precise engineering and endows Lufthansa with an image of offering a quality – service. Status is another component of Lufthansa’s product conveyed by the brand itself. For a business person, flying with Lufthansa means projecting a high self and corporate image.

Price

For most routes, Lufthansa’s prices are rather competitive. However, on inner-European routes, Lufthansa has recently been under attack by budget carriers.

In comparison with the two other companies, Lufthansa offers medium – priced services. On most routes to Asia it is cheaper than Cathay but more expensive than Thai Airways.

Its pricing system is planned to become more flexible over the coming years. Whether this applies only to the domestic, European or also to the intercontinental market remains to be seen.

A law governing the offering of rebates was abolished by the German Bundestag.

Place

Lufthansa uses several distribution channels to ensure that its services are constantly available to its customers. It offers two online-portals, one for individual customers and one for corporate customers and currently sells about 15000 tickets per month via its own portal InfoFlyway. A travel agency set up by eight major European airlines was set up at the end of 2000.

Promotion

“There’s no better way to fly” is Lufthansa’s basic advertising slogan. Lufthansa’s promotion strategy has become more aggressive and proactive recently. Intensifying its direct marketing efforts Lufthansa is contacting existing customers via telephone calls, direct mail and e-mail.

Lufthansa has recently entered a marketing partnership with Deutsche Bank allowing both companies to offer the other’s services as bonuses etc.

Lufthansa’s diverse operations portfolio ensures its presence in different markets allowing access to mostly relevant groups of customers which is a definite advantage of the size of the whole company. In Berlin Lufthansa employees’ did social work which was meant to foster team – working skills and to create favorable publicity.



Product

Thai Airways' network covers 73 cities in 34 countries including domestic destinations, which is expanded by joint operation with other airlines to 104 cities in 45 countries. Coordinating with other airlines in- and outside of the *Star Alliance*, Thai Airways enhanced its service by code-sharing on routes that it is not serving itself and can connect its international passengers to domestic regional routes.

Thai Airways emphasizes its Thai identity and the characteristic Thai gentleness and friendliness in its service which impresses passengers all over the world. Thai Airways makes a point in choosing the best tasting, highest-quality foods and beverages to serve its customers and its wine selection was voted best among all airlines. At the same time, it also offers wide range of food such as European food, Japanese food, and food complying with religious customs.

Place

Thai Airways has adjusted its ticket sales system to be more flexible in respond to market forces and prices can be regulated by the scale of demand and the time of year through the Revenue Management System. As the *Star Alliance* member, Thai Airways gets more distribution channels from other member airlines as well as from *Star Alliance* offices. It also provides support in terms of tickets for passengers going aboard to bid on overseas projects, and was made the official airline for inbound passengers attending meetings in Thailand.

Promotion

'*Smooth as Silk*' is Thai Airways' slogan which is derived from the textured and luxurious look of Thailand's famous produce - silk. It suggests both the way it flies its aircraft and the feeling it provides to its passengers when flying with Thai Airways - comfort and pleasure.

As Thai Airways is Thailand's national airline, to advertise Thailand to the world is its major task. It uses its present motto 'Getting to know you' when it sponsors national and international social activities. Intensive advertising is the most impressive feature of Thai Airways' promotion which is made through all kinds of media channel and received a great deal of awards from international institutes such as PATA, ASEANTA.

Additionally Thai Airways is building their food image by expanding their franchise restaurant chain, which offers their board meals on the ground as well. By also publishing the recipes of their on board cuisine on their website it further promotes their strong emphasis which is put on food.

7. Competitive Advantages

As airline companies, Cathay Pacific, Lufthansa and Thai Airways provide services that show only slight differences. However, as the companies on their own are limited by their own lack of resources, expertise or capital, they apply different marketing strategies and exhibit different marketing competitive advantages.

Thai Airways is famous for its outstanding food service throughout the world. The variety of food and beverages with high quality and special features attracts people to fly with Thai Airways. In addition to Thai cuisine, it provides other cuisines to cater people from different countries or religions. As a main revenue earner, the food sector benefits from cheap materials available in Thailand as well as the unique characteristics of Thai cuisine. At the same time, gentle and friendly service and constant care are additional important features of Thai Airways having an impressing impact on the passengers during the flight. Furthermore, Thai Airways benefits from government subsidies in terms of frequent meetings, conventions, exhibitions and events held in Thailand, which bring about a steady market every year. On the other hand its business decisions might sometimes be subject to the governments policies.

