

# IMPROVING SERVICES MARKETING STRATEGY FOR THE FLIGHT CATERING COMPANY

Case: Company Aeromar – “Aeromar-Saint-Petersburg”

## Abstract

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Title of publication <b>Improving services marketing strategy for the flight catering company</b> Case: Aeromar-Saint-Petersburg		
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<p>Abstract</p> <p>With the increasing prominence of services in the global economy, services marketing has become a subject that needs to be studied separately. Marketing services are different from marketing goods because of the unique characteristics of services, namely their intangibility, heterogeneity, perishability and inseparability. So, it is a challenging task to manage a service. In today's increasingly service driven markets and with the proliferation of multiple providers, a company has to plan carefully its marketing strategy to stay in the market and surpass competitors. The aim of this thesis is to study services marketing and to gain an understanding of the development of a services marketing strategy. The final goal is to improve marketing activities of the case company operating in flight catering industry in order to increase its competitiveness in the market.</p> <p>In this study, the author applies deductive approach with a qualitative research method. Secondary data is collected from various sources of literature, including books, articles and journals, as well as Internet sources. The secondary data is supported with primary data, which is collected with the help of the researcher's observation and interviewing workers from the case company, also the desktop study is carried out in order to analyze competitors.</p> <p>The theory part contains theories about services marketing and marketing strategy, segmentation and positioning and services marketing mix. Analyses such as SWOT, Porter's Five Forces and PEST are used to gather information of the company and its external environment.</p> <p>In conclusion, the empirical results and suggestions that are given at the end of the research are considered to be beneficial for the company's future development. The case company in order to achieve set goals should pay attention on the aspects that influence to the service quality of the company, as it is vital for the catering industry, and put effort on development of promotion campaign. It is also essential to carry out further research based on the financial figures of the company.</p>		
Keywords Services marketing, services marketing strategy, flight catering		

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# 1 INTRODUCTION

The purpose of this chapter is to help the reader to get familiar with the research topic of this thesis. The chapter starts with explaining the research background and continues with the thesis objectives, research questions and limitations. The theoretical framework introduces the main theories used in this study and is followed by the research methods and the data collection methods. The first chapter finishes with describing the structure of the thesis.

## 1.1 Research background

Every business needs to successfully market their products and services to attract customers. Companies need to keep up with various strategies to surpass competitors. Marketing can help to achieve these goals. To create a proper marketing strategy means to increase awareness and sales for the product. Marketing is managing cost effective consumer relationships. (Kotler & Armstrong 2014, 105.) Nowadays, marketing does not focus just on products, it is the satisfaction of the customers' matters. Creating an additional value to attract new customer is also very important in building commercial customer relationships. (Drucker 2001, 89.) The desire of a company to achieve efficiency and commercial success, and to gain a leading position in the market, makes it necessary to conduct an audit of marketing activities, checking their correctness (Gilmore 2003, 35).

The case company is the largest inflight catering company in the territory of Russian Federation called Aeromar. CJSC Aeromar has at the moment 6 branches in different cities such as Moscow, Saint-Petersburg, Sochi, Vladivostok, Rostov-on-Don, and Simferopol. However, the study is focused on the branch Aeromar- Saint-Petersburg, operating facilities of which are located in Pulkovo airport. The branch renders services to airline companies performing special, chartered and governmental flights, providing services for business aviation flights. The company operates in the services sector, which is crucial factor in developing marketing strategy. Marketing services are different from marketing goods because of the unique characteristics of services, namely, their intangibility, heterogeneity, perishability and inseparability (Abbasi & Dahiya 2016).

The case company needs this study to get the wider understanding of its internal situation as well as the external situation in the market for the future development. The purpose of the study is to find ways to improve the company's services marketing strategy in order to increase its competitiveness in the market.

## 1.2 Thesis objectives, research questions and limitations

The aim of the thesis is to theoretically justify and methodologically develop the basic principles and practical steps for improving the marketing activities of the enterprise Aeromar-St. Petersburg. This study will help the company to raise the level of its competitiveness, which means to survive in the modern conditions of the market. Also, the results of this work give a positive effect, increase the level of profit and stimulate the company's market share expansion.

A foundation for a well- conducted research is a carefully selected research question. The aim of the research question is to clarify the research problem and to make it clear for the reader what the topic is. After the main research question the researcher usually sets sub-questions to follow. The purpose of the sub- questions is to define the focus points of the main question. They also help the researcher in the beginning of the research process to set the purpose and goals for the study. (Saunders, Lewis & Thorn Hill 2009, 32-33.) Below are stated the main research question and the sub-questions chosen for this thesis.

The main research question:

What should the case company improve in its marketing strategy in order to increase its competitiveness in the market?

Sub- questions:

What is services marketing?

What kind of marketing activities is the company applying at the moment?

Who are the main competitors of Aeromar- St.-Petersburg?

How does the case company position itself in the competitive market?

What are the promotional tools needed for improving the marketing strategy?

Every research has limitations. The limitations of the study are those characteristics of design or methodology that impacted or influenced the interpretation of the findings from the research. They are the constraints on generalizability, applications to practice, and/or utility of findings that are the result of the ways in which the author initially chooses to design the study or the method used to establish internal and external validity or the result of un-anticipated challenges that emerged during the study. (Price & Murnan 2004.)

The limitations of this research have to do with a strong case company focus and a concentration on a very specific industry. Because this research is conducted and designed to

specifically help the case company, the results may not be applicable to companies of other industries, even those which operate in the Russian market. Also, the situation on the market may change in a short period of time and the findings of this study may therefore not be valid after a few years. That being said, this research is important for the case company because they need specific information about the market situation and they will use the findings of this research in the near future.

### 1.3 Theoretical framework

The key theories used in this research are chosen to lead the reader through the topic. Using key theories, the reader can create links during the reading. As the theory comes first in this thesis, the reader will get knowledge about the topic before reading the research.

The aim of the thesis is to help the case company to improve its existing marketing strategy to be more effective in order to increase its competitiveness on the market. The case company is a catering company which provides services for Russian and foreign airlines, so the theory about service and services marketing is presented and explained in the second chapter. The Services Marketing Mix (7P's of marketing) is also introduced in this chapter and further implemented.

The core theoretical framework of this thesis is a services marketing strategy. The third chapter is focused on the theory connected with marketing strategies and the analyses that are necessary to conduct for developing a marketing strategy. Therefore, external and internal analyses such as Porter's five forces, PEST analysis and SWOT analysis are presented and explained.

In the theory part, the STP process which refers to the three activities of segmentation, targeting and positioning is introduced for the reader. Organizations often commission segmentation research when they want to re-scope their marketing strategy. It is also important when the company operates in a dynamic environment.

### 1.4 Research methodology and data collection

In the beginning of the research process, the researcher needs to define which research approach to use. The different approaches differ from each other in the role of theory in the research. (Saunders, Lewis & Thornhill 2009, 124.) There are two commonly used research approaches: deductive reasoning and inductive reasoning. In deductive reasoning the first source of knowledge is theory. Using the theory, a hypothesis is created and the

empirical analysis is testing the hypothesis. Inductive reasoning is the opposite of deductive approach. In inductive reasoning, empirical research is the source for new theories. Pure induction is not often seen in business research. (Eriksson & Kovalainen 2008, 22.) In this research, the researcher has decided to use a deductive approach.

After the research approach is decided the researcher needs to define which research methods will be used to collect the data. The research method should be chosen keeping in mind that it is the best method to answer the research question the researcher has formulated earlier in the process (Eriksson & Kovalainen 2008, 27.) The research methods are divided into qualitative and quantitative methods.

Qualitative research methods focus on getting detailed and big amount of data from fewer sources. These methods are usually used to gain a deeper understanding of human behavior. Observing and interviewing are typical ways of collecting qualitative data and the participants need to be carefully selected. (Glenn 2010, 95-96.) Qualitative research leaves room for surprising changes in the research process and data collection (Eriksson & Kovalainen 2008, 30).

Quantitative research methods focus on getting a small piece of data from many different participants. A survey is a typical way of conducting a quantitative research and the data is often analyzed using statistical methods. (Glenn 2010, 95-96.) Quantitative methods of research do not usually leave room for changes during the research process. The answers of the participants are often precoded which makes it easier for the researcher to organize a large amount of data later in the process. (Eriksson & Kovalainen 2008, 32.)

As in this research the goal is to find out how the marketing strategy of a case company should be improved in order to increase the competitiveness, the qualitative research method was chosen.

The data for this research was collected from primary and secondary sources. Data that is collected by the researcher is called primary data (Eriksson & Kovalainen 2008, 77). In this research, the primary data was collected with observation and interviews which was done in the format of conversations. Also, an analysis of the case company's web page and social media was done to figure out how the company is currently doing marketing. Desktop study was conducted in order to analyse competitors. It was done on the basis of their web pages in combination with the case company sources. Evaluation of the competitors is an important part in the process of formulating a marketing strategy.



Another important source of information for this thesis was secondary data, which was collected from literature, articles and from Internet based sources. The following figure represents the data collection methods of this research.



Figure1 Research methodology and data collection

As Figure 1 above shows, this research was conducted with a deductive approach and qualitative research method was used. Data was collected form primary and secondary sources.

## 1.5 Thesis structure

The structure of the thesis is presented in a figure below.

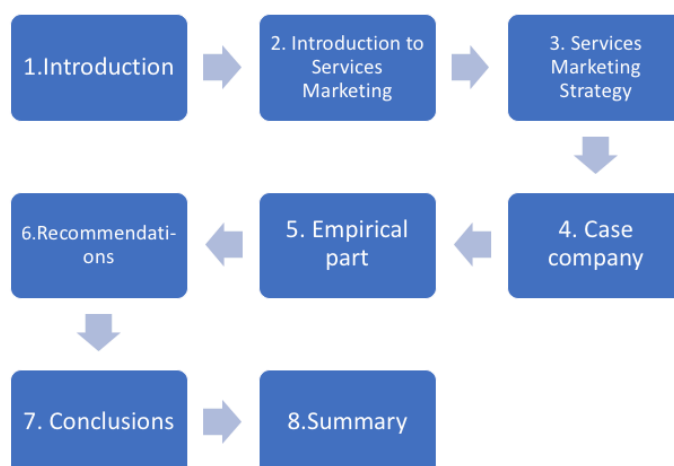


Figure 2 Thesis structure

This thesis has eight chapters. It starts with an introduction chapter. The purpose of the first chapter is to explain for the reader why the topic under examination in this thesis is important and also to introduce the key theories and research methods used in this work. After the first chapter, the thesis can be divided into a theoretical and empirical part. The theory part includes chapters two and three. Chapter two provides readers with basic definitions and interpretations of terminologies that are related to the topic and used throughout the thesis, such as a theoretical review about service and services marketing and services marketing mix. In the third chapter, the author explains what a services marketing strategy is and introduces the tools intended for the internal and external analysis of the company.

The fourth chapter introduces the reader to the case company before the empirical research. Chapter number five is the empirical research which was made through observation of the researcher and interviews with employees of the case company. Also, the desktop study was made to analyse competitors. It starts with the description of the research process and the data collection, after which it covers the data analysis part. Chapter six includes a development plan for the case company based on the research made, including a SWOT analysis conducted for the case company and suggestions based on this analysis. Chapter seven is the conclusion of the thesis. It provides answers to research questions and discusses the validity and reliability of the thesis. Also, suggestions for further research are given. The thesis finishes with chapter eight- which is a summary.

## 2 INTRODUCTION TO SERVICES MARKETING

This chapter concerns the theoretical framework- on which the thesis was based on. It will introduce the reader to the concepts of service and services marketing.

### 2.1 The nature of service

Services dominate today's world economy as a result of the considerable growth of the service sector over the last decades. The growing number of services has intensified competition among companies- which have to employ new strategies and tactics to respond to the customers' changing needs and expectations. Services have come to be perceived as an important source of differentiation and a way of gaining competitive advantage in the market. (Johann 2015, 9.)

The increasing interest in the services sector has drawn the considerable attention to the discussions over what constitutes a service and whether services marketing is a distinctive subject to study. Many authors have developed definitions of service, however, given the diversity of services, it is hard to find any consistent definition which could be applied to all services. (Johann 2015, 9.)

According to P. Kotler a service is an activity or benefit that one party can offer to another that is essentially intangible and does not result the ownership of anything. Its production may or may not be tied to a physical product. (Johann 2015, 9.)

Services are economic activities that create value and provide benefits for customers at specific times and places as a result of bringing desired change. A customer has a vital role to play in the production process as the services are provided in response to the customers' problem. (Gilmore 2003, 4-5).

