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BENCHMARKING PASSENGER AIR TRANSPORT MARKETING ACTIVITIES IN VIETNAM

Case Company: Etihad Airways

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ABSTRACT

Marketing strategy is crucial for businesses operating in highly competitive environments. Especially with the intense competition over international flights in the Vietnamese air travel market, it is important for airlines to adopt superior strategy, in order to incorporate brand presence in the market. Hence, performing benchmarking on marketing strategy for Etihad Airways is timely and necessary.

The thesis adopts the combination of inductive and deductive approaches, with the assistance of mixed-method research choice. The enquired theories and information are from qualitative and quantitative data collection methods, as well as various sources, such as interviews, survey, books, academic journals, and scholar public domains to name a few. Altogether, they form a pivotal and logical structure for the empirical research later on.

The main theoretical framework of the study is benchmarking philosophy and SOSTAC® model. While benchmarking helps to find the superior performance in the market regardless of geographical area, the SOSTAC® model supports building a thorough marketing plan. The benchmarking type adopted in this study is the competitive benchmarking, which seeks benchmarks from the direct competitors of the company. Other tools supporting the research are SWOT, PEST analysis, Porter's Five Forces, STP, as well as the 4Ps marketing mix.

Emirates and Qatar Airways are Etihad's main competitors in Vietnam. The benchmarks for Etihad Airways consider the 4Ps marketing mix. In terms of place, Hanoi is another potential market in Vietnam. In respect of pricing strategy, it is advisable that the airline shift towards skimming strategy to maintain its service quality in the long-term. Moreover, Etihad Airways should pay more attention to the business group and improve its customer rewards program. In terms of promotion, the airline should focus on the social media channel for the holiday group, as well as reconsider its channels and approaches for the business segment.

Keywords: benchmarking, marketing strategy, SOSTAC®, passenger air transport, air travel, airlines, Etihad Airways, Emirates, Qatar Airways, Vietnam

CONTENTS

1	INTRODUCTION	1
1.1	Research Background	1
1.2	Thesis Objectives, Research Questions and Limitations	3
1.3	Theoretical Framework	4
1.4	Research Methodology and Data Collection	7
1.5	Thesis Structure	11
2	BENCHMARKING &SOSTAC®	14
2.1	Benchmarking	14
2.1.1	Definition	14
2.1.2	Benefits	15
2.1.3	Types	16
2.1.4	Process Steps	18
2.1.5	Tools	19
2.2	SOSTAC®	20
2.2.1	Situation Analysis	22
2.2.2	Objectives	25
2.2.3	Strategies	26
2.2.4	Tactics	29
2.2.5	Actions	30
2.2.6	Control	31
3	GLOBAL AVIATION INDUSTRY AND SITUATION IN VIETNAM MARKET	34
3.1	Global Commercial Aviation Industry	35
3.1.1	Global Commercial Aviation History Overview	35
3.1.2	Air Travel's Recent Trend and Outlook	38
3.2	Commercial Aviation Industry in Vietnam	40
3.2.1	Vietnam's Air Travel Industry PEST Analysis	41
3.2.2	Vietnam's Air Travel Industry Porter's Five Forces Analysis	44
4	CASE STUDY: ETIHAD AIRWAYS	47
4.1	Company Overview	47
4.1.1	Company Management	48
4.1.2	Company Missions, Visions, Aims & Objectives	50

4.1.3	Company Services	51
4.1.4	Company Partner Network	52
4.2	Company Analysis	52
4.3	Direct Competitors Overview	54
4.3.1	Emirates	55
4.3.2	Qatar Airways	55
5	EMPIRICAL RESEARCH & ANALYSIS	56
5.1	Data Acquisition Process	56
5.2	Data Analysis	60
5.2.1	Desk Study	60
5.2.2	Interviews	61
5.2.3	Survey	63
6	RECOMMENDED BENCHMARKS FOR ETIHAD AIRWAYS	69
6.1	Place	69
6.2	Product	70
6.3	Price	70
6.4	Promotion	71
7	CONCLUSION & SUGGESTIONS	72
7.1	Answers to the Research Questions	72
7.2	Reliability and Validity	74
7.3	Suggestions for Further Research	75
8	SUMMARY	76
	REFERENCES	78
	APPENDICES	89

LIST OF FIGURES

FIGURE 1. Worldwide Growth in Air Travel and Business Confidence in 2015 (IATA, 2015)	1
FIGURE 2. Benchmarking Process Steps (Simplified and Modified from Johnson & Scholes, 2001)	5
FIGURE 3. SOSTAC® Model (modified from Smith, 2011).....	6
FIGURE 4. Theoretical Framework of Commercial Aviation Industry.....	6
FIGURE 5. The Research ‘Onion’ (modified from Saunders et. al2009).....	7
FIGURE 6. Induction and Deduction in Social Science Theory (modified from Lee & Lings, 2008, 6).....	8
FIGURE 7. Research Methodology.....	11
FIGURE 8. Thesis structure	12
FIGURE 9. The Trade-offs between the Levels of Difficulty in Obtaining Information and the Value of the Obtained Information of Different Benchmarking Types (modified from Johnson et.al 2005 and Kozak & Nield 2001).....	17
FIGURE 10. Benchmarking Process (modified from Johnson & Scholes 2001)..	18
FIGURE 11. SOSTAC®Planning System (modified from Smith2015).....	21
FIGURE 12. SWOT Analysis (modified from Kotler <i>et.al</i> , 2009, 101.)	22
FIGURE 13. PESTEL Model (modified from Blythe & Megicks 2010, 80, 81)..	23
FIGURE 14. Porter's Five Forces Model (modified from Porter, 2008,4).....	24
FIGURE 15. Objectives Hierarchy of an Organization (modified from Riley 2012)	25
FIGURE 16. Segmentation/ Targeting/ Positioning Process (modified from Blythe & Megicks 2010)	26
FIGURE 17. Targeting Five Strategies (modified from Kotler & Keller, 2012,254)	28
FIGURE 18. Simple Perceptual Map with Two Dimensions of Quality and Price (modified from Blythe & Megicks 2010, 189).....	29
FIGURE 19. The 4Ps Components of Marketing Mix	30
FIGURE 20. A Simple Gantt chart (Gantt.com, 2012)	30
FIGURE 21. 3x3 Risk matrix (Garlick, 2015)	31

FIGURE 22. The Air Transport Industry (simplified and modified from ILO, 2013).....	34
FIGURE 23. Air Transport Hubs before and after Deregulation(Rodrigue, 2015)	38
FIGURE 24. Airports across Vietnam (Vietnam Airlines-b, 2013).....	43
FIGURE 25. Porter's Five Forces of commercial air transport in HCMC, Vietnam	44
FIGURE 26. Etihad Airways' Organizational Chart	48
FIGURE 27. Organizational chart of Etihad Airways' Representative Office in Vietnam.....	49
FIGURE 28. Hierarchy of Objectives of Etihad Airways (Etihad, 2015).....	50
FIGURE 29. Etihad Airways Sales Targets in 2015 (Dao, 2015).....	51
FIGURE 30. Etihad's Service Portfolio	52
FIGURE 31. Preliminary MEB3's Positioning Perceptual Map	61
FIGURE 32. Monthly Income according to Age Group	64
FIGURE 33. Brand Familiar vs Marketing Channels	65
FIGURE 34. Answers on the outbound destinations.....	66
FIGURE 35. Answers on travel purposes.....	67
FIGURE 36. Purchase Channels.....	67
FIGURE 37. Answers on Willingness to Become Future Customers by Airlines	68