Lufthansa claims to operate one of the safest passenger services compared with other airlines. Germany's reputation for precise and high-quality engineering contributes to this image. By means of cautious engine maintenance and precise security control, Lufthansa was rarely involved in serious air crashes. Through providing safe flights, it builds up an outstanding corporation image and reputation, assuring customers a sense of status and reputation if they choose to flight. As a result, it attracts most German business people who are concerned a great deal about safety, reliability, status and punctuality. At the same time, Lufthansa also applies high technology in their services, e.g. in flight entertainment and future internet services, online check – in, WAP services, and lounges with wireless LAN.

Cathay Pacific features s highly qualified service in terms of outstanding aircrafts, in-flight services and leading e-business operations. Cathay Pacific holds a young fleet in order to ensure that passengers experience a safe and comfortable flight. At the same time, in addition to luxurious lounges at the Hong Kong airport, Cathay provides warm, polite and thorough services to customers.

Cathay Pacific is one of the first airlines in the world to apply the most advanced technology in air passenger transport. It keeps passengers informed through SMS, provides on-demand VCR




and email systems in flight and self check-in devices. Furthermore, it enjoys a unique location in Hong Kong as a financial and economic centre in Asia and a constant and stable market.

8. Positioning in the Main Market

One way of looking into the market positioning of a company is asking the customers how they perceive them. Two surveys, carried out by Focus and Skytrax are used for this purpose. As Focus mainly targeted German consumers (4500 people) while Skytrax has a much more international spectrum of interviewees (four million), accordingly the results differ in some ways.

Safety

Security and trust are two aspects that play central roles in the passenger business. Though seen as the most secure form of transportation, a serious accident can damage a company's reputation. International aviation accident statistics show that since 1972, Cathay Pacific has had one air crash whereas Lufthansa lost three and Thai Airways had ten, being the most unsafe airline in these three airlines.

Accident statistic	 CATHAY PACIFIC	 Lufthansa	 Thai
Crashed Planes since 1972	1	3	10
Fatalities since 1972	81	61	429
Last Accident	1972	14.09.1993	03.03.2001

Services

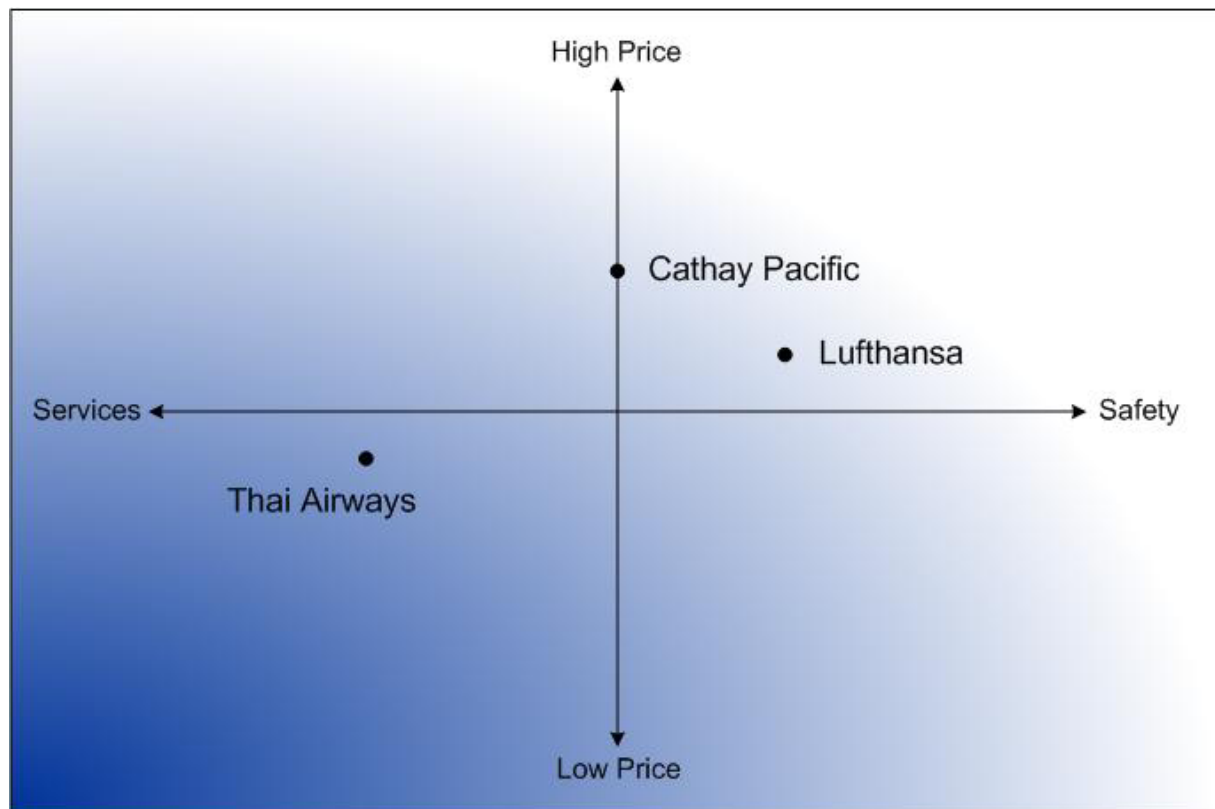
We consider only in-flight services including seat convenience, in-flight entertainment, food, and quality of flight attendants' service. All kind of services are important for passengers' impression and decision for their next flights. Both Cathay Pacific and Thai Airways serve their customers with Asian identities (friendliness, politeness, and gentleness); they concentrate on their services more than Lufthansa. According to Dr Franke, Chief Executive Lufthansa IT Services GmbH, the company's "Germanness" often is an obstacle to service and customer orientation.