The term "service" is rather general in nature and consists of a wide variety of services. Services may be business services that include advertising, banking and insurance. They may be professional services such as medical counseling, legal counseling, recreation, education- and fine arts that help to meet the emotional needs of people. (Johann 2015, 9.)

Services have a number of distinctive characteristics which differentiate them from goods and have a number of important marketing implications. The four characteristics of services are: intangibility, inseparability, heterogeneity and perishability. (Johann 2015, 9.)

**Intangibility:** The most basic and universally cited characteristics of services is their intangibility. Because services are performances or actions rather than objects, they cannot

be seen, felt, tasted or touched in the same manner that we can sense tangible goods. In fact, many services are difficult to be examined before they are purchased. The lack of physical evidence increases the level of uncertainty when the customer is choosing among competing services. In some cases, even after the service has been delivered, the customer might not fully understand the service performance. (Johann 2015, 10.)

**Inseparability:** Because services are processes, deeds or acts, customers are involved in the production of a service. For most services both the buyer and the seller need to be at the same place at the same time for the service to occur. This means that the service producers play an important role in the service experience for the customer. The quality of service and customer satisfaction will be highly dependent on actions of employees and the interactions between employees and customers. (Gilmore 2003, 11.)

**Heterogeneity:** Services are highly variable. This is because services are performances, frequently produced by the service personnel, which means that the performed services will not be precisely alike. Thus, the variability of services might result in different levels of service quality. The problem is that it is difficult to carry out monitoring and control to ensure consistent standards. (Johann 2015, 10.)

**Perishability:** Perishability refers to the fact that services cannot be inventoried, stored, warehoused or re-used. Since services are deeds, performances or acts whose production and consumption takes place simultaneously, they tend to perish in the absence of consumption. (Gilmore 2003, 11.)

## 2.2 The concept of services marketing

According to P. Kotler, services marketing requires solutions that can improve quality, service productivity, and impact to demand, in pricing as well as in distribution and promotion (Kotler 1990, 467).

Services marketing is marketing based on relationship and value. Services marketing is a narrow category of marketing focused on selling anything that is not a physical product. It is art. Capacity of a service provider is of prime importance because it can attract the clients to obtain the services. It also requires impressive public relations. The organization, which maintains good rapport with the client, is always a winner. (Introduction of marketing and services marketing 2018.)

All organizations that provide services of some kind use services marketing strategies. These fall into the two broad categories: organizations that provide services to individuals

– Business-to-customer and organizations that provide services to other organizations – Business- to- business. (Services Marketing 2012.)

Organizations that provide services to other organizations will apply marketing techniques in their industrial marketing efforts. This usually requires an approach that involves more person-to- person contact, as a sales representative from the service provider negotiates with a representative from the client business. This is likely to include meetings, presentations, and contact negotiations in addition to creating advertising materials. (Services Marketing 2012.)

A B2B marketer can effectively put their product or service into right hands by positioning their offering in an exciting manner, understanding the customer's needs, and proposing the right solutions to combine the two. It is important for B2B marketers to understand their clients' needs before implementing any marketing or advertising tactic. (Business- to Business Marketing 2012.)

### 2.3 The services marketing mix

The marketing mix refers to the set of marketing tools or tactics, that a company uses to promote its brand or product in the market. It is employed to meet the organization's objectives. The aim of marketing mix is to increase the revenue of the company due to the maximum satisfaction of the target audience and sustainable development of the organization itself. The 4Ps make up a typical marketing mix – Price, Product, Promotion and Place. However, nowadays, the marketing mix includes several other Ps like People, Physical evidence and Process. (The Economic Times 2018.) The figure below illustrates these seven sections of services marketing mix.



Figure 3 The 7Ps of Marketing Mix (Free BCom Notes 2015)

The additional 3Ps have gained widespread acceptance in the services marketing literature. The 3Ps together represent the service and provide the evidence that makes services more tangible. (7Ps of Service Marketing 2018.)

### 2.3.1 Product

In marketing a product is much more than just a physical object, it is a bundle of physical, psychological and experiential benefits that the customer receives that satisfies one or many wants or needs. The product is at the heart of the marketing exchange. If the product fails to deliver to the customer expectations, then all has been in vain. A product is a complex entity consisting of a number of overlapping layers. The basic anatomy of a product may be represented as a series of four bands representing the core product, the tangible product, the augmented product and the potential product. (Moore & Pareek 2006, 38-39.)

### 2.3.2 Placement

The second element of the marketing mix is called placement, this refers to how the company plans to distribute the product or service. Manufacturers rarely sell directly to their customers. Instead, they sell their product through one or more marketing channel or distribution channels. (Moore & Pareek 2006, 45.)

A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer. It can include wholesalers, retailers, distributors and even the internet. Channels are broken into direct and indirect forms: A direct channel allows the consumer to buy the goods from the manufacturer, and an indirect channel allows the consumer to buy the good from a wholesaler or retailer. (Investopedia 2018.)

Developing the right marketing channel to reach a target market is crucial to the success of a product. If the right channels are chosen, the distribution system becomes a source of competitive advantage because the seller has privileged access to their target markets. (Moore & Pareek 2006, 45-46.)

Preventing the producer from realizing a sale are the marketing channels the product must traverse through before it reaches the consumer. Some products require no intermediaries; others require multiple ones. A zero- level channel is one where the producer is

the distributor. A one-level channel is where there is one intermediary, most often a retailer, between the customer and the producer. A two-level channel is where there are two intermediaries, and so on and so on. The number of intermediaries profoundly affects how a product is marketed. The more intermediaries means the less responsibilities – and less cost- the manufacturer incurs. However, by outsourcing control to others partners, the producer has less influence in how the product is marketed and distributed. There needs to be a balance between lowering the production costs and controlling marketing. (Moore & Pareek 2006, 49.)

### 2.3.3 Pricing

Pricing is one of the most important elements of the marketing mix. It is the only element that generates income. The price is the amount a customer pays for the product. Adjusting the price has a profound impact on the marketing strategy, and depending on the price elasticity of the product, often, it will affect the demand and sales as well. The setting of a price should therefore complement the other elements of the marketing mix. The flexibility of pricing decisions is particularly important in times when the marketer seeks to quickly stimulate demand or respond to the competitor price actions. However, pricing decisions made hastily without sufficient research, analysis, and strategic evaluation can lead to the marketing organization losing revenue. Prices set too low may mean that the company is missing out on additional profits that could be earned if the target market is willing to spend more to acquire the product. Additionally, attempts to raise an initially low priced product to a higher price may be met by customer resistance as they may feel the marketer is attempting to take advantage of their customers. Prices set too high can also impact the revenue as they prevent interested customers from purchasing the product. Setting the right price level often takes considerable market knowledge and, especially with new products, testing of different pricing options. (Sandhusen 2000, 415-417.)

A penetration strategy would suggest a low introductory price in the market, perhaps even lower than the cost of producing products. The objective of this low price would be to stimulate the market growth by grabbing market share from existing or prospective competitors. Much safer, from a legal or political perspective, is a price skimming policy, with prices pegged high to lure the comparatively small target market more attracted to the quality, uniqueness and usefulness of the product than to its price. A skimming price is appropriate if the product is not attracting excessive competition, if a high price helps support a quality image, if there is a sufficiently large number of target market members willing to pay this price, and if a positive short-term return on investment is mandated. (Sandhusen 2000, 415-417.)

### 2.3.4 Promotion

Promotion is the fourth element of the marketing mix. Being successful in this element of the marketing mix not only builds good publicity for the firm itself, but the brand equity of its products also prospers. Promotion involves disseminating information about a product or a company using five different key types of promotions: advertising, sales promotion, public relations, personal selling and direct marketing. Together, the five elements are all part of a company's promotion mix. Since each type of promotional tool interacts with customers differently, the whole promotional mix must be integrated to deliver a consistent message regarding the strategic positioning of the company, and information regarding the product and the value it offers. (Moore & Pareek 2006, 85.)

**Advertising** is the most well-known and widespread promotional element and an efficient method to reach a large number of people. Communication channels used in advertising encompass are television, radio, magazines, newspapers, direct mail, signage, yellow pages, classified ads and the Internet. (Cuellar- Healey 2013.)

**Sales promotion** refers to the provision of incentives to the end consumer (*pull strategy*) or to intermediaries (*push strategy*) to stimulate demand for a product. It is normally used in combination with either advertising or personal selling. Consumer sales promotions include price promotions (also known as "price discounting"), coupons, gifts with purchase, samples, contests, sweepstakes, money refunds, frequent shoppers or loyalty incentives and Point of Purchase displays. Trade-oriented sales promotions are geared to supporting a firm's advertising and personal selling efforts. Typical trade promotional tools include allowances and discounts, cooperative advertising and trainings of the distributors' sales force. The main advantage of sales promotions is their effectiveness at stimulating sales during the duration of the offer. The disadvantages are that sales go down as soon as the deal ends and that effectiveness tends to dissipate over time if used continuously. (Cuellar- Healey 2013.)

**Public relations** and publicity relate to the planned and sustained efforts of a firm to establish and maintain a favourable public image and to generate publicity aimed at a broad public audience (employees, past and present customers, shareholders, financial institutions, the media, politicians, the general public, etc.). Publicity is basically a non-personal, unpaid presentation of a firm, product or service. The main advantage of publicity is that being an unpaid way of communication it is one of the most credible information sources. (Cuellar- Healey 2013.)



**Personal selling** is the second major promotional strategy and usually involves face-to-face communication between the seller and the buyer to “close the sale”. Under the “push” promotional strategy, the role of the sales force is to encourage intermediaries to buy the product. Under the “pull” strategy, their role is to provide support and after-sales service to retailers. The key advantages of personal selling include: a high level of persuasiveness, opportunities to customize the promotional message, getting immediate feedback, the possibility of selecting the audience while delivering complex information. The main disadvantages are the relatively high cost per contact, in the form of salaries and sales incentives paid to the sales representatives, as well as the variability of the message delivered by the sales representatives. (Cuellar- Healey 2013.)

**Direct marketing** is one of the fastest growing marketing strategies. It is based on the establishment of a direct relationship between a firm offering a product or service and the end consumer, with the goal of making a sale on the spot and eliminating the middleman. (Cuellar- Healey 2013.)

Because of the direct link between the producer and the end consumer direct marketing allows firms to be more effective in targeting their market, getting higher response rates, generating repeat sales and competing. The major disadvantages of direct marketing are the cost of some mediums, the need for comprehensive and up-to-date databases and the risks of violating data-protection and electronic communication laws. The tools used in direct marketing include- direct mail, leaflet drops, handouts and catalogues, telemarketing, direct response advertising, email marketing, online marketing and SMS or Text marketing. (Cuellar- Healey 2013.)

### 2.3.5 People

People define a service. Participants are all human actors who play a part in service delivery, namely the firm’s personnel and other customers. In services (especially, “high-contact” services such as restaurants and airlines), because of the simultaneity of production and consumption, the firm’s personnel occupy a key position in influencing the customer perceptions of product quality. In fact, they are part of the product and hence product quality is inseparable from the quality of the service provider. It is important, therefore, to pay particular attention to the quality of employees and to monitor their performance. (7Ps of Service Marketing 2018.)

### 2.3.6 Process

Process is the delivery and operating systems of producers, mechanisms and the flow of activities by which the service is delivered. Because services are performances or actions done for or with the customers, they typically involve a sequence of steps and activities. The combination of these steps constitutes a service process which is evaluated by the customers. Managing the process factor is essential due to the perishability of service, which means that services cannot be inventoried, stored for reuse or returned. (7Ps of Service Marketing 2018.)

### 2.3.7 Physical evidence

Physical evidence refers to the environment in which the service is delivered and in which the seller and consumer interact, combined with tangible commodities that facilitate the performance or communication of a service. Physical evidence is important because customers use tangible clues to assess the quality of the service provided. The physical evidence of service includes all the tangible representations of service such as brochures, letterhead, business cards, reports, signage, internet presence and equipment. For example, in the hotel industry, the design, furnishing, lighting, layout and decoration of the hotel as well as the appearance and attitudes of its employees will influence the customer perceptions of the service quality and experiences. The physical environment itself is instrumental in the customers' assessment of the quality and level of service they can expect. In fact, the physical environment is part of the product itself. (7Ps of Service Marketing 2018.)

The company's physical evidence may serve different purposes. It differentiates the firm from its competitors, communicates its image through tangible clues, facilitate the performance of the service, and socialize customers and employees. The service scape can be used as a part of the company's value proposition enhancing customer experience. Nicely designed interiors along with equipment of good quality and well-dressed personnel make a good impression on customers. (Johann 2015, 76.)