LIST OF TABLES

TABLE 1. Summary of key findings of Benchmarking and SOSTAC® model...	32
TABLE 2. Number of Takeoff/ Landing Flights (Flight/ Time) of Vietnam Airlines at Tan Son Nhat International Airport, Vietnam from 2010 – 2014 (CAAV, 2015)	41
TABLE 3. Vietnam Economic Data (modified from FocusEconomics, 2015).....	42
TABLE 4. Etihad Airways' SWOT Analysis	54
TABLE 5. Gantt chart of Data Acquisition Process.....	56
TABLE 6. Comparison of Customer's Satisfaction Average Grades	66

ABBREVIATIONS

6-D	6 Dimensions Model of Geert Hofstede
ABEF	Australian Business Excellence Framework
ACV	Airports Corporation of Vietnam
ASEAN	Association of Southeast Asian Nations
B.C	before Christ
BM	Business Model
BOAC	British Overseas Airways Corporation
CPI	Consumer Price Index
EFQM	European Foundation for Quality Management
FAA	Federal Aviation Agency/ Federal Aviation Administration
FDI	Foreign Direct Investment
FTAs	Free Trade Agreements
GDP	Gross Domestic Product
IATA	The International Air Transport Association
ILO	International Labour Organisation
ICAO	International Civil Aviation Organisation
LCC	Low-cost Carriers
MEB3	Middle East Big 3 (Emirates, Etihad Airways & Qatar Airways)
PEST	Political, Economy, Social & Technology
PESTEL	Political, Economy, Social, Technology, Ecology & Legal
SAA	Southern Airports Authority
SOSTAC®	Situation Analysis, Objectives, Strategy, Tactics, Control
SMART	Specific, Measurable, Achievable, Relevant & Time Specific
STP	Segmenting, Targeting, and Positioning
SWOT	Strengths, Weaknesses, Opportunities, Threats
UAE	the United Arab Emirates
The US	the United States
USD	United States Dollar (currency)
VND	Vietnam Dong (currency)
WTO	World Trade Organization

1 INTRODUCTION

1.1 Research Background

On January 1st 1914, the first scheduled flight with a paying passenger was launched. Ever since then, the world witnessed a 100-year journey of aviation becoming the dominant transport mode in long distance travel. Not only did commercial aviation make the world smaller, but it also brought new opportunities and possibilities for economic growth, social change, as well as technological innovation. Today, there are more than 2000 airlines providing services to over 3 billion passengers, supporting over 57 million jobs and contributing 2.2 trillion US dollars (USD) in economic activities worldwide. (IATA, 2013.) In 2014, global air travel increased by 5.9 percent compared to the previous year, as shown in the diagram below (IATA, 2015).

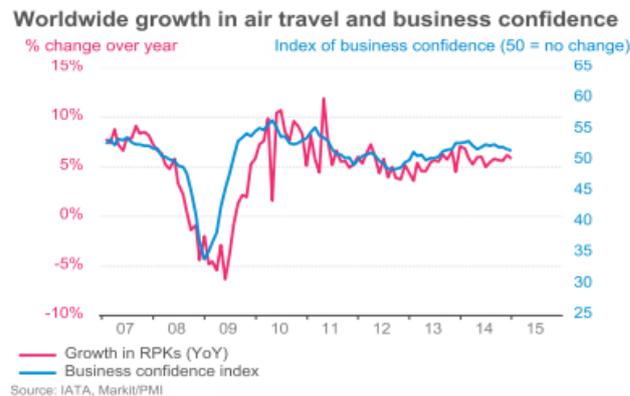


FIGURE 1. Worldwide Growth in Air Travel and Business Confidence in 2015 (IATA, 2015)

In that sense, IATA forecasted the commercial aviation industry in Vietnam to be the third of the top three strongest growing markets in terms of the number of international passengers and cargos in 2013. Reuters also announced that despite the slow economic growth in Vietnam, only by 5% per annum, the demand for commercial air transport of the Vietnamese still grew strong with double digits. (VnEconomy, 2013.) Although this promised new opportunities for airlines that are currently operating in Vietnam, it also led to harsh competition among the

market players. For instance, before 2013, the competition for outbound flights from Vietnam to European countries was mostly between Vietnam Airlines and airlines from France and Germany. However, the situation changed since there were airlines companies from the United Arab Emirates (later on referred to as the UAE) that joined in the competition to take advantage of the consistent development of Vietnam's commercial aviation industry. (Thuy, 2014.) Hence, it resulted in an increasingly competitive market and those airlines who wanted to have the advantages had to consider their strategy carefully and wisely.

Etihad Airways, based in Abu Dhabi, is the national carrier of the UAE, established in November 2003. Although it is a young airline company compared to other players in the industry, it is one of the fastest growing airlines in the commercial aviation history. (Etihad, 2015a.) In addition, UAE is the biggest trade partner of Vietnam in the Persian Gulf region. In 2012, Vietnam's export to UAE exceeded 2 million US dollar (USD) and expected to reach 4 million US dollar (USD) in 2013. (Vietnamshipper, 2013.) Considering those facts, Etihad Airways established direct flights from Abu Dhabi, UAE to Ho Chi Minh City, Vietnam in October 2013 to meet anticipated customers' demands, as well as to ensure the flow of trading of goods and passengers between UAE and Vietnam (Quang Nam Tourism, 2013).

The research topic came to the author when she was taking a flight from Europe to Asia with Etihad Airways for the first time in the beginning of 2014. As the author was a frequent flyer on the long distance flight haul between Europe and Asia, she had great opportunities to observe and to experience the services of different airliners. Nonetheless, the customer services of Etihad Airways were, by far, exceptionally delightful. However, very few of the Vietnamese acquaintances of the author were familiar with Etihad Airways. This circumstance inspired the author to investigate Etihad's marketing strategy compared to other airliners in Vietnam, as well as to examine which aspects needed to be improved or to be implemented for Etihad Airways to succeed in Vietnam's commercial aviation market.

1.2 Thesis Objectives, Research Questions and Limitations

This study aims at providing insight investigation into the current situation of Vietnam's air travel industry and its potential development, as well as to benchmark the marketing strategy of Etihad with its direct competitors in Vietnam. Marketing strategy is the critical key coordinating the strategic planning process of a company. It embraces customers' needs as its core focus. Therefore, the ultimate goal, which this study sets to achieve, is to eventually explaining to the readers the following question:

“What can Etihad Airways learn from the marketing strategies of its direct competitors to refine its own and reach its objectives in Vietnam?”