This is also being made evident by surveys showing that most passengers prefer Cathay Pacific and Thai Airways' services to Lufthansa's.

Price

Price plays main role for occasional travellers as well as frequent flyers. From our price survey, we found (see appendix) that Cathay Pacific sells tickets in the highest price compared with Lufthansa and Thai Airways. Ticket price from Lufthansa is higher than Thai Airways in some destinations while both of them are *Star Alliance* members and they use code-sharing in some destinations, so their ticket price does not differ too much.

From these three points, we can draw a perceptual map by comparing ticket price in vertical axis and between services and safety in horizontal axis.



Cathay Pacific places itself as a luxury airline that concentrates on both services and safety; from this perceptual map we can see its position in the highest level for ticket price. Lufthansa and Thai Airways do not have a big difference in terms of price; Lufthansa has a good positioning in term of safety while Thai Airways tries to impress their passengers with its services.

9. Conclusion

Drawing a definite and just conclusion is no easy task. Thinking of travelling to Asia (or to Europe) it would be difficult to make a choice. From the point of view of a price conscious traveller looking for Asian atmosphere already during the flight, friendly service and good food, Thai Airways is a sure bet.

As a business traveller looking for service and a comfortable flight Cathay Pacific would surely be first choice. Though more expensive, its price/ performance ratio is still exceptional.

The services of Lufthansa appear to appeal most to corporate customers and business flyers valuing its sense for reliability and quality. Economy class leisure or budget travellers will most likely opt to take advantage of Cathay Pacific or 'Thai Airways' services.

10. Appendix




10.1 Price Comparison

Frankfurt to Bangkok (Feb/15/2003 - Mar/25/2003):		
Cathay Pacific	1257,30	(via Hong Kong)
Lufthansa	933,26	(Non-Stop)
Thai Airways	800,75	(Non-Stop)

Hong Kong to Frankfurt (Feb/15/2003 - Mar/25/2003):		
Cathay Pacific:	1915,56	(via Hong Kong)
Lufthansa:	1921,62	(Non-Stop)
Thai Airways:	3069,66	(Non-Stop)

Bangkok to Hong Kong (Feb/15/2003 - Mar/25/2003):		
Cathay Pacific:	508,47	(Non-Stop)
Lufthansa:	1115,64	(via Manila)
Thai Airways:	508,47	(Non-Stop)

10.2 Airline Customer Survey Results

<i>Focus</i>	 CATHAY PACIFIC	 Lufthansa	 Thai
Safety			
Safety perceived	1,18	1,84	1,32
Condition of the cabin	1,32	1,56	1,65
Service			
Seat Convenience	2,08	3,07	2,13
Catering	1,55	2,92	1,81
Service Quality of Personell	1,42	2,65	1,75
Onboard Entertainment	1,35	2,65	1,98
Price Quality Ratio	1,49	2,6	1,88
Skytrax			
Long Haul:			
Safety Procedures	2	2	3
Inflight Entertainment	1	2	3
Catering Business Class	2	2	3
Catering Economy Class	3	2	3
Seating Business Class	1	2	3
Seating Economy Class	3	3	2

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