### 3 SERVICES MARKETING STRATEGY

Marketing strategy refers to the policies and key decisions in the field of marketing adopted by the management that have impact on the company's performance. A marketing strategy focuses primarily on products, markets and relationships with customers (Johann 2015, 19).

The process of formulating a marketing strategy can be divided into several stages. It is important to conduct an internal and external analysis to gather information which establishes bases for the marketing decisions. The firm needs to identify its strengths and weaknesses as well as core competencies, analyse trends in the macro environment, and conduct market and competitor analysis. Then, it should specify the market and customer preferences within the market, identify and select the best bases for segmentation. Also, it is necessary to differentiate a company's market offering from competing offerings and to develop the best positioning strategy. Implementation of positioning requires the careful design of the marketing mix elements. (Johann 2015, 20.)

Marketing strategy reflects the best company's opinion as to how it can most profitably apply its skills and resources to the marketplace. A business without a long- term corporate plan or aim is likely to drift from event to event without a clear sense of purpose.

The stages of marketing strategy development are:

- Study of market situation
- Assessment of the current situation of the company
- Competitor analysis
- Setting marketing strategy goals
- Market segmentation and targeting
- Development of positioning
- Preliminary evaluation and monitoring tools. (Sandhusen 2000,139.)

#### 3.1 Types of strategies

Michael Porter has identified three generic strategies that could be adopted by the organization in order to gain competitive advantage, which are as follows: Cost leadership strategy, Differentiation strategy and Focus strategy (Valipour 2012, 15).

### **Cost leadership strategy**

With this strategy, a company offers low cost products in the market. The firm sells its product below the average industry prices to gain market share. Cost leadership strategy takes place through experience, investment in production facilities, conservation and careful monitoring on the total operating costs. (Valipour 2012, 15.)

### **Differentiation strategy**

This strategy requires the development of goods or unique services from unmatched by relying on the customer's loyalty to the brand. A company can offer higher quality, performance or unique features, each of which justifies the higher prices. (Valipour 2012, 15.)

### **Focus strategy**

In this strategy, the firm concentrates on few selected target markets. It is hoped that by focusing marketing efforts on one or two narrow market segments and tailoring marketing mix to these specialized markets, the company can better meet the needs of the target market. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. (Tanwar 2013, 14.)

## **3.2 Firm and market analysis for marketing strategy**

Understanding the environment where the business operates in is a key part of planning, and will allow to discern the threats and opportunities associated with the area of business (Sandhusen 2000, 143).

The company operating in a modern market economy, in order to improve results, must constantly analyse the internal and external environment and the competitors' actions, investigate consumer needs and customer trends and to take into account the following factors to the continuous improvement of marketing strategies (Isoraite 2009, 114).

An external analysis looks at the wider business environment that affects business. An internal analysis looks at factors within the business, such as strengths and weaknesses. Making internal and external analyses of the business together gives a complete picture of a current situation and the steps for planning marketing. (Sandhusen 2000, 143.)

### 3.2.1 External analysis

All businesses and companies are operating in a changing environment and there are forces that are more powerful than they are. Any business strategy should take into account these forces so that opportunities and threats can be identified and the organization can navigate its way to success (Porter's five forces 2013).

#### a. Porter's five Forces analysis

Michael Porter provided a framework that analyses an industry as being influenced by five forces. It has been suggested that management, attempting to establish a competitive marketing advantage over rivals, can use this model to understand the industry context in which the business operates and to take appropriate strategic decisions. (Stimpson & Smith 2011,253.) This is useful both in understanding the strength of an organization's current competitive position, and the strength of a position which the organization may seem to be moving (Porter's five forces 2013). The figure below illustrates the Porter's five forces analysis for the better visualization.



Figure 4 Porter's five forces model (Peyeti 2011)

#### **Threat of new entry**

The threat of new entrants Porter created affects the competitive environment for the existing competitors and influences the ability of existing firms to achieve profitability. For example, a high threat of entry means that new competitors are likely to be attracted to

the profits of the industry and can enter the industry with ease. New competitors entering the marketplace can either threaten or decrease the market share and the profitability of the existing competitors and may result in changes to the existing product quality or price levels. (Wilkinson 2013a.)

The threat of new entrants depends on the barriers to entry. Barriers to entry are the obstacles or hindrances that make it difficult to enter a given market. These may include technology challenges, government regulation and patents, start-up costs, or education and licensing requirements. (Cleverism 2018.)

Table 1 Examples of barriers

BARRIERS	NOTES
Brand loyalty	Consumers' attachment to existing products. It means that a new firm would have to spend a lot of money on advertising to create its own brand loyalty.
Patents	It is a legal barrier for copying a product. It is only after the expiration of this legal protection that other competitors will be able to manufacture a product or provide that service in much the same way as the patent holder.
Economies of scale	When entering a market, a new entrant will hardly be able to produce the same quantities as the already established competitors. (The existing firm benefits from lower average costs due to size). Fixed production costs can make it very difficult to overcome this initial stage, making the arrival of new competitors impossible.
Government policies	Sometimes to open some institutes, a number of legal requirements and licenses must be obtained.

Learning curve	Some industries are characterized by complex operations or demand trainings which are not always easy to learn.
Geographical barriers	Some Industries are specific to a certain area. This means that new firms cannot enter unless they have access.
Access to distribution channel	Many suppliers require exclusivity from their distributors or they are already satisfied with the profitability that traditional brands offer and prefer not to take a risk on new entrants.

### Bargaining power of buyers

Buyers have bargaining power when they are strong enough to be able to put collective pressure on the companies producing a product or a service. This power is highest when buyers are able to gather together and amount for a large percentage of the producer's sales revenue or when there is a number of suppliers providing the same type of product. The presence of powerful buyers reduces the profit potential in an industry. Buyers increase competition within an industry by forcing down prices, bargaining for improved quality or more services, and playing competitors against each other. The result is diminished industry profitability. (Cleverism 2018.) In the table below the examples of the cases when the buyers' power is low and high are presented.

Table 2 Buyer power is high/ low

Buyers' power is high	Buyers' power is low
Customers are more concentrated than sellers	Buyers are less concentrated than sellers
Threat of backward integration is high	Buyer switching costs are high
Switching costs are low	Threat of backward integration is low

Customers well informed about the product	Buyer is not price sensitive
Buyer is price sensitive	Buyer is uneducated regarding the product
Product is undifferentiated	Highly differentiated product
Substitutes are available	Substitutes are unavailable
Buyer purchases product in high volume	Buyer purchases product in low volume

### **Bargaining power of suppliers**

In Porter's five forces, supplier power refers to the pressure that suppliers can exert on businesses by raising prices, lowering quality or reducing availability of their products. All of these things represent costs to the buyer. Furthermore, a strong supplier can make an industry more competitive and decrease profit potential for the buyer. Suppliers' bargaining power will be strong when the cost of switching is high; when the brand being sold is very powerful and well known; when substitutes are unavailable or the resource they supply is rare, or when there are small number of suppliers relative to buyers. (Wilkinson 2013b.)

### **Threat of substitution**

Porter's threat of substitutes definition is the availability of a product that the consumer can purchase instead of the industry's product. A substitute product is a product from another industry that offers similar benefits to the consumer as the product produced by the firms within the industry. (Wilkinson 2013c.)

The threat of substitution in an industry affects the competitive environment for the firms in that industry and influences the ability those firms to achieve profitability. The availability of a substitution threat effects the profitability of an industry because consumers can choose to purchase the substitute instead of the industry's product. The availability of close substitute products can make an industry more competitive and decrease profit potential for the firms in the industry. On the other hand, the lack of close substitute products makes an industry less competitive and increases profit potential for the firms in the industry. (Wilkinson 2013c.)



Threat of substitution will exist when: new technology makes other options available, price competition forces customers to consider alternatives, any significant new product leads to consumer spending that results in less being spent on other goods (Stimpson & Smith 2011, 215).

### **Competitive rivalry**

This is the key part of the analysis – it sums up the most important factors that determine the level of competition or rivalry in an industry. Competitive rivalry is most likely to be high where- it is cheap and easy for new firms to enter an industry, where there is a threat of substitute products, where suppliers have much power, or where buyers have much power. There will also be great rivalry between competing firms in an industry when- there is a large number of firms with similar market share, when high fixed costs force firms to try to obtain economies of scale, or when there is low market growth that forces firms to take share from rivals if they wish to increase sales. (Stimpson & Smith 2011, 215-216.)

The factor of competitive rivalry has significant impact on the competitive environment a company operates in because the degree of competitiveness has direct impact on the potential for profit that a company can expect. A highly competitive market may end up being detrimental to all companies involved, with lower profit margins and less ability to decide price points. (Stimpson & Smith 2011, 215-216.)

#### **b. PEST Analysis**

In PEST analysis, it is studied the political, economical, socio-cultural and technical aspects which affect the organization. These are the external factors which have to be studied while framing the strategies to achieve the firm's objectives. (Mccarthy 2016, 58.)

#### **3.2.2 Internal analysis**

For the internal analysis of the study, the author chose SWOT analysis as a tool to examine internal factors.

SWOT analysis is a framework used to evaluate a company's competitive position by identifying its strengths, weaknesses, opportunities and threats. Using environmental data to evaluate the position of a company, a SWOT analysis determines what assists the firm in accomplishing its objectives, and what obstacles it must overcome or minimize to achieve desired results: where the organization is today, and where it may go. (Johann 2015, 23.)

Strengths- in the SWOT analysis- are the company's capabilities and resources that allow it to engage in activities to generate economic value and perhaps competitive advantage.

A company's strengths may be in its ability to create unique products, to provide high-level customer service, or to have a presence in multiple retail markets. Strengths may also include aspects such as the company's culture, its staffing and training, or the quality of its managers. Whatever capability a company has can be regarded as a strength. (Simmering 2018.)

A company's weaknesses are a lack of resources or capabilities that can prevent it from generating economic value or gaining a competitive advantage if used to enact the company's strategy. There are many examples of organizational weaknesses. For example, a firm may have a large, bureaucratic structure that limits its ability to compete with smaller, more dynamic companies. Another weakness may occur if a company has higher labour costs than a competitor who can have similar productivity from a lower labour cost. The characteristics of an organization that can be strengths, as listed above, can also be weaknesses if the company does not utilize them well. (Simmering 2018.)

Opportunities provide the organization with a chance to improve its performance and its competitive advantage. Some opportunities may be anticipated, others arise unexpectedly. Opportunities may arise when there are niches for new products or services, or when these products and services can be offered at different times and in different locations. For instance, the increased use of the Internet has provided numerous opportunities for companies to expand their product sales. (Simmering 2018.)

Threats can be an individual, group, or organization outside the company that aim to reduce the level of the company's performance. Every company faces threats in its environment. Often the more successful companies have stronger threats- because there is a desire on the part of other companies to take some of that success for themselves. Threats may come from new products or services from other companies that aim to take away the company's competitive advantage. Threats may also come from government regulation or even consumer groups. (Simmering 2018.)

A strong company strategy that shows how to gain competitive advantage should address all four elements of the SWOT analysis. It should help the organization determine how to use its strengths to take advantage of opportunities and to neutralize threats. Finally, a strong strategy should help an organization avoid or fix its weaknesses. If a company can develop a strategy that makes use of the information from the SWOT analysis, it is more likely to have high levels of performance. Nearly every company can benefit from the SWOT analysis. (Encyclopedia 2016.)

### 3.3 Target marketing and segmentation

Target marketing involves the identification of the most profitable market segments. Therefore, businesses may decide to focus on just one or a few of these segments. They may develop products or services to satisfy each selected segment. Such a target marketing strategy differs from mass marketing, where a company may decide to produce and distribute one product to all customers, or from product differentiation, where a company offers a variety of products to a large market. (Camilleri 2018, 69.)

A market segment is a group of individuals, groups or organizations who may share the same interests, traits and characteristics. There are certain universally accepted criteria concerning what constitutes a viable market segment: segment should be of an adequate size to provide the company with the desired return for its effort, members of each segment should have a high degree of similarity in their requirements, yet be distinct from the rest of the market, and the criteria for describing segments must enable the company to communicate effectively with them. (McDonald & Wilson 2011, 106.)

Market segmentation is a consumer- oriented process and can be applied to almost any type of market. In dividing or segmenting markets, researchers typically look for shared characteristics such as common needs, common interests, similar lifestyles or even similar demographic profiles. So, market segmentation assumes that different segments require different marketing programs, as diverse customers are usually targeted through different offers, prices, promotions, distributions or some combination of marketing variables. (Camilleri 2018,70.)