In order to find out the conclusion for the above research question, this thesis is going to solve the following five sub-questions consecutively:

- i. What is the current situation of Vietnam's commercial air transport?
- ii. Who are Etihad's main competitors?
- iii. What is the marketing strategy of Etihad Airways in Vietnam?
- iv. Where is Etihad's position in the market compared to its competitors?
- v. What can Etihad learn from its competitors' marketing strategies?

Firstly, the thesis is going to illustrate the current situation of Vietnam's commercial air transport, which aims at providing the holistic approach to the topic for the readers. This question intends for the readers to grasp the understanding regarding the customer demands, government policies and the nature of competitions of the market. In other words, the purpose of this sub-question is to address the crucial necessity of benchmarking in Vietnam air travel market. Then, the thesis introduces to the readers Etihad's main competitors. The intention of this sub-question is to form a list of subjects for latter benchmarking. Additionally, the research aims at studying the current marketing strategy of Etihad Airways in Vietnam. Next, the thesis moves onto defining Etihad's current situation in the market, which examines Etihad's performance comparing to other company. This sub-question means to identify the advantages, disadvantages,

strengths and weaknesses of Etihad Airways. It also serves as noteworthy diagram for the readers to picture the position of Etihad and its main competitors in the market. Lastly, the thesis combines all the above aspects in order to achieve the final quest of the benchmarks that Etihad Airways can learn from its competitors to improve and succeed in Vietnam's commercial aviation industry. This sub-question tackled the set of criteria needed for Etihad's benchmarking.

In respect to the research limitations, the thesis only focuses on the first two steps of benchmarking process: planning and analysing. Because Etihad Airways is not commissioning company of the author, she can only give implementation plan suggestions. Furthermore, both methods of retrieving the primary data, interviews and questionnaire, were performed indirectly through e-mails, Skype and web portals, such as Facebook and Google doc. Therefore, the author could not 100 percent verify the objectiveness of the opinions of the interviewees, as well as those of the respondents. In addition, due to the scope and scale of this thesis, the number of questionnaire samples and interviewees is very limited. This leaves opportunities for further in-depth investigations for Etihad Airways. Another notable limitation is the research ethic, as the study enquires strategic information from the competitors of Etihad Airways in Vietnam. Although the research serves study purpose only and Etihad is not a commissioning company of the author, the true intention of the interviews was not completely transparent to the interviewees.

1.3 Theoretical Framework

The core theoretical framework of this thesis is benchmarking. Benchmarking is a continuous process of measuring, comparing and pinpointing the performance gaps, in order to identifying improvements and upgrading performance, as well as increasing competitiveness. That is to say, benchmarking is the quest for the best practices that establish the superior performance of a company. According to Camp (1989), benchmarking helps company realizing more realistic and feasible goals, as well as objectives. Sun Tzu (500 B.C), a Chinese general, once taught, "If you know your enemy and know yourself, you need not fear the result of a

hundred battles.” Sun Tzu’s teaching is the basis of benchmarking: evaluating yourself and your competitors, then, learn from not just their success but their mistakes, as well. The benefits of benchmarking are that businesses attain the best practices externally to incorporate those into their corporation internally. (Camp, 1989.) Moreover, as briefly introduced in the 1.1 background of the study part, benchmarking is crucial to airline companies that desire to have their advantage in the competitive Vietnam’s commercial air transport industry.

Yet, benchmarking is a vast perspective as it raises the question of which aspects businesses should benchmark. Therefore, the study utilizes a planning system named SOSTAC® as the guideline to approach the first and foremost step of benchmarking: planning.



FIGURE 2. Benchmarking Process Steps (Simplified and Modified from Johnson& Scholes, 2001)

As benchmarking is crucial for businesses that desire to win, planning is essential for clear visions and goals from the get-go. As demonstrated in the figure 2 above, there should be a criteria selection for benchmarking right from the start. Additionally, the selected benchmarked activities have to contribute their importance to the function or the competitive edges of the business. With SOSTAC® planning system acting as a guideline, it helps convey the whole benchmarking process into a holistic approach and feasible task to conduct.

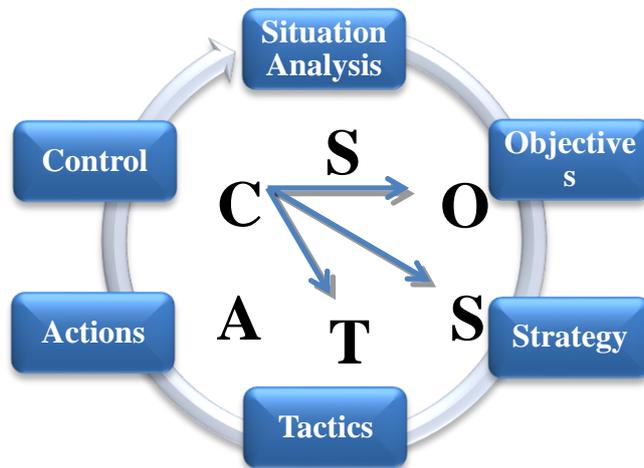


FIGURE 3. SOSTAC® Model (modified from Smith, 2011)

As shown in the diagram above, SOSTAC® stands for Situation analysis, Objectives, Strategy, Tactics, Actions, and Control (Smith, 2011). The model is a helpful companion guideline of benchmarking. Further discussion of these two frameworks is in chapter 2. In addition, there are a few extra tools to complement benchmarking and SOSTAC® framework, such as PESTEL, Hofstede's 6-D diagram, SWOT analysis, Porter's Five Forces, as well as STP (Segmenting, Targeting, and Positioning).

Apart from the benchmarking philosophy and planning system, the thesis also employs theories on commercial aviation. Concerning its framework, the theories are in below fashion design for the readers to comprehend the flow of chapter 3.



FIGURE 4. Theoretical Framework of Commercial Aviation Industry

The beginning of chapter 3 introduces the general idea of the global commercial aviation industry. It is notable that this thesis concerns the passenger air transport,

not the cargo service. Thus, it pays attention on the recent trend of the global air travel industry only. Thereon, it focuses on the situation in Vietnam's air travel industry.

1.4 Research Methodology and Data Collection

Based on the research 'onion' of Saunders et. al (2008), the thesis is constructed on the following four main factors: approaches, strategies, choices, techniques and procedures. Altogether, these factors establish a concrete anatomy and contribute to the reliability and validity of the thesis. Reliability refers to the consistency of the research's findings over times, while validity means the extent of accuracy of the research findings (Collis & Hussey, 2009).

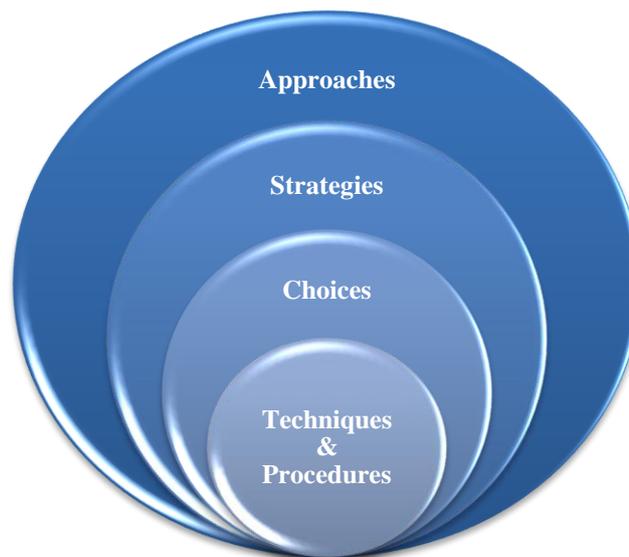
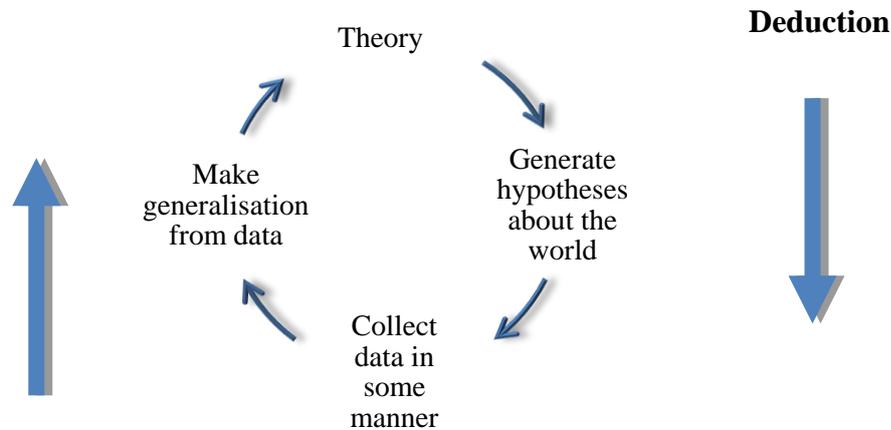


FIGURE 5. The Research 'Onion' (modified from Saunders et. al 2009)

Primarily, it is critical to establish a logical flow of information, in order for the readers to understand the thesis comprehensively. There are two approaches for the flow of logic, which are inductive approach and deductive approach. Inductive reasoning draws out the theory from the empirical world. The term 'empirical' means observable data from the world around us. In other words, for inductive approach, generalization concludes from a few specific examples. Meanwhile, deductive reasoning goes the opposite way, which the general theory exposes the

conclusion for a specific case. (Lee & Lings, 2008.) Figure below shows the nature of these two principles graphically.



Induction

FIGURE 6. Induction and Deduction in Social Science Theory (modified from Lee & Lings, 2008, 6)

Despite the different nature of inductive and deductive approaches, it is more beneficial to combine the two approaches in many cases. Generally, deductive approach is about testing the theory, while it is about building theory for inductive approach. (Saunders et.al, 2012). In this case, the thesis concerns two main ideas. Firstly, the author started with the hypothesis that the current marketing strategy of Etihad Airways is not as effective as the strategies of its competitors'. In order to evaluate this, the thesis tests the customers' attitudes about the effectiveness of the marketing methods of Etihad Airways and its direct competitors. Apparently, this first idea adopts the deductive approach. Then, the second main idea is whether Etihad Airways can learn from its selected competitors' strategies. The study examines the marketing methods and situations of each airline by interviewing the company's representatives. Thereafter, the benchmarks are drawn and suggested for Etihad Airways. This idea, however, implements inductive approach. Hence, the thesis is the combination of deductive and inductive approaches.

Case study is the chosen research strategy for this thesis. It is the detailed analysis of a single case (Lee & Lings, 2008). In addition, a case study can be a research strategy, which investigates a particular phenomenon within its real-life context

using multiple methods of data collection (Yin2009, according to Sekaran & Bougie 2014, 103). This thesis aims at finding the potential benchmarks for Etihad Airways. Therefore, it is a case study about Etihad Airways in Vietnam's passenger air transport market.

Subsequently, there should be a decision on whether it is a qualitative or quantitative research, in order to define its associated methods. While quantitative research generates statistical to conclude structured questions, qualitative research uses words to answer open questions. Qualitative research is more appropriate in situations where the research concerns new theories and requires in-depth investigation. It also suits the research that uses the triangulation strategy. In contrast, quantitative research is more suitable when the influencing variables are visible and theories generate the research questions. For quantitative research, it goes from the general into details, sharing the same idea as deductive approach. Meanwhile, qualitative research is similar to induction as it goes the opposite way. The frontier between qualitative and quantitative research is ambiguous. None of them should be treated as more superior than the other.(Kananen, 2013, 31-33.) As this thesis adopts both inductive and deductive approach, it is a mixed-method research.

Another decisive factor contributing to the research validity is triangulation. Triangulation is the combination of methodologies. Despite their differences in natures, they support reckoning findings when studying the same phenomenon. There are four types of triangulation: data triangulation, investigator triangulation, theoretical triangulation, and methodology triangulation. (Denzin1978, according to Manthison, 1988, 13.) Methodological triangulation is the most commonly used among the four triangulations. It is the combination of qualitative and quantitative approach of data collection, analysis and interpretation. (Savitskaya, 2011, 47.) Methodological triangulation consists of within-method and between-/ across method triangulation. Thurmond (2001) defines within-method triangulation as the utilization of at least two data collection approaches within a research. For instance, quantitative research collects data through questionnaires and databases, while qualitative research achieves data through focus group and interviews. On the other hand, the between or across-method triangulation incorporates both

qualitative and quantitative data collection methods in the same study, such as using both interviews and questionnaires. (Manthison1988, according to Savitskaya, 2011, 47.) Due to the nature of benchmarking and strengthening the credibility, as well as the validity of the thesis, the across- method triangulation was applied.

Lastly, the final layer formatting the research is the applied techniques and procedures. Specifically, this final aspect regards the techniques to collect data and the process of analysing them. There are two types of data sources: the primary sources and the secondary sources. Primary data are simply new data, collected specifically by the researcher, to meet the objectives of the current research. In contrast, secondary data are data collected by other researchers or organisations for some other purposes. Secondary data include both raw data and published summaries, which can either provide useful sources or partially answer the research questions. (Saunders et. al, 2012.)

Regarding the data collection methods, the primary data are mainly from interviews and questionnaires. Chapter 5- The Empirical Research & Analysis explains them in details. When enquiry a theme interview, the interviewer can pry on the core issue or reveal the truth to seek understanding. Additionally, a theme interview is a strong tool to define a problem, evaluating effectiveness and results.(Kananen, 2013, 109.)