Once the customer segments have been identified and profiled, the marketer must decide which segment to target. Diverse customers will have different expectations. The overall aim of segmentation is to identify high- yield segments. These are likely to be the most profitable groups of customers, or may hold potential for growth. Hence, the most lucrative segments will usually become target markets. (Camilleri 2018,70.)

By dividing the market into segments, marketing managers can acquire a better understanding of the needs and wants of customers. This enables them to customize the company's marketing activities more accurately and responsibly to the individual customers' likings. Segmentation marketing supports businesses in meeting and exceeding their customers' requirements. Also, customer segmentation enables to adopt a more systematic approach when planning ahead for the future. (Camilleri 2018,70.)

The traditional variables that may be used for market segmentation can be grouped into five main categories:

- Demographics which involves dividing the market into groups identifiable in terms of physical and factual data. The demographic variables may include age, gender, income, occupation, marital status, family size, race, religion and nationality.
- Geographics which involves selecting potential markets according to where they are located. This approach may consider variables such as climate, terrain, natural resources and population density, among other variables.
- Psychographics which could be used to segment markets according to personality traits, values, motives, interests and lifestyles of consumers.
- Behavioral which involves segmentation of the market according to individual purchase behaviours in terms of shopping frequency, volumes of purchase, etc.
- In Product-related segmentation variables depend on the product or service to be marketed. (Camilleri 2018, 72-75.)

After evaluating different segments, the service company should decide which and how many segments it will target, using one of the approaches to target the market selection (Johann 2015,25). The figure below illustrates these approaches.

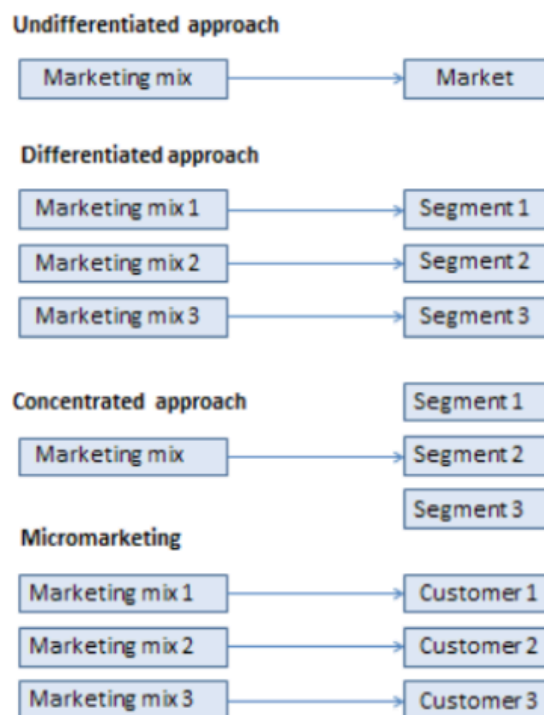


Figure 5 Approaches for targeting market segments (Johann 2015)

### Undifferentiated marketing

In mass marketing, there is no recognition of distinct segments in the market. A service company targets the whole market and develops one marketing-mix strategy, focusing on what is common in the needs of customers. Such an approach creates a large market potential. However, it does not lead to satisfying particular needs of customers. (Johann 2015, 25- 26.)

### **Differentiate marketing**

A service company identifies several segments and designs separate marketing programs for them. By using a differentiated approach, it is possible to increase customer satisfaction, thereby a service company can build a stronger position within each market segment. On the other hand, focusing on many segments may considerably increase the cost of doing business and lead to lower profits. (Johann 2015, 25- 26.)

### **Concentrated marketing**

Using a concentrated marketing approach, a service company recognizes that there are number of segments in the market, however, it decides to target one specific segment or niche. By concentrating on a selected segment, a company can achieve a strong market position, because it possesses broad knowledge about customers and knows how to meet their specific needs and requirements. (Johann 2015, 25- 26.)

### **Micromarketing**

In this approach, a service company focuses on local customer groups, such as trading areas, neighbourhoods, stores and also on individuals. Marketers see the individual in every customer. Thus, service providers customize their strategies to local markets and individuals to meet each customer's needs more precisely and effectively. (Johann 2015, 25- 26.)

## **3.4 Positioning**

Positioning of the service is even more important than positioning of goods because services tend to be intangible, so differentiation becomes a key issue in making the service distinctive in the perception of customers. Positioning is concerned with the identification, development and communication of the attributes which a service company intends to use to make its market offering recognizable and superior to the competing services. The final result of positioning is the creation of a value proposition, which is a cogent reason why target customers should buy a particular service. (Johann 2015, 27.)

In marketing and business strategy, market position refers to the consumer's perception of a brand or product in relation to competing brands or products. The positioning of a brand or product is a strategic process that involves marketing the brand or product in a certain way to create and establish an image or identity within the minds of the consumers in the target market. Market positioning of a brand or product must be maintained over their lives. Doing this requires ongoing marketing initiatives intended to reinforce the target market's perceptions of the product or brand. (Wilkinson 2013d.)

There are two broad categories of a market position: cost leadership and differentiation. Cost leadership and the differentiation of market positioning strategies are applicable to any business and any industry. (Wilkinson 2013d.)

A company using a cost leader strategy attempts to position itself in the minds of the consumers as a company that provides products the consumers want at a price that is lower than competing products available in the marketplace. Consumers expect basic products with no bells and whistles from a company using a cost leader strategy. Instead, consumers just expect the products to meet their needs and nothing more or less. (Wilkinson 2013d.)

A company using a differentiation business strategy attempts to position itself in the minds of the consumers as a company that provides unique products that consumers will pay more for because they cannot find comparable products or product features anywhere else in the marketplace. Consumers expect more from a differentiated product and are therefore willing to pay a premium for a differentiated product. This is true as long as the unique features of the product add some value to the product that makes it more valuable to the consumer, whether a functional feature or an aspect of image or prestige that enhances the perception of the product. (Wilkinson 2013d.)

### 3.5 Improving service quality and customer satisfaction

Service quality is an important element of differentiation and is crucial to the customer satisfaction. Attention to the service quality can help an organization to differentiate itself from other organizations and through it gain a lasting competitive advantage.

Service quality affects the purchase intentions of both existing and potential customers. Consumer expectations will be very different for goods and services sold at different prices. It is easy to think of quality standards in terms of manufactured goods- the reliability of the cars or the wear rate of manufactured goods, for example. However, quality is a crucial issue for the service providers, too. The production of the quality goods and services could bring advantages such as- customer loyalty, saves on costs associated with

customer complaints, less advertising may be necessary, longer life cycles, and a higher price for such goods and services. Quality can be, therefore, profitable. However, the level of quality selected by any business must be based on the resources available to it, the needs of the target market and the quality standards of the competitors. (Stimpson & Smith, 325.)

### 3.6 Strategy evaluation and control

A strategy is a set of objectives, policies, and plans that, taken together, define the scope of the enterprise and its approach for survival and success. The tests which could be justifiably applied to a business strategy, most of them will fit within one of these broad criteria:

**Consistency:** The strategy must not present mutually inconsistent goals and policies.

**Consonance:** The strategy must represent an adaptive response to the external environment and to the critical changes occurring within it.

**Advantage:** The strategy must provide the creation and/or maintenance of a competitive advantage in the selected area of activity.

**Feasibility:** The strategy must neither overtax available resources nor create unsolvable sub-problems. (Glueck 1980, 115.)

Strategic evaluation and control, which deal with ensuring whether a particular strategy contributes to the achievement of organizational objectives or not, may be considered as the last phase of the strategic management process. However, since the strategic management process is a continuous one, strategic evaluation and control should be taken as the step for future course of action through their feedback mechanism.

When strategy evaluation and control are undertaken properly, they contribute in three specific areas:

- measurement of organizational progress, that is, whether the organization is moving in the direction of achieving its objectives
- feedback for future action, that is, providing inputs either for adjusting the same strategic plan or taking future strategic plans
- linking performance and reward, that is, developing motivation system in which reward is given to personnel based on their performance and not other criteria (Strategic Evaluation and Control 2018.)

So, all in all the significance of strategy evaluation lies in its capacity to co-ordinate the task performed by managers, groups, and departments through control of performance. Strategic Evaluation is significant because of various factors such as developing inputs for new strategic planning, the urge for feedback, appraisal and reward, development of the strategic management process, judging the validity of strategic choice and others. (Management Study Guide 2018.)



## 4 CASE COMPANY AEROMAR- SAINT-PETERSBURG

This chapter introduces the case company of the study, so the reader will get to know the company before reading the empirical part. This chapter includes basic information about the capabilities of Aeromar- Saint-Petersburg and the history of this enterprise.

### 4.1 Introduction to the case company

Aeromar-Saint-Petersburg is a flight catering company which operates in Pulkovo airport. It is one of the branches of CJSC Aeromar, the headquarters of which are based in Moscow. Aeromar in Saint-Petersburg is a second by significance enterprise after Aeromar-Moscow among six other branches.

Aeromar-Saint-Petersburg is a company which was found on the base of Rossiya catering, when airline Rossiya has its own catering department on the territory of Pulkovo airport. In 2011 for decrease expenses of the catering the airline gave it for outsourcing to Aeromar. All production areas are the property of Rossiya airline and Aeromar-Saint-Petersburg rent them.

The case company has its production capacity on the territory of 3800 m<sup>2</sup>, and the area of the entire occupied territory reaches 11000 m<sup>2</sup>. Today, about 500 people are working for the Branch in Saint-Petersburg, more than 24 000 meals are produced and more, than 150 flights are served per day. For the delivery of meals up-to-date, the company exploit 22 vehicles of the own company fleet. The main fleet is composed from the modern vehicles on the base of Mercedes and Ford for ensuring safe service all types of aircrafts. The customers of the catering company Aeromar-St.-Petersburg are 20 Russian and foreign air companies. Among them are OJSC Aeroflot, OJSC Rossia, air company Yakutia, Air France, Swiss Air, Lufthansa, Hainan, Korean Air and others. The company's key customer and partner is Russian's largest airline carrier – Aeroflot Airlines.

The company specializes not only in high-quality cooking and delivery of food, but also in providing high-quality service, which is expressed in the ability to correctly create menus, to design and serve dishes, cleaning, equipment and other services.

### 4.2 History of the case company

History of CJSC Aeromar began in 1988, when the agreement for the creation of a catering enterprise on the territory of Sheremetievo airport in Moscow was signed. CJSC Aeromar was the second Soviet-American joint venture after McDonald's on the territory of the USSR. The founders of the company were from the Soviet side Aeroflot Headquarters

with 51% of shares, and from the U.S. side Marriott In-flight Services, a subsidiary of Marriott Hotel Chain, with 49%. The name of the new company was made from the first syllables of the names of its parent companies.

In 1996, LSG Sky Chefs Company replaced Marriott In-flight Services as the partner company, a joint venture between Lufthansa Service Holding and Onex Food Service, a Canadian company. This company was a world leader of catering services, which allowed Aeromar staff to use state-of-the-art advances in the field in their work.

In November 2011, CJSC Aeromar opened the second branch Aeromar-Saint-Petersburg on the basis of the former in-flight catering service of the airline company "Rossiya". It was the start of the case company. This service had a long history, operating since 1993 and was originally part of Pulkovo airport. Over the years, the service had received consulting services from French leading supplier of onboard food, Servair, a subsidiary of Air France, which has made a special contribution to the development of service performance based on modern trends in management, production management and nutrition, development of menus and hygiene rules, personnel trainings and the improvement of onboard food quality.

Today, it is a successful developmental division supplying high quality, various and safe meals for foreign and Russian air companies departing Pulkovo airport, rendering service to the companies performing special, custom-made, government flight, and business aviation flights. As Aeromar-St.-Petersburg is a branch, so it is highly connected with the Head Department in Moscow.

## 5 EMPIRICAL PART

This chapter covers the empirical research that was conducted for the thesis. The aim of the study is to find answer to the main research question of this thesis

The chapter starts with describing the data collection process and the methods chosen for collecting the data. After that, the data is analysed and the results are presented.

The empirical part consists of interviews of people working in the case company and a personal observation of the author. Results gained from the interviews of the personnel and observations are used as a source of information for further research. Based on the interviews, the information is presented further in this chapter. Questions used for the interview can be found from the appendix. The other part of the empirical research was observation. The results of the observation are shown and analysed as well.

### 5.1 Design and formulation of the empirical research

As was mentioned in the introduction part, there are two main research methods, qualitative and quantitative. Qualitative research concentrates on non-numeric data and getting an in-depth understanding of the issues. Quantitative research, on the other hand, focuses on numeric data and measuring variables by using statistical techniques. (Saunders, Lewis & Thornhill 2009, 161-164.) For this research, a qualitative method was used.