Meanwhile, questionnaire is a general term including all techniques of data collection, in which each respondent answers the same set of questions in a predetermined order, without an interviewer being present (deVaus2002, according to Saunderset. al, 2012). Questionnaires are favorable for descriptive or explanatory research, which enable the researcher to identify and to describe the variability in different phenomena (Saunderset. al, 2012). In this thesis, the questionnaire intends to evaluate the awareness and attitude of the customers towards selected airlines in Vietnam, in order to determine the effectiveness of their marketing strategies.

In respect of the secondary data of this study, they are from desk study, including books, journals and electronic sources.

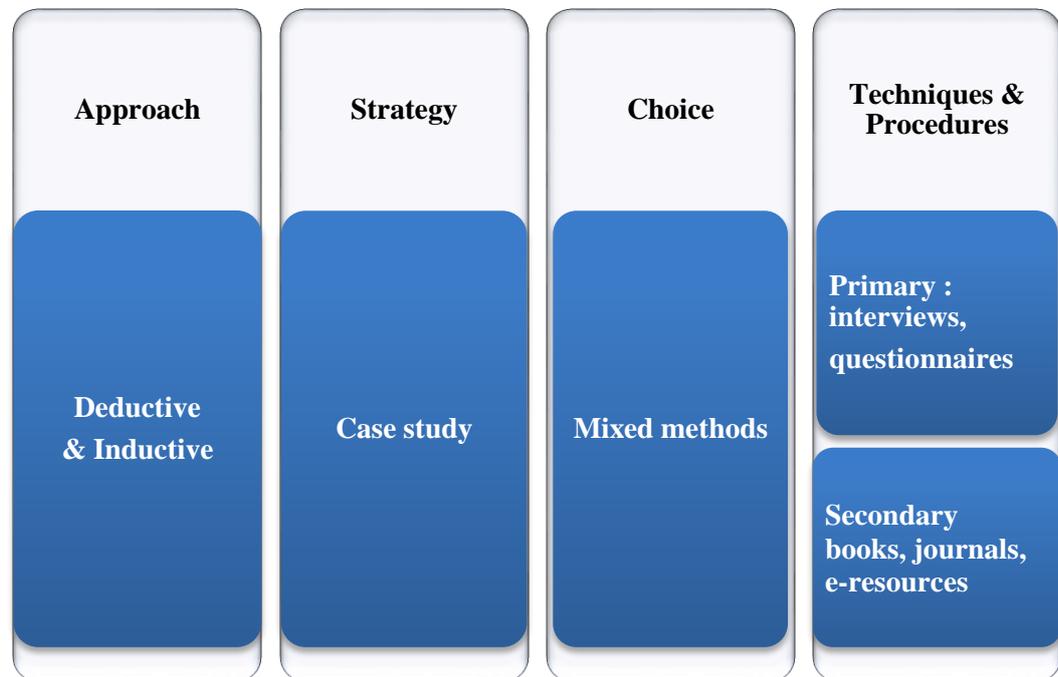


FIGURE 7. Research Methodology

To sum up this sub-chapter, the research methodology figure recaps the six factors constructing the thesis. The research adopts deductive approach. Moreover, case study is the research strategy selected for this thesis. The method choice is mixed-methods of triangulation: quantitative and qualitative. Finally, the data are from both primary and secondary sources such as interviews, questionnaires, books, journals and e-resources.

1.5 Thesis Structure

In order to attain the ultimate goal of finding the marketing strategy benchmarks for Etihad Airways from its main competitors in Vietnam, the thesis is divided into eight chapters.

The figure below illustrates the overall flow of this thesis, follows by detailed explanations of each chapter.



FIGURE 8. Thesis structure

This first chapter describes the research background, in which a brief introduction of the market situation and Etihad Airways is given; the research objectives of identifying Etihad Airways' performance compared to other selected airline company in Vietnam; the theoretical framework: benchmarking and SOSTAC® models, as well as the research methodology and data collection are also mentioned.

Chapter 2 describes in details the theoretical framework: benchmarking and SOSTAC® models. The beginning of this chapter explains the definition, conducting steps, as well as the criteria of benchmarking. It also introduces the essential tools that complemented benchmarking. The latter half of this chapter presents the SOSTAC® model with full-length explanations.

Thereafter, chapter 3 illustrates the holistic picture of global commercial aviation industry. It explains why the research topic is timely. Forecasted data of the global commercial aviation industry are given and explained further about its liaison as well as its impact on the customer demand and the competition among the airline operators in Vietnam. At the end of this chapter, the readers are reminded the

reasons why benchmarking is necessary for Etihad Airways in Vietnam.

Chapter 4 presents Etihad Airways with a brief introduction regarding the organization of the corporation, its goals, and objectives. Then, this chapter moves onto analyze the Etihad Airways and introduces its direct competitors as preparation for the benchmarking conduct in the chapter that follows.

Chapter 5 represents the findings of the study. It is the empirical research, which analyzes the data retrieved from both the primary and secondary sources, such as interviews, questionnaires, and desk study. Additionally, it includes a holistic timeline of the process in form of a Gantt chart. Chapter 6 contains the benchmarks from the previous results of chapter 5, in term of the 4Ps marketing mix.

Chapter 7 draws the general conclusion for the thesis as it answers the research questions, as well as gives suggestion for further study. It also appraises the reliability and the validity of the research. Finally, chapter 8 provides a brief but thorough summary to recap the main ideas, and findings.

2 BENCHMARKING &SOSTAC®

This chapter concerns the theoretical framework, on which the thesis was constructed. The concept that the study adopts to identify the best practices among Etihad Airways and its selected competitors is benchmarking and complemented by SOSTAC® model. In this chapter, we discuss about the definition of benchmarking, its benefits, types, as well as its process steps. Additionally, the guideline for carrying out benchmarking, SOSTAC® model is also introduced in details.

2.1 Benchmarking

Benchmarking is the core concept employed by this thesis to identify the best practices among Etihad and its main competitors. “Dantotsu”, a Japanese word, expresses fully the essence of benchmarking, which is striving to become the “best of the best” (Camp, 1989). Indeed, considering the harsh competitive nature of air travel market in Vietnam, performing benchmarking on the marketing strategy of Etihad Airways is timely and necessary. Prior to that, it is important to understand the theories of benchmarking through the following concepts: benchmarking definition, benefits, types, process steps, and tools.

2.1.1 Definition

There are many definitions of benchmarking by a number of authors and organizations. According to Kozak & Nield (2001,8), benchmarking stems from Deming’s theory of quality management, which aims at improving the quality and sustaining the results. Another profound definition of benchmarking from Camp (1989,10) is that it is a consistent self- improvement and management process which compares and measures the results of industry leaders.

Benchmarking uses particular terms: benchmarker, benchmarkee and benchmarks. Benchmarker refers to the company that conduct the benchmarking procedure, while benchmarkee regards the business that being studied in the process. (Kozak

& Nield, 2001, 11.) In addition, benchmark refers to a standard reference that changes over time for the comparison process of benchmarking, reflecting the real situations of the industry. (Camp, 1989.) Apparently, benchmark and benchmarking are two different terms.

It is also noteworthy to avoid these following misconceptions about benchmarking. Watson (1993) emphasizes that the benchmarking notion should be regarded as adaptation, not adoption. The idea is not about copying but learning. It is due to the fact that every business has its own different traits in different aspects, such as business models, objectives, cultures, or resources. (Kozak & Nield, 2001,8.) Another common misconception of benchmarking is associating benchmarking theory with competitive analysis and comparison research. The latter two employ product or service comparisons. Meanwhile, benchmarking surpasses plain comparison to appraise the skills of management and operation in order to capture the best practice in the industry regardless of geographic location. Moreover, Campbell (1999) suggests that companies should focus on discovering their own suitable planning and implementing procedures, rather than spending excessive amount of time on just benchmarking. (Kozak & Nield, 2001,8-9.)

2.1.2 Benefits

Reflected on different selection of literature (e.g, Camp 1989, Zairi 1992, Rogers et. al1995), Kozak & Nield (2001,9) point out that the purposes of benchmarking are also its benefits. Benchmarking helps businesses realize their current position, their strengths and weaknesses upon the conditions of the industry. Thereon, companies can meet the customers's expectations better by setting new standards and goals through the benchmarking process. It also raises motivation on the employees to meet new objectives. Furthermore, benchmarking assists businesses to comprehend the degrees of improvement on performances by adapting other methods or practices. Then, the reasons for the performance gap can be documented for future review. Thanks to benchmarking, businesses are able to maintain sustainable progresses and competitive performances. Benchmarking also

helps put forth ideas from the best examples within the industry, which benefits both cost and time wise. (Kozak & Nield, 2001,9.)

2.1.3 Types

Generally, there are many records of different types of benchmarking. While Camp (1989) and Zairi (1992) list the following four main classifications of benchmarking as internal, competitive, functional, and generic benchmarking, Kozak & Nield (2001, 10) group them into only two groups of internal and external benchmarking. (Kozak & Nield, 2001.)

Internal benchmarking is about the comparison of the same activities of departments within the same company but in different countries (Cross & Leonard1994; Breiter&Kliner1995). Meanwhile, competitive benchmarking regards the comparison to the main competitors in the industry. According to Cook (1995), this type of benchmarking is more suitable and rational for large businesses than smaller ones. Karlof and Ostblom (1993) define functional benchmarking as a comparative study regarding both direct competitors and other players that have the same activities in the same market. Then, Breiter and Kliner (1995) explain that generic benchmarking involves examples for the comparison regardless of geography, not only among those in the same industry but also in other fields that performing the same activities, or facing the same issues. Relationship benchmarking is another type that belongs to the external group. Andersen (1995) describes relationship benchmarking as comparative research towards another company, which the benchmarker already established a relationship with, prior to the benchmarking agreement. It also called collaborative benchmarking by Cox et. al (1997). (Kozak &Nield, 2001, 11.)

Johnson et.al (2005, 145) categorized benchmarking types rather differently than Camp (1989) and Kozak & Nield (2001) as they are divided into three groups: industry/sector benchmarking, best-in-class benchmarking, and historical benchmarking. The first two types share similar traits and ideas as functional benchmarking and generic benchmarking types of Camp (1989). However, the

last one, historical benchmarking suggests businesses to search examples internally from previous years to spot changes.(Johnson et.al, 2005,145.)

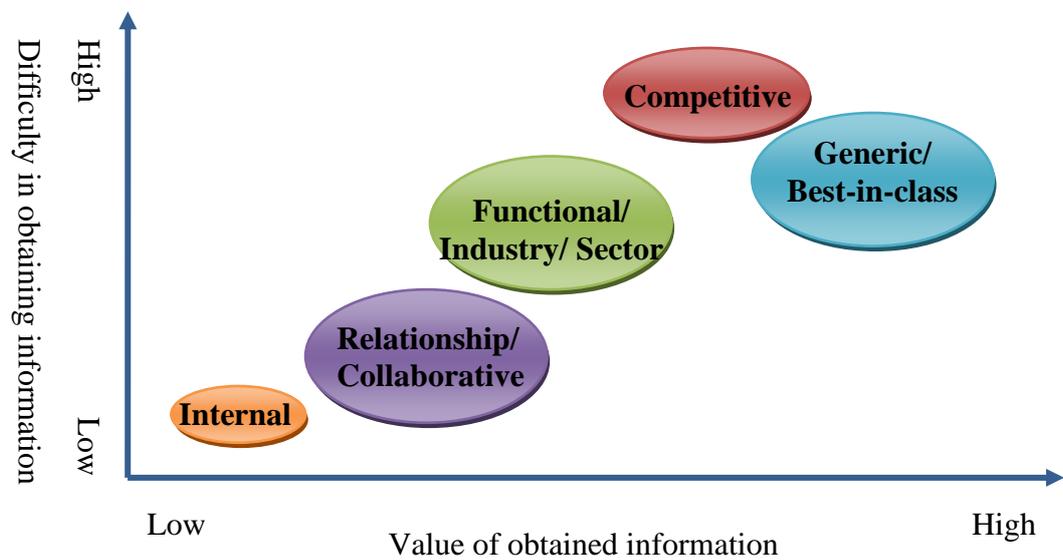


FIGURE 9. The Trade-offs between the Levels of Difficulty in Obtaining Information and the Value of the Obtained Information of Different Benchmarking Types (modified from Johnson et.al 2005 and Kozak & Nield 2001)

As shown in the above figure, each type has its own advantages and disadvantages. Internal benchmarking is the easiest type among the five to achieve information as it concerns data within the company's departments. Yet, it contributes less valuable benchmarks than the other, since it ignores the tactics of other companies in the industry. Other types belong to the external group shows more competitive results. Relationship or collaborative method is the second easiest method to obtain the data. Apparently, its result values less than other types because of its limited selection of benchmarkees to only partner companies. On the medium level of difficulty is the functional or industrial/ sector benchmarking. This type concerns the available data of those operating in the similar fields. Meanwhile, the generic or best-in-class type is one of the types that has the highest difficulty level in achieving the data. It is not due to the refusal to disclose information from the benchmarkees but more likely because of the lengthy time required to retrieve all the data. (Kozak & Nield, 2001.) Last but not least, competitive benchmarking places at the top level of difficulty among the list of

benchmarking types because it concerns the information from the company's direct competitors. It requires more efforts to retrieve the primary data than any other types. Thus, the values it gives are more practical. As mentioned before, this method is more recommended to larger businesses than smaller ones (Cook1995, according to Kozak & Nield, 2001,10).

As mentioned in the sub-chapter definition of benchmarking, companies should choose the benchmarking type that suits their objectives, scale and resources, as well as contribute the most values to them. Considering Etihad Airways scales and the objectives of this thesis, competitive benchmarking is the chosen one for this study.

2.1.4 Process Steps

After knowing the definition, benefits and having chosen the suitable type of benchmarking, it is essential to unravel the benchmarking process. The next graph demonstrates the holistic approach to the four-stage benchmarking process.