The first part of the empirical research was conducted via observation of the working process of the enterprise. Empirical research is based on observation and it derives knowledge from actual experiences instead of theory. It is the most powerful tool of testing a hypothesis of a study and for finding out how people behave. (Kothari 2004, 31.)

The second part of the empirical research was done by interviewing the employees of the case company. The interview was held as a business conversation and contained questions about the actual clients of the company and marketing activities already done in the company. The aim was to gain a deeper understanding of the current situation of the company Aeromar-St.-Petersburg and its potentials in marketing as well as its competitive situation on the market. Also, the desktop study was conducted in order to learn competitors of the case company.

### 5.2 Data collection

This chapter provides detailed information about the data collection phase of the thesis. The following figure illustrates the different stages of the data collection.

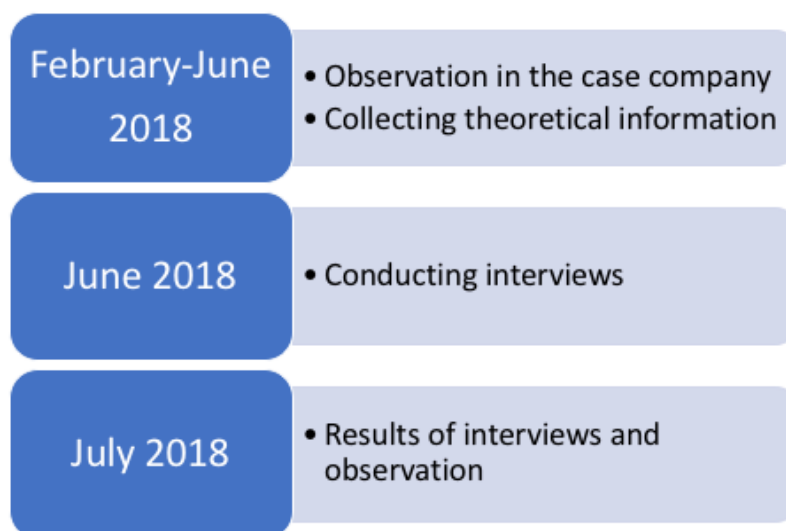


Figure 6 Stages of data collection

The writing process of the thesis started at the end of winter 2018. The first step was collecting already existing data about services marketing and marketing strategies. At the same time, the author was conducting the observation in the case company Aeromar-Saint-Petersburg. When the theoretical information was collected and the observation was coming to the final stage, it was time to appoint an interview for the workers of the case company. As the author was working at that moment in the case company, there was a chance to organize interviews with the head officers of three departments of the company: Commercial department, Trade department and Department of work with international airlines. All interviews were conducted in a format of conversations.

### 5.3 Data analysis

This subchapter analyses the data gained from the semi-structured interviews and the observation which compose the empirical research of this study. All the information that was collected during the interviews is presented. Also, desktop study was carried out in order to evaluate competitors of the case company and compare them.

The part about working system of the company is mostly written on the base of the author's observation. However, some parts are based on the information of an article about inflight catering in order to explain it more precisely. The part about company services is formed on the basis of the company internal sources. The desktop study was made in order to analyse competitors and compare them. The competitors' overview is information

taken from the websites of the companies and also case company elaboration concerning its competitors which was presented during the interview.

### 5.3.1 Working system of the company

This subchapter was written in order to familiarize the reader with the conception of inflight catering working system, as it is considered to be a very specific field of industry.

Flight catering starts with an understanding of the number of passengers and their needs; such information is available from both the market research and the actual passenger behaviour. On the basis of this, airlines, sometimes in consultation with caterers and suppliers, develop their product and service specifications. Such specifications determine exactly what food, drink and equipment items are to be carried on each route for each class of passengers. In response to forecasts of passenger numbers on any given flight, the production unit follows a series of complex steps to produce trayed meals and non-food items ready for the transportation to the aircraft. (Jones 2007, 44.)

Transportation is carried out by using special high-loader trucks that enable trolleys to be rolled on and off the aircraft. Once loaded, trolleys and other items need to be stowed on board to ensure the microbial safety of edible items and the security and safety of the crew, passengers and the aircraft.

Upon arrival at its destination, each aircraft is then stripped of all the equipment and trolleys, which are returned to the production units for cleaning and re-use. In achieving this, it is necessary to understand the impact of flying on the physiology of the passenger, to manage a complex supply chain, ensure the safety and quality of the product, utilize increasingly sophisticated information and communication technologies, and to engage in on-going research and development. (Jones 2007, 44.)

The company Aeromar- Saint-Petersburg operates in the basic model where the airlines take responsibility for determining their strategy, designing or selecting offers, items, equipment and components, as well as planning and sourcing. Then, airlines order from the caterer the storage, inventory control, preparation, assembly, loading or unloading, recycling and waste disposal. The caterer then purchases raw materials and items that the company need to meet the obligations with the airlines from the suppliers.

However, Aeromar-St.-Petersburg also uses another model for the supply of retail items, such as alcoholic beverages, soft drinks and duty free goods. So, on the plant the elements are prepared for the transportation and then are provided on board.

### 5.3.2 Company services

The figure below shows different services that company Aeromar-Saint-Petersburg provides. The main business of Aeromar-St.-Petersburg is supplying onboard food for regular flights according to the contract agreements. The company provides four types of meals for regular flights. They are crew meals, economy class meals, business class and first class meals. It accounts for 60 per cent of the company's service portfolio.

**Aeromar-St.-Petersburg Services**

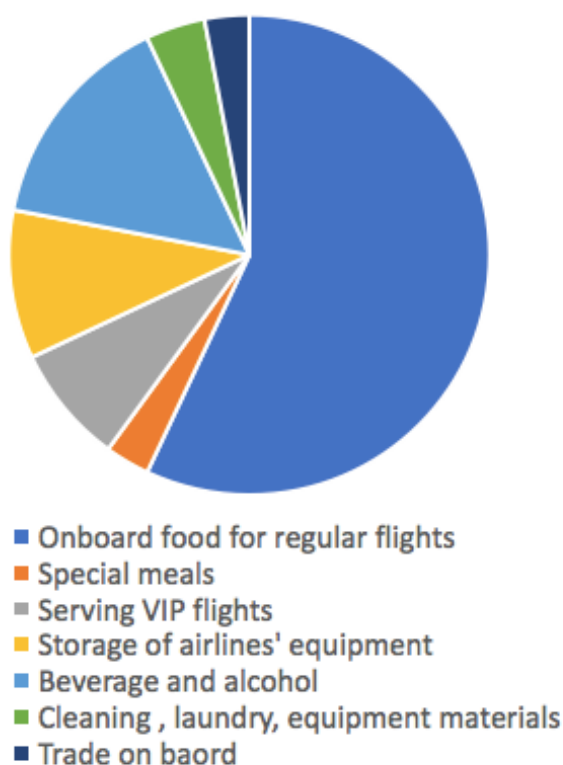


Figure 7 Services of Aeromar-Saint-Petersburg

The other services of Aeromar-Saint-Petersburg that are mainly provided for the Russian air carrier Rossiya and Chinese airlines are the supply of beverage and the provision of cleaning service and equipment materials for aircrafts. The service of equipment storage is made for foreign airlines as it is a necessary condition for serving airlines according to the standards. The company also provides different kinds of special meals to any flight of any airline according to the order. As a company with good reputation, Aeromar-Saint-Petersburg has possibilities to serve VIP flights, governmental flights and flights out of regu-

lar schedule, providing services of high cuisine. One more service that the company provides is a service of trade on board. This service includes three categories: Sky Shop, Sky Bistro and Sky Café. Sky Shop is a trade on board of aircrafts which allows passengers to buy such production as perfumes and cosmetics, electronics and toys for children. This service is represented on all flights of Russian airlines. Sky Bistro is a service of paid meals, which allows passengers to buy snacks, sandwiches and drinks on board of the plane. Sky Café is a service with hot meals as a full lunch or breakfast. These two last services are presented only on flights where the standard menu in frames of free meal is not provided. (Khapugin 2018.)

### 5.3.3 Company partner network

The key partner of the CJSC Aeromar is Aeroflot – Russian Airlines. Long- standing relationships are linked by Aeromar- Saint-Petersburg with more than 30 Russian and foreign airline companies.

The company collaborates with suppliers of goods and products from around the world. An impressive list of trading partners consists of around 500 companies, including such famous brands as Coca-Cola, and Belcar Salmon. Supplies of alcoholic beverages are organized by the leading national retailer, the company Simple. Iceberg is a reliable partner of Aeromar- Saint-Petersburg in providing laundry services for aircraft equipment. (Kulizhnikov 2018.)

### 5.3.4 Company mission, vision and objectives

The branch in Saint-Petersburg follows Aeromar's mission of being socially responsible and safe, as well as a profitable and sustainable enterprise. Its vision is to provide people with delicious and safe food on board, without being distracted by external factors and not looking at competitors. (Kulizhnikov 2018.)

The primary short- term objective of Aeromar-Saint-Petersburg is successful development, presentation and further launch of the new menu for the key client Rossiya. The second short- term objective is to pass the audit of LSG in December, to take the green zone of Global Quality System, which ensures customer satisfaction, on-time and safety performance, product and process quality, food safety and aviation security. Quality Managers of LSG conduct regular inspections in Aeromar-Saint-Petersburg. Another of short-term objectives is a successful implementation of a project with the involvement of two companies: Rossiya, the key client of Aeromar-St.-Petersburg, and the confectionary company Sever-Metropol. Sever-Metropol is large chain of café- confectionary in Saint-

Petersburg. The case of the project is to organize the supply of pastry products from company Metropol for all passengers who are registered for the Rossiya flights. Each passenger who is buying a ticket and registering for the flight of Rossiya airlines has a possibility to book any product of the confectionary company and get it on board of aircraft. Meanwhile the first long term objective is to occupy a bigger part of the aviation catering market in airport Pulkovo by attracting new airline companies which are starting their operations in the airport of Saint-Petersburg and by participating in tenders of airlines that are served by competitors at the moment. In addition, the company expects to lure one of the largest airline companies Emirates from competitor during the tender in 2020. (Kulizhnikov 2018.)

### 5.3.5 Marketing in the case company

In 2014, in the structure of the enterprise, the marketing group was formed. The foundation of such unit shows evidence of the dynamic development of the company and its orientation on the final consumer. (Egorova 2018.)

The main aim of the marketing group became exploration and development of the new business Sky Shop which is connected with trade on board of an aircraft. At the same time, the marketing team is working on the creation of the positive image of the whole brand CJCS Aeromar for the service consumers, on the style of the company, and implementation of Internet marketing technologies in the work. One more part of the obligatory work of the marketing personnel is the analysis of the sales statistics, analysis of the competitors' catalogues and other marketing researches of the market. However, as the company was faced with the issue of strengthening its position in the already developed market segment, it did not conduct a broad advertising campaign. (Egorova 2018.)

The marketing activities have been conducted in the sector of trade on board. The cooperation with leading suppliers and owners of the brands is established for the providing high-class services of the trade on board. Assortment of the Sky Shop is renewed twice a year. The search for the new and unique products with high consumer demand is going constantly. Also, to attract the customers' attention, the catalogue of the Sky Shop is also developed according to different topics when the assortment is renewed. (Egorova 2018.)

In the year 2013 CJSC Aeromar headquarter renewed the functionality and design of the official website in the Internet ([www.aeromar.ru](http://www.aeromar.ru)), where people can find information concerning each of the branches of the Aeromar company, and in April 2014 because of the start of new service of trade on board, a decision was made to create a special website Sky Shop ([www.skyshop.aeromar.ru](http://www.skyshop.aeromar.ru)) for provision of pre-orders on board of the Aeroflot



aircrafts. Aeromar-Saint-Petersburg opened a page in Russian social media called Vkontakte, where members responsible for trade on board update information about sales and upcoming collections. Expansion of the company services in the Internet gives the enterprise new possibilities in business management, and forms the image of CJCS Aeromar as an active player in the international market of the flight catering. (Egorova 2018.)

Every year the company Aeromar-Saint-Petersburg organize event- exhibition Sky Service, inviting and attracting sponsors, representatives from banks and supplying organizations, as well as its partners and clients. During this event, Master Classes and the competition of chefs from different flight catering companies and the competition of crew members of airline –clients are held. This event aims to promote the company and to generate public image at broad audience. (Kulizhnikov 2018.)

At the moment, the company is working on a project in cooperation with Rossiya airline and the confectionary company Sever-Metropol. Aeromar-Saint-Petersburg is getting the licence from Sever-Metropol for producing branded products according to the recipes of the confectionary. This project benefits from the commission charge from the realization of production and plays a role in cooperative advertising. (Kulizhnikov 2018.)