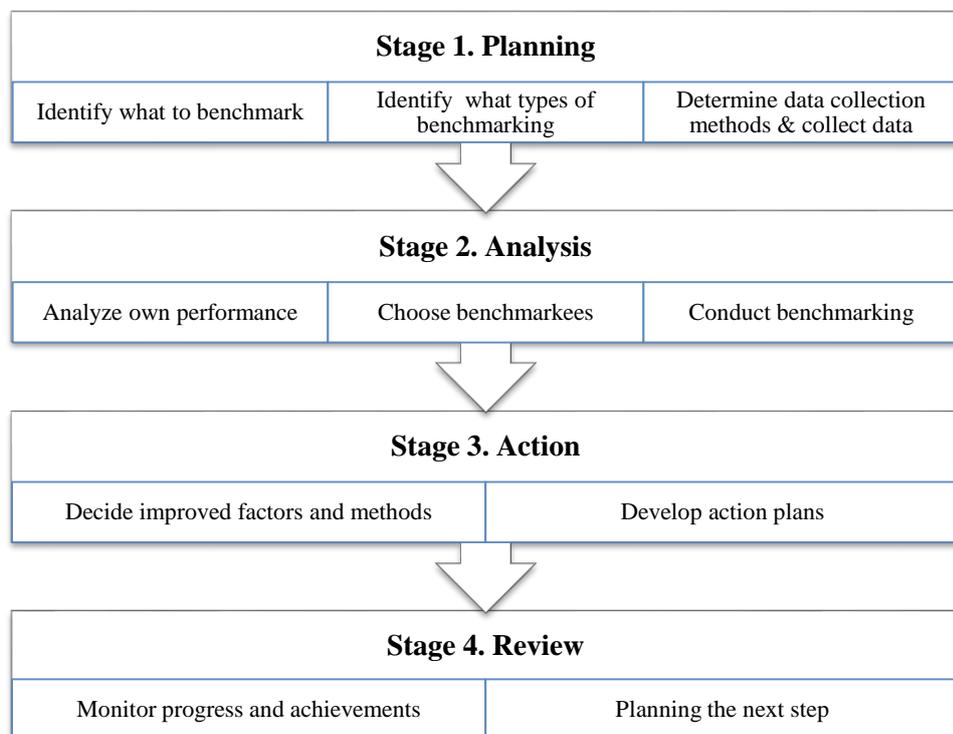


FIGURE 10. Benchmarking Process (modified from Johnson & Scholes 2001)

The process starts with the first stage of taking into consideration which area required benchmarking and the reasons for its benchmarking enquiry. Benchmarking type that suits the company's objectives should be selected carefully. Additionally, this stage decides the methods for data collection to collect necessary information for the next stage. The second step is analysis. The most important activity of this stage is that the company learns its own strengths and shortcomings. Regarding the benchmarking partners, a list of criteria should be set, depending on the decided benchmarking type from the previous stage. After finishing stage two, the company proceeds to modifying the benchmarks integration, as well as making them into a detailed implementation plan in stage three. Stage four concerns monitoring the progress and the achievement of having implemented the benchmarks into practice. Since the external practices evolve constantly, it is essential to plan for provision in advance. (Johnson & Scholes, 2001.) After all, benchmarking is a consistent process until reaching superior performance (Camp, 1989).

2.1.5 Tools

One of the Sun Tzu's rules in his book Art of War is "If you know the enemy and know yourself, you need not fear the result of a hundred battles." By far, benchmarking has proved to capture the morale of Sun Tzu's teaching. In that essence, Johnson et.al (2005) points out SWOT analysis to be the key indicator for analyzing company's own performance in stage two of benchmarking process. SWOT can recap the strategic capability of the company as well as main issues within the business context, which is the second condition of Sun Tzu's rule of "knowing yourself". SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. It is one of the key components of the marketing planning process. SWOT analysis looks at the internal and external evaluation of the firm's situation using the collected information (either primary or secondary data). (Kotler et. al, 2009, 102.) Besides the purpose of grasping the current situation, company tries to match its internal strengths with its external opportunities. Additionally, weaknesses should transform to strengths and threats to opportunities (Blythe &

Megicks, 2010,131.)Aside from SWOT analysis, there a few other methods and software tools that support different types of benchmarking, such as Price/Performance Ratio, Potential Analysis, Life cycle Analysis, Spider web Diagram, Combo Benchmark, and GOBENCH, etc. (Kairies, 2001).

There are seven methods of collecting data especially for benchmarking. They are public domain, one-to-one, review benchmarking, database benchmarking, survey benchmarking, and Business Excellence Models benchmarking. Public domain includes secondary published data in newspapers or magazines, while one-to-one method accounts for primary data concluded from visiting a certain company. Meanwhile, review benchmarking refers to both primary and secondary data regarding the relative strengths, weaknesses, best practices and even recommendations as well as implementation plan, withdrawn by a team visiting each benchmarkee. Then, database benchmarking concerns the comparison of the data of the benchmarkees to a database of performance levels. Trial benchmarking regards those primary data collected by testing the products/services of the benchmarkees. Next, survey benchmarking relates to those primary data from surveying the customer opinions towards the relative advantages and disadvantages compared to the competitors. Lastly, Business Excellence Models benchmarking indicates an assessor score framework including in the Business Excellence Models, such as European Foundation for Quality Management (EFQM) or Australian Business Excellence Framework (ABEF). (Stapenhurst, 2009.) Public domain and survey benchmarking remain the two data collection methods of benchmarking that the thesis adopts for the desk study and the survey in the empirical part of this research.

2.2 SOSTAC®

As already discussed briefly in the introduction chapter, despite its great benefits, benchmarking is a vast idea. It is to say that wandering about the benchmarking realm without the aid of any other decision making model is like entering a new territory without any map. On top of that, selecting the right aspects to benchmark is another challenge to the benchmarker. In the benchmarking process, planning is

the first and foremost task. It is the milestone structuring later stages. Therefore, it is important to select the right planning paradigm from the beginning. There are many planning model, such as Integrated Planning Model (IPM), Monte Carlo Planners, to name a few. Each model has its own strengths and shortcomings. In the author viewpoint, SOSTAC® model is the suitable complement for benchmarking, since it focuses on conducting in detailed development plan. It helps clarify any certainties manifesting in benchmarking process. (Smith, 2015.)

Developed in the 1990s, SOSTAC® model is a registered trademark of Paul R Smith. It is a logical planning system, which is famous for those who are involved with planning marketing strategies or campaigns. On top of that, the Chartered Institute of Marketing centenary poll voted SOSTAC® in the top three Business Models worldwide. As mentioned in the theoretical framework of the introduction chapter, SOSTAC® is the abbreviation for the following six critical components molding a triumphant plan: Situation Analysis, Objectives, Strategy, Tactics, Action, and Control, as shown in figure below. (Smith, 2015.)