Table 3 Current marketing activities of the case company

Marketing activity	Annotation
Advertising	<ul style="list-style-type: none"> <li>• Website in the Internet for company Aeromar</li> <li>• Website for Sky Shop service</li> <li>• Page in Russian social networking site Vkontakte</li> </ul>
Direct marketing	<ul style="list-style-type: none"> <li>• Creation of catalogues for Sky Shop assortment twice a year</li> </ul>
Public relations	<ul style="list-style-type: none"> <li>• Event- exhibition Sky Service organized by the case company every year</li> </ul>
Sales promotion	<ul style="list-style-type: none"> <li>• Joint project with Rossiya airline and confectionary company Sever-Metropol</li> </ul>

The table 3 above recaps briefly the main marketing activities of the case company.

### 5.3.6 Competitors overview

Knowing the competitors and what they are offering can help to make products or services and marketing of the case company to stand out. The management of the case company can use this knowledge to create marketing strategies that take advantage of the competitors, and improve own business performance.

In this chapter, the main competitors of Aeromar-Saint-Petersburg which operate in Pulkovo airport are introduced to the reader. There are two main competitors of Aeromar-Saint-Petersburg: Flight Service and Transpit which work in the same segment and one potential competitor which works in the higher segment only for business aviation – Ginza Sky.

#### **Flight Service**

The Flight Service company was established in July 2008. Currently, the company has more than 5000 square meters of production and storage facilities in the immediate vicinity of the Pulkovo Airport, which allows to produce up to 20,000 portions a day intended for passengers of airlines, passengers of business salons and crew members of airlines. The number of working staff is 250 people. The company has its own car fleet, which includes vehicles of different purpose and tonnage. The cars are equipped with refrigeration units. Also, Flight Service company has its own inspection equipment for the Aviation Security, and the aviation security officers conduct the inspection around the clock. The company serves mostly Russian airlines. However, among its clients there are such foreign airlines as Turkish Airlines, Tajik Air, Belarusian Airlines and Air Moldova. (Flight Service 2018.)

Flight Service is engaged in production and supply of on-board catering for regular and business aviation flights. They also offer meals for business class passengers in the waiting rooms in Pulkovo airport. Trade on board is one more service that the company provides. This service is offered on domestic and international flights of airlines. Besides these, the Flight Service offers crew transportation services in comfortable tourist shuttles “Mercedes Benz Sprinter Classic” with a passenger capacity of 16 people plus a driver and the event catering, which is possible to order through their webpage. (Flight Service 2018.)

## Transpit

Transpit North-West was registered in March 2010 as a company providing in-flight catering services. The company serves flights of Russian and foreign airlines in Pulkovo airport. Transpit provides services such as preparation and delivery on board of in-flight catering intended for feeding passengers and the crew, the loading and removal of on – board supplies, sanitization and storage of reusable dishes and canteen-kitchen equipment and other property of airlines, as well as the cleaning and storage of textile equipment of airlines. Also, the catering company Transpit provides services on business and private aviation flights. (AviaPort 2017.)

The production complexes of Transpit North-West are located in close proximity to airport checkpoints. The production and storage facilities are equipped with relevant technological equipment and are located in controlled areas with limited access of third parties. The food safety management system is certified in accordance to the requirements of ISO 22000. The company also has Certificate of Halal. There is a security screening station equipped with inspection equipment at the territory of the enterprise. The fleet of vehicles includes car lifts and freight vehicles intended for the food transportation. (AviaPort 2017.)

Table 4 Market share of case company and its two main competitors

Company	Market share	Key clients
Aeromar	75%	Rossiya, Aeroflot, Korean Air, Hainan Airlines, China Eastern Airlines, Air Astana, Air France, Lufthansa, Swiss Air, Rusline, Yakutiya, Utair, Finnair, SAS, KLM, S7, Sichuan Airlines
Transpit	14%	Emirates, Ellinair, Red Wings, Nordwind, Nordavia, Somon Air, Uzbekistan Airways
Flight Service	11%	Nordstar, Tajik Air, Utair, Ural Airlines, S7, Air Moldova, Turkish Airlines, Azurair

The above table illustrates the market of share of Aeromar- Saint-Petersburg and its two main competitors, Transpit and Flight Service, and also recaps the key clients of each company for better visualization. The competitor Ginza Sky is not added to the table as this company operates only in the business aviation sector, so it does not serve airline companies for regular flights. However, this company should be benchmarked, because it is interesting for the case company to know about Ginza Sky in frames of the future development.

### **Ginza Sky**

Ginza Sky is the biggest supplier of exclusive inflight catering for business aviation. It is located in one of the terminals of Pulkovo, which is intended for business aviation passengers, Pulkovo 3. Ginza Sky has more than a 7-year experience in working in the catering business and successful cooperation with private clients.

The production works all year round 24 hours per day. The company has their own production facilities with offices and stocks and a wide range of services for business aviation such as the designing of menu for the air company or for the private client and supply on board, orders from menu of the company, delivery from any restaurant of the city, services of laundry, press, flower compositions, cleaning of aircrafts and the storage of provision. (Ginza Sky 2018.)

The company owns a car fleet, equipped with refrigerators and has permissions for the work on all aprons of airport (Ginza Sky 2018). However, the company does not have their own autolifts which perform the work with big airlines, so Ginza Sky has to rent vehicles from other flight catering companies in such cases.

#### **5.3.7 Segmentation and positioning**

To be precise, all of the flight caterings divide segments by psychographic segmentation, based on personality traits, values and lifestyles of consumers. So, the market is divided into three main segments which are economy class- mass market, premium and luxury. The target customers of mass market segment are middle- class people from 20-60, families with children and teenagers. Premium segment are mostly businessmen and high-class people who prefer comfort travelling with premium conditions and luxury segment is a business and governmental aviation with the target group of high- ranking elites, chief executives and first people in government from a 35-60 year old age group.

The companies Transpit North-West, Flight Service and Aeromar-Saint-Petersburg target all the segments, so they offer different services to fit the needs of the segments. Ginza Sky concentrates only on the luxury segment.

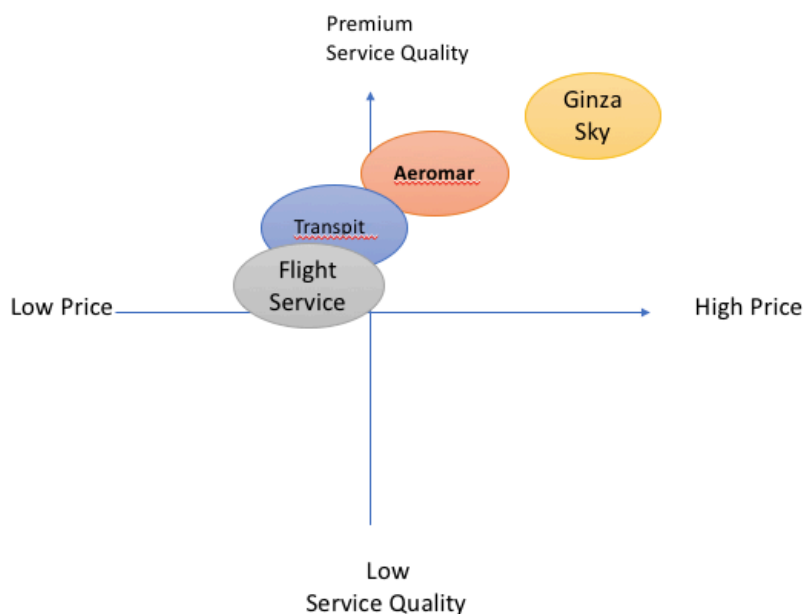


Figure 8 Positioning map

Furthermore, all of the flight catering companies have different positionings. The figure above shows the simple perceptual map of each company position in terms of service quality and price in Saint-Petersburg Pulkovo airport. In order to create this map, the researcher studied the 4Ps marketing mix of three competitors of Aeromar-Saint-Petersburg and the case company. The comparison table is presented in Appendix 2.

### 5.3.8 Market analysis

The airline industry in Saint-Petersburg continues to grow steadily. With the development of this industry, flight catering industry is actively developing as well. The chart below shows the changes of passenger air traffic from 2007 to 2017.

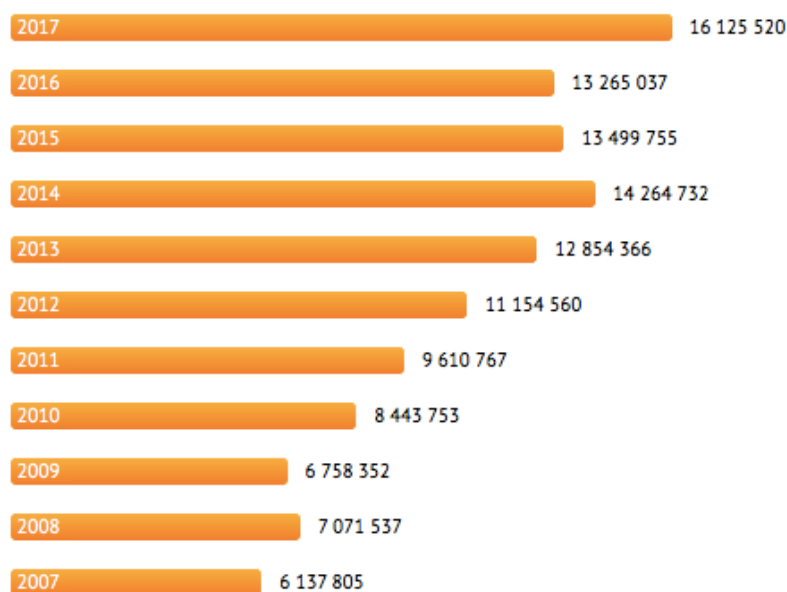


Figure 8 Passenger air traffic years 2007-2017 (Airport Pulkovo 2018)

The passenger traffic is growing each year. With the growing passenger traffic, the demand for catering services is rising. So, for the flight catering industry this tendency creates strong competitiveness in the market.

### 5.3.9 PEST analysis

Political factors seriously affect different types of businesses. This is especially noticeable in a country like Russia, where the political system is in the formation phase. National legislation is one of the main objective external factors that influence the development of an enterprise. All legal acts can be divided into three groups: Federal legal acts, legal acts of constituent entities of the Russian Federation, and legal acts of local self-government. Enterprises are required to strictly comply with regulations at all levels. However, sometimes the legislative acts of different levels contradict each other, causing uncertainty among the manufacturers. Russia is a country with high level of bureaucracy, which could badly affect to the operation of the enterprise.

Another aspect that has effect on the flight catering industry is the economy. In 2017, the Russian economy came out of recession and returned to moderate growth rates due to higher oil prices and the stabilization of key macroeconomic indicators. For 2017, the final level of the inflation in Russia was 2,6 per cent, which is good indicator, in Saint-Petersburg separately it was slightly higher – 2,98. However, it is still a significant problem for the flight catering enterprises, where the contracts among companies are signed for more than two years, and the level of inflation is unpredictable for the next year. Prices for the products are risen faster than any changes with prices could be made in the contracts with

airline companies. One more economical issue is that all the contracts with foreign companies are formed in foreign currency, euro. So, there is a possibility of transactional currency risk. It is the likelihood of losses associated with changes in the exchange rate with already concluded contract, according to which the payment must occur after a certain point in time in the future (Pivovarov 2013, 318).

Saint-Petersburg remains to be the fourth largest city in Europe and the second largest city in Russia after Moscow with 4,9 million citizens. Saint-Petersburg has always been considered the cultural and economic centre of Russia, where events and forums of international level are held all year round. Moreover, Gazprom, a Russian transnational energy corporation, is transferring their office to Saint-Petersburg, which significantly adds business flights to the city. At the moment, the population of Saint-Petersburg is the most educated ones among the whole population of Russian Federation. More than 36 per cent of the population of the city have higher education, which means that people try to find a job with a good salary and work in the office. So, companies, such as Aeromar-Saint-Petersburg where a lot of physical work is needed and personnel who can perform heavy physical labour, are forced to hire people from CIS countries such as Tajikistan, Uzbekistan and Turkmenistan. These workers usually do not have the relevant knowledge, so the quality of the working performance of the enterprise declines.

Factors associated with progress and technology have a significant impact on the development of catering and open up opportunities for the production of new types of services, their marketing and the improvement of customer service. Great importance is currently attached to the development of online services.

#### 5.3.10 Porter's Five Forces for flight catering industry

With this sub chapter the reader will get more insight of flight catering market in Saint-Petersburg by studying Porter's Five Forces Model.

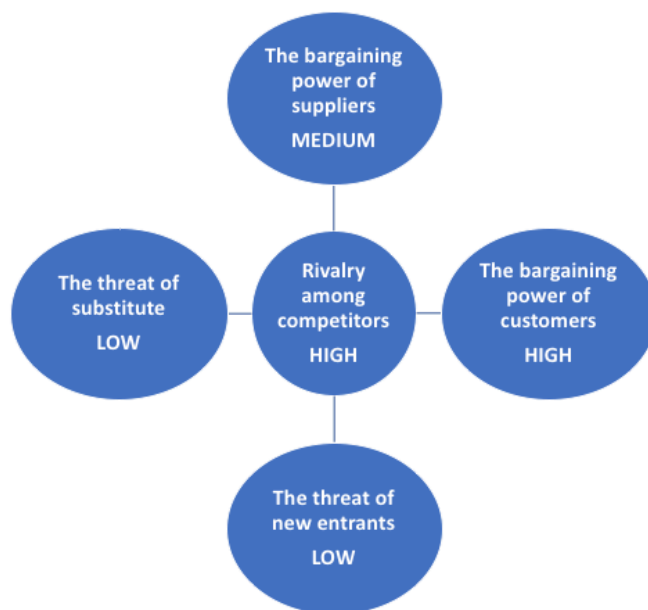


Figure 9 Porter's five forces for flight catering industry

The threat of new entrants in the flight catering industry can be considered as low. It takes significant investments to start a catering company which would serve airline companies, to buy all the needed equipment as well as to find the required production areas. Moreover, new entrants need licenses, insurances, distribution channels and other qualifications that are not easy to obtain when a company is a new player in the industry. Furthermore, it is expected that existing players have already gotten great experience over the years to cut costs and to increase the service level.

The bargaining power of suppliers in the flight catering industry is medium. Many product, beverage and especially alcohol companies would like to supply such amounts of their production which is needed for the work of a catering company. For the suppliers, the contract with the flight catering company is a guarantee of constant profit, so wholesale suppliers try to get such opportunity. However, only big suppliers are suitable for the work with flight catering companies because of the amounts of production needed. If the supplier cannot cope with fixed volumes, catering company has to find extra provider, which could take time and further will lead to the delay of production.

Then, the threat of substitute services in the market is low. There are no other companies besides the flight caterer operators who can carry out the supply of all needed elements on board of the aircraft and to perform all necessary functions. For such work, many ele-



ments are required, such as specialized equipment and tracks, all the licences and permissions to work on apron, trained personnel and production powers. Many preparation activities are needed to provide high service quality inside the aviation industry.

However, the bargaining power of the customers is at the high level. Airline companies have a tendency to establish the prices for the caterers by themselves. Organizing tenders, airlines choose the most suitable catering company for them. In their turn, caterers try to make the most attractive offer to gain the customer.

The rivalry among existing competitors is also high. It is happening due to the shortage of the companies that offer meals on their flights. In aviation business, more and more lower coasters are appearing, some airline companies reject ordering meals in order to gain maximum profit and to reduce expenses. All the catering companies are trying to keep their clients and to take clients from the competitors to keep their place in the market. This situation makes the rivalry among flight catering companies that operate in Pulkovo airport really strong.

## 6 DEVELOPMENT PLAN

In this chapter, the development plan for the case company is presented. The development plan is done after empirical research and divided into different sub-chapters. The first sub-chapter covers the SWOT analysis of the company, analysing its strengths, weaknesses, opportunities and threats. The second sub-chapter is an action plan for the case company which includes suggestions what the case company could do to improve services marketing in order to increase its competitiveness. The suggestions for the case company are based on the results of the SWOT analysis.

### 6.1 SWOT analysis

For the company analysis the SWOT is used for examining the current situation of the company Aeromar-Saint-Petersburg. In order to achieve needed understanding and complete SWOT analysis researcher have been conducting interviews, desk study and observation. This subchapter introduces the strengths, weaknesses, opportunities, as well as threats exposed to Aeromar-Saint-Petersburg.

The greatest advantage is that the company has strong support from the Russian government, as the governmental company Aeroflot is its majority shareholder with 51% of share. The other shareholder is LSG Sky Chefs, one of the largest catering operators of air passenger fleet. So, Aeromar- Saint-Petersburg, as other branches of Aeromar has strong and great shareholders. The company has years of working experience on the market of catering services. Forming the branch of Aeromar-Saint-Petersburg, experienced and qualified personnel were retained, whose achievements were numerous victories at international competitions. Moreover, Aeromar-St.-Petersburg is located directly on the territory of the airport. The distance to the international Pulkovo airport is covered in 10 minutes. This advantage allows to organize the uninterrupted service of regular flights departing according to an established schedule, as well as carrying out the processes of ensuring aviation security at the maximum level. One of the main advantages of the company, which distinguishes it from the competing organizations, is the fact that the Aeromar-Saint Petersburg branch is a full-cycle production company. One more important point is that Aeromar-Saint-Petersburg put a special attention to the quality standards. The system of quality management is based on HACCP principles (Hazard Analysis and Critical Control Points).

However, there are critical weaknesses that Aeromar should take into account. Although since the opening, Aeromar-Saint-Petersburg has been actively doing the reconstruction

and renovation works for the improvement of production quality, there is still lack of production areas and facilities. Aeromar has also expensive suppliers that influence to the final prices of the products. So, the prices could be more expensive compared to the competitors, which could influence to customer perception. The company is very dependent on the plans of airlines and their schedules, which could be a weakness in case of a flight delay or cancelation. Also, there is one significant disadvantage – seasonal orientation. The major part of work is spread on summer season during summer navigation, so more of the served airline companies of Aeromar-Saint-Petersburg stop their navigation for the winter season or shorten the number of flights, which badly influence to the profit of the case company. For such big company Aeromar has an insufficient brand image. The company is not developing social media channels which have significant influence in the modern society. One more point that could be improved is the company's corporate culture. The author noticed that the cohesion in activities of the departments is missing time to time. It does not mean that workers perform their work bad, the problem is that the heads of different departments sometimes are experiencing the lack of communication, so the decisions about some issues are taking quite long time.

There is a wide range of opportunities for Aeromar-St.-Petersburg. The company plans to actively develop the new business of Trade on board "Sky Shop" and as it was mentioned before some actions towards its development have already been started. Also, the company is going through the planning of the production area expansion. This is needed in order to attract new clients and to improve service quality. As the company also has in plans to develop the Arabic cuisine and to lure the large airline company Emirates from the competitor as it was mentioned before. Aeromar-Saint-Petersburg has experience in working with airlines from different parts of the world, so the company intends to further develop national cuisine for Asian and Western cultures. One more way to attract new clients and make customers interested in the services of Aeromar-Saint-Petersburg is the development of the socio-media channels and promotion through them. Moreover, the last several years the enterprise has shown a high service level of VIP flights, which gives the opportunity to attract business aviation and to create the sector for the business flights.

Still, the company should keep watch for the intense and increasing competition on the Saint-Petersburg market, which is considered as one of the threats. Additionally, Aeromar-Saint-Petersburg has to prolong the rent of the production areas every three years, the owner of which is the airline company Rossiya. It means that the catering company is totally dependent on its main customer Rossiya, which gives the rent and takes the service.

Table 5 SWOT analysis for Aeromar Saint-Petersburg

<b>Strengths</b>	<ul style="list-style-type: none"> <li>- Large shareholders (Aeroflot and LSG Sky Chefs)</li> <li>- Close allocation to the airport / fast delivery</li> <li>- Experienced staff</li> <li>- Years of work in the market / Strong reputation</li> <li>- Presence of international quality certificates</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>- Lack of production areas and facilities</li> <li>- Expensive suppliers of the products</li> <li>- Seasonal orientation</li> <li>- Dependency on airlines</li> <li>- Brand image</li> <li>- Corporate culture</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- Development of Trade on board “Sky Shop”</li> <li>- Development of social media channels</li> <li>- Expansion of production area</li> <li>- Attraction and service development for business aviation</li> <li>- Further development of national cuisine for different cultures</li> <li>- Improving service quality</li> </ul>
<b>Treats</b>	<ul style="list-style-type: none"> <li>- Strong and massive competitors</li> <li>- Rent of the production areas, which is need to be prolonged every three years</li> <li>- Dependency of the main customer Rossiya, which provides areas for enterprise and makes orders</li> </ul>

The above table recaps main points of the SWOT analysis of Aeromar-Saint-Petersburg. The enterprise has massive threats to counter and weaknesses to have in consideration. Besides, there is a number of opportunities for the company, which is a crucial reason for making improvements in the company's strategy.

## 6.2 Action plan

The strategy of the case company is at the moment is the development strategy of strengthening positions in the already developed segment of the mass market with civil aviation and by penetrating to the new segment of the business aviation. In the beginning of the year 2018 the objective of attracting new clients and expanding customer base was set in order to gain bigger market share. To reach the objective, actions of the improvement of business image and its performance should be taken.

The main research question of the thesis is “What should the case company improve in its marketing strategy in order to increase competitiveness in the market?” and to answer this question an action plan was developed. The idea of an action plan is to provide ideas and suggestions for the case company. The suggestions are based on the theoretical and empirical research done for the thesis. Also, the SWOT analysis of the case company presented in the previous sub-chapter used as a tool to create an action plan. The action plan for the company is completed on the basis of the services marketing mix.

### 6.2.1 Product

The product strategy of Aeromar-Saint-Petersburg is focused mostly on the mass segment of the catering market. However, to have further development and to increase competitiveness during all the seasons it is essential to focus on the business segment, which brings clients all year around and generate more profits. Aeromar- Saint-Petersburg should pay more attention to this segment and consider offering them more product selection and higher service quality. To surpass the main competitor in this segment - Ginza Sky – the case company should develop a menu with an exclusive assortment of dishes to satisfy the needs of the high class clients. The menu for business aviation should include such dishes as salmon and passion fruit salad, grilled scallop with baked pumpkin, crab cake with tangerine sauce, cherry jellied chicken liver pate canape, shrimps with champignons and asparagus, Jerusalem artichoke with sweet and sour vegetables and an exotic fruit plate. Moreover, it is needed to find new suppliers of exotic products, fresh seafood and expensive marks of alcohol drinks. However, with the development of new production line, the quality of regular flights meals should not suffer.

### 6.2.2 Placement

Aeromar- Saint-Petersburg does not use intermediaries for the providing services, shifting the responsibilities of distribution and selling, which requires competencies in logistics,

warehousing, information gathering and sales agents. So, the case company as an organized network performs all the functions required for linking a producer (case company) with end customers to accomplish the marketing task.

One of the most important points is the availability of the service. The company has to provide its service in the most efficient way. It is important to improve the operative efficiency and the quality of providing the service to maintain the reputation of the company. The theoretical lectures and training seminars with the personnel, who works directly on apron with the representatives of the airline companies, should be carried out every three months to ensure the safety and the quality of the performed service according to the established standards. Once in every five months, lecture about safety and hygiene rules inside the plant with all the workers of the company should be conducted. For the better performance of work without unpredictable situations, it is recommended to replace the two oldest cars for the new vehicles from the Ford series. It will decrease the risk of car breakage during the accomplishment of a daily task.

### 6.2.3 Price

The most appropriate pricing strategy for the company Aeromar-Saint-Petersburg will be the strategy of average prices, the most typical one for most enterprises. As a rule, it is used by those enterprises that are interested in stability and in maintaining a favourable climate for their activities in the market and to see the profit making as a long-term policy.

This strategy does not lead to the strengthening of the competitors, as the airline companies are very sensitive to the changes of the prices. Prices will be set at the level of the competing companies. The company's products will be in demand by consumers because of the higher quality characteristics of the production and the reputation of the company. Although, once Aeromar- Saint-Petersburg reaches sufficient level in the premium segment, it should increase the prices for the business sector meals to make up expenses as well as to improve its brand value to catch up Ginza Fly.

### 6.2.4 Promotion

Promotion is the most important strategy that Aeromar-Saint-Petersburg has to concentrate on and improve. Besides the publishing of the Sky Shop journal, a journal of the company with the key services of the company Aeromar-Saint-Petersburg should be developed, including a presentation of different cuisine dishes and other information about the businesses of the company and should be sent to the company's clients and to the potential clients.

The Internet as a means of advertising is gaining more and more significant positions. The Internet as a mean of advertising has several unique advantages such as low costs, the opportunity to reach a broad audience and to influence the audience interested in the company's service and the ability to provide any amount of information in the most beneficial way for the company. (Forbes 2014.)

Contextual advertising is a type of advertising on the Internet, in which an ad is shown in the search results for certain keywords. This is one of the most effective ways to promote on the "B2B" market, as it allows advertising to be shown only to those who are looking for information on a specific topic. The campaign plan includes contextual advertising on the sites:

Yandex ([www.yandex.ru](http://www.yandex.ru)) - The leading search engine of the Russian-language Internet. More than 2.5 million web visitors use the site monthly. In Yandex, advertisements are displayed in search results under keywords. The placement of advertising is on the right side under the heading "advertisements" on all the pages of the search results;

Rambler.ru ([www. Rambler.ru](http://www.Rambler.ru)) - The second search engine in terms of audience coverage. Advertisements are shown in the search results for keywords immediately below the search bar. Ads in Rambler are placed using the advertising system "Runner";

Mail.ru ([www.mail.ru](http://www.mail.ru)) - The search engine of the largest mail project. Advertisements are shown there in the search results by keywords on the right.

Social media channel such as Instagram could be both for the promotion of the company and its production. An Instagram account should be created for the case company. Instagram has many options to promote diverse content. There could be photos of meals or series of images or videos on how they are cooked. Also, Instagram has a function of "Stories", where full screen vertical advertising can be shown and will be deleted after 24 hours, so, the content could differ every day. Instagram is a very popular social media channel which will increase recognizability and attracts new clients.

Also, the personal promotion of the company could be implemented. During winter season when the flight operations are not so intense, the representative of the Sky Shop service of the company Aeromar-Saint-Petersburg may organize training seminars for the crew members of the Russian airlines who are using the service of trade on board. These seminars will be means of promotion of the products and they will also stimulate the interest of the crew members to sell this production. Moreover, such event will also stimulate the positive image of the company.

### 6.2.5 People

The developing image of the company, personnel- related aspects of the business image are often overlooked, focusing only on external and visual aspects of the image. However, intangible aspects of the image – the attitude of the staff to work and the emotional mood of the personnel – affect the reputation of the enterprise. In the service company, the personnel play the key role, representing the company in front of the customers and creating emotional connection with them. So, the development of the personnel and atmosphere in the team must be given special attention. For the motivation of the workers, methods of rewarding and encouraging with financial and non-financial means should be developed. Group trainings and seminars with employees from different departments should be hold in order to increase cooperation and the effectiveness of the work. Once in every two months, obligatory team-building trainings are organized in format of active sport events or trainings concerning working rules, behaviour and attitude. Also as a modern trend the football team could be formed from the workers of the company. Collective trainings would increase cooperation and mutual understanding, and encourage people to be a team inside organization.

### 6.2.6 Process

For the constant improvement of the service and the proximity to the customer, the company should constantly conduct the competitive analysis of the current range, determining the directions for its improvement, obtaining and analysing consumer assessments of the quality and competitiveness of goods. Another aspect of service improvement is the work of the whole personnel of the company. So, with participation in seminars and accomplishment of the trainings which are mentioned in previous sub-chapters 6.2.2 and 6.2.5 the work performance should get better step by step.

### 6.2.7 Physical evidence

Material evidence of quality assurance for an intangible service is a very important element in a marketing strategy. As Aeromar- Saint-Petersburg is a flight catering company which provides meals on the board of aircrafts of different airline companies, so the proof of the quality of the company's work, it is the supplied products and the service performance of the personnel of the company which provides meals on board. To make improvements in product quality possible, the case company has to reorganize the production areas. As it was mentioned before, because of the big amount of serving companies which need stock for their equipment, the company is experiencing lack of the production



areas. For Aeromar-Saint-Petersburg to get more areas for the manufacture, the office part of the enterprise should be transferred to another building which is located next to the main company building. Relocation of the offices means 568 m<sup>2</sup> more for the production capacities. It will give the possibility to expand the Halal workshop for Arabic cuisine and space for equipment warehousing. Therefore, the case company should start negotiations with the owner concerning the rent of the building to implement improvement in the production sector. Moreover, the personnel of the company who works with the representatives of the customers should strictly follow the rules of the uniform and the neat appearance. The issue about the service quality was mentioned before in chapter 6.2.2.

Table 6 Summary of suggestions

Product	Focus on business segment ↓ <ul style="list-style-type: none"> <li>• Develop menu for business aviation</li> <li>• Find new suppliers</li> </ul>
Placement	Provide service in the efficient way ↓ <ul style="list-style-type: none"> <li>• Trainings and lectures for personnel</li> <li>• Replacement of two old cars from the fleet for the new ones</li> </ul>
Price	Prices at the level of competing companies
Promotion	<ul style="list-style-type: none"> <li>• Journal of the company</li> <li>• Contextual advertising on the Internet</li> <li>• Instagram account</li> <li>• Seminars for crew members</li> </ul>

People	<p>Motivation for the work</p> <p>↓</p> <ul style="list-style-type: none"> <li>• Financial and non-financial rewarding</li> <li>• Team- building trainings</li> </ul>
Process	<p>Improvement of the service</p> <p>↓</p> <ul style="list-style-type: none"> <li>• Constantly conduct competitive analysis</li> <li>• Work of the personnel</li> </ul>
Physical evidence	<p>Supplied goods and service performance</p> <p>↓</p> <ul style="list-style-type: none"> <li>• Expansion of the production area</li> <li>• Control of the workers (uniform, rules and discipline)</li> </ul>

The suggestions of the author are collected in the table 6. The main points are mentioned there for the better understanding and visualization of the information.

## 7 CONCLUSIONS

This chapter summarizes all the findings and results throughout this thesis to answer the research questions. In addition, it discusses the validity and reliability, as well as recommendations for future research.

### 7.1 Answers to the research questions

The main research question was: What should the case company improve in its marketing strategy in order to increase competitiveness in the market? The research question is answered later in this sub-chapter, after sub-questions which are answered first. They are presented below.

#### **What is services marketing?**

Service marketing is marketing based on relationship and value. The nature of services, as opposed to products, results in change, adjustment and rethinking of the success factors involved in marketing. The intangibility of services makes the marketing of services difficult and challenging task. Services marketing is now the marketing playing field on which customers and competitors operate together to provide and consume services.

#### **What kind of marketing activities is the company applying at the moment?**

The company Aeromar-Saint-Petersburg organizes promotional events every year to represent the company in front of clients, sponsors, suppliers and potential clients. Also, the company is developing a relatively new sector of service – trade on board. The marketing department actively works with the content of the shop on board, looking for the new products and developing new offers. The online pre-ordering is possible. The joint project with the confectionary company Sever-Metropol and the airline company Rossiya is also a part of the marketing activities of the company at the moment. It gives the case company extra profit and promotion.

#### **Who are the main competitors of Aeromar-Saint-Petersburg?**

Transpit and Flight Service are the main competitors for Aeromar- Saint- Petersburg in the mass segment of inflight catering. Ginz Sky is the main competitor in the segment of business aviation which the case company is considering in terms of future development.

#### **How does the case company position itself in the competitive market?**

The company is considered to be the leader in the mass segment, where more than half of the market is covered by Aeromar. The case company positions itself higher than its

competitors which operates in the mass segment – Transpit and Flight Service. However, its position is lower than position of Ginza Sky.

### **What are the promotional tools needed for improving marketing strategy?**

Advertising and personal selling are needed for the company's complex promotion mix. The advertising will be implemented in a form of contextual advertising on Internet sites such as Yandex, Rambler and Mail. Personal selling will be realized through the company's representative during training seminars with the crew members concerning the trade on board.

Now, as the sub-questions have been presented and answered, it is time to answer the main research question.

### **What should the case company improve in its marketing strategy in order to increase competitiveness in the market?**

Analysis was conducted for the case company showed that marketing activities are already implemented in the company. However, to reach the objectives set for the company, Aeromar-Saint-Petersburg should reinforce its marketing strategy. The suggestions are in the form of 7Ps- Product, Place, Price, Promotion, People, Process and Physical evidence.

First of all, the product strategy should be changed, the company should focus its production not only on mass segment, but also develop a production line for the premium class clients to attract customers from business aviation. As the company is planning to deal with clients from the premium segment it is necessary to improve and keep the operative efficiency and the quality of the provided service by organizing theoretical and practical seminars for the personnel of the company. The most appropriate pricing strategy for the company Aeromar-Saint-Petersburg will be the strategy of average prices, as this strategy does not lead to the strengthening of the competitors. Then, the promotion campaign should include the creation of a catalogue for the services of the enterprise, contextual advertising in the Internet and Instagram advertising, as well as personal promotion through the workers of the company. People and Process strategies do not need significant changes. For the motivation of the personnel, the company could use rewards in different forms and team-building activities for the cooperation of the workers. The physical evidence of the quality in the catering company is product quality and service performance of the personnel, so both factors should be on the high level. For the product quality, expansion of production areas is needed which could be achieved by moving the office part to another building.

## 7.2 Reliability and validity

To conduct this thesis study, both secondary and primary sources of data were used. The theoretical knowledge structuring the research was based on the secondary sources. They were mainly academic books, journal and articles. Referring to the empirical part, the analysis was done thanks to the semi-structured interviews with the three employees of different departments of the case company, desktop study of competitors and personal observation of the researcher of the case company work. Interviews and observation are considered good methods for getting deeper understanding of the operation of a flight catering company (Rajeseekar, Philominathan & Chinnathambi 2013, 29-30). So, the analysis for Aeromar-Saint-Petersburg was based on trust-worthy internal sources. The research was carried out according to the agreement between the researcher and the case company directorate. With the hope to assist the case company, internal and external analyses were made and further suggestions were given.

## 7.3 Suggestions for further research

The thesis represents the strategic analyses for the improvement of the marketing strategy of the case company based on the marketing mix. When developing a marketing strategy, it is important not to exclude the possibility of the emergence of new information and the need to change the decisions made. The initial objectives of the marketing strategy can be changed and adjusted, and these are normal phenomena of this process. Moreover, the development and improvement of a marketing strategy was accompanied with the financial figures of the enterprise, which were not used in this research due to the confidentiality of the information. Therefore, further research is needed and recommended.

## 8 SUMMARY

The purpose of this thesis is to find realistic ways for improving services marketing strategy of the case company. The thesis employs deductive approach. In order to accomplish the primary purpose of the study, the author has divided the structure of the thesis into two sections, theoretical framework and empirical part.

The theoretical part is based on the information gathered from published and electronic sources. This section includes the main theories connected to the concept of service nature, services marketing and services marketing strategy. The service marketing mix is also explained in this part as the final suggestions are built on its basis.

For the empirical part the author's own observation and experience were used. Moreover, with the purpose of getting more accurate information, interviews with the case company's workers who have remarkable work experience in the field of flight catering were carried out. The desktop study concerning the competitors of the case company was conducted.

The final part of the research was to conduct a development plan for the case company and provide suggestions on how the company could improve their services marketing strategy in order to increase competitiveness on the market. By using both theoretical data collected from literature and internet sources and the data gathered from empirical research, the development plan was conducted. The SWOT analysis made for Aeromar-St.-Petersburg showed the opportunities and weaknesses of the case company. On its basis, the author developed the suggestions for the company. The suggestions regarded the services marketing mix: Product, Price, Placement, Promotion, Process, People and Physical evidence.

The thesis finishes with stating the answers for the research questions. Validity and reliability are discussed and the writer suggests some ideas for further research. This thesis reaches all the objectives that were set and the validity is considered high.

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## APPENDICES

### Appendix 1 Questions created for interviews with employees of the case company

1. Tell freely about the company and its services?
2. What are the company's objectives?
3. Who are the main competitors of the company?
4. What marketing activities are currently conducted in frames of marketing strategy?
5. Who are the main customers of the company?
6. What are the weak and strong points of the company?
7. Tell about partner network that company has?

## Appendix 2 Comparison of the flight catering companies' 4Ps

	Aeromar	Flight Service	Transpit	Ginza Sky
Place	Saint-Petersburg, Russia  Territory of Pulkovo airport	Saint-Petersburg, Russia  Close to Pulkovo airport	Saint-Petersburg, Russia  Close to Pulkovo airport	Saint-Petersburg, Russia  Inside the terminal of Pulkovo 3
Product	- Economy class -Premium class services  - Services for governmental flights and private jets, business aviation	- Mostly economy class  - Premium class  - Private jets	- Economy class - Premium class - Private jets	- High cuisine  - Services for business aviation only
Price	Skimming Strategy	Penetration Strategy	Skimming Strategy	Skimming Strategy
Promotion	-Advertising  - Direct marketing  - PR  - Sales promotion	-Advertising  -Direct Marketing	- Advertising  -Direct marketing	- Advertising  -PR