FIGURE 11. SOSTAC® Planning System (modified from Smith 2015)

The chart illustrates the flow of SOSTAC®. In a way, it embraces the idea of benchmarking, as there are similarities between the processes of SOSTAC® model and benchmarking (see figure benchmarking process steps in sub-chapter

2.1.4 for details). The next six sub-sections of this chapter discuss in depth each component of SOSTAC®.

2.2.1 Situation Analysis

Everything exists within a certain context. Any attempt to study a phenomenon without looking at its surrounding environment is to no avail. That also applies for businesses. All companies operate within an economic, legislative, and environment (Kotler & Amstron, 2012). While planning is indeed the basis for everything else, it has to fit in the environment within which the business is conducted. Therefore, it is not only wise but also compulsory for businesses and marketers to have understandings regarding the micro and macro factors of the environment they are operating in. (Blythe & Megicks, 2010.) Not only does it provide views on the internal facts- the company's current situation, but it also projects the external information – the state of the market and the movements of the competitors (Mongay, 2006).



FIGURE 12. SWOT Analysis (modified from Kotler et.al, 2009, 101.)

Regarding the internal facts, companies should have a profound understanding of their performance levels, their strengths, the effectiveness of their marketing mixes, and if they are using the appropriate communication and distribution channels.(Kotler & Amstron, 2012). This first stage of SOSTAC® shares the similarity with the first step of benchmarking. Hence, SWOT analysis also proves

to be useful for the assessment here (see sub-chapter Tool & Data Collection and previous figure for idea about SWOT).

On the other hand, PESTEL or PEST analysis is the key answer for a thorough investigation of the external context. As shown in figure, PESTEL depicts the wider forces that from outside the market at the macro levels. Those are political factors, economic factors, social factors, technical factors, ecological factors, and legal factors. (Blythe & Megicks, 2010, 80, 81.)



FIGURE 13. PESTEL Model (modified from Blythe & Megicks 2010, 80, 81)

There is a simplified version of PESTEL, which is PEST, where the natural environmental (ecological) factors are excluded and legal factors will be mentioned together with political factors. (Blythe & Megicks, 2010, 80, 81.)PESTEL and PEST generally share the same idea, and depending on the needs and nature of the business that whether PEST or PESTEL is more of use. This thesis adopts PEST analysis to study Vietnam's air travel market and discuss it in details in the next chapter.

For the micro factors of the market, Porter's Five Forces Model studies power of the competitors, suppliers, and customers. The graph describes the idea of Porter's

Five Forces Model. It lists out all the factors that affect the competition within the market. The model seeks explanation to the effect of micro environmental factors on the basis for strategic advantage of a company, which are the competitive power and the competitive advantage. (Blythe & Megicks, 2010, 82.)

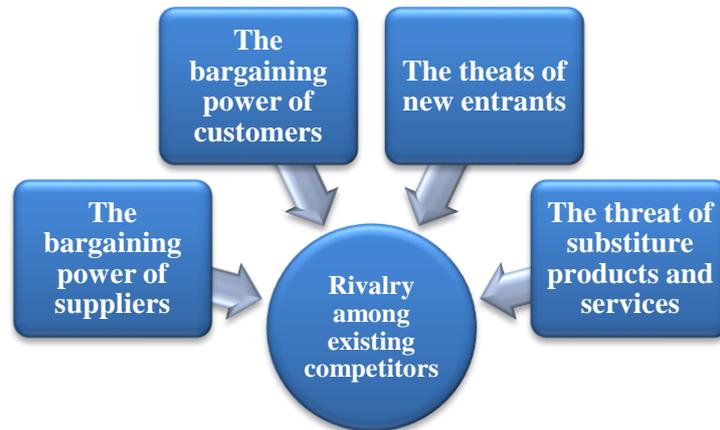


FIGURE 14. Porter's Five Forces Model (modified from Porter, 2008,4).

The bargaining power of suppliers implies that powerful suppliers are capable of controlling the competition by simply raising their prices. On the other hand, the bargaining power of customers indicates that customers are able to choose products/ services from different companies. Hence, they put pressure on prices, qualities, as well as influence the competition in the market. (Porter, 1998, 27, 28.) The threat of new entrants means the harder it is for a company to enter a new market, the more stable and less competitive the market is, and vice versa. Meanwhile, the threat of substitute products and services signify the competition can be intensive if there are close substitutes in the market. Altogether, the prior four forces strongly influence and decide the nature of the last factor: rivalry among current competitors. (Blythe & Megicks, 2010, 82.)

Generally, the models utilized in this beginning step are SWOT analysis, PEST analysis, as well as Porter's Five Forces.

2.2.2 Objectives

After having navigated our current position, the next step is to determine our destination, or objectives, in business context. All the factors from the previous steps help define clearer path towards our objectives.

Objectives are a profound statement of desired outcomes. They should be realistic, consistent and go from general to details. (Kotler & Keller, 2012.) There are two types of objectives, which are short-term objectives and long-term objectives. Moreover, objectives of a company come in form of a hierarchy, which helps forming strategy for the company in an eloquent way, as shown in the upcoming figure. (Smith, 2011.)



FIGURE 15. Objectives Hierarchy of an Organization (modified from Riley 2012)

At the top of the graph, the mission is a form of objectives, which expresses the general purposes of the business, and how the company behaves in the long-term. Meanwhile, vision is another word for overall aspiration or future intention of the firm. Aims or goals are the statements of set achievements that the company intends to attain. Lastly, objectives are the most detailed statements of the prior aims or goals. (Kotler et. al, 2009.)

Objectives comprise three sub-levels: corporate objectives, functional objectives and unit objectives. Corporate objectives concerns eight key areas: market standing, productivity, physical and financial resources, profitability, management, employees, as well as public responsibility. Thereafter, functional objectives come from lower level of several business functions, traditionally

including: production & operation, finance & administration, marketing & sales, and human resource (HR) management. Although each functional area has its own distinctive objectives, the functional objectives have to be consistent with those from corporate level. Finally, unit level objectives delve even deeper, for instance sales goals for shops, retails or agents. (Riley, 2012).

Despite many forms of objectives, there is a general criteria for setting objectives, which is SMART. It stands for Specific, Measurable, Achievable, Relevant, and Time specific (Smith, 2011). The objectives of Etihad Airways will be discussed full length later in chapter 4.

2.2.3 Strategies

Generally, strategy is about the direction the company is heading in the long-term, towards a certain target market, in order to gain specific advantages, upon its current resources and within a competitive environment (Riley, 2012). Marketing strategies also embraces the same idea. However, in this stage, the company cannot be vague about necessary method to achieve their objectives. The method has to be in exact terminology, in order to establish a daily implementation plan and to monitor it throughout the process (Blythe & Megicks, 2010). Thus, the STP can help establishing focus actions for strategy to take shape, which are the market segmentation, target marketing, and market positioning.



FIGURE 16. Segmentation/ Targeting/ Positioning Process (modified from Blythe & Megicks 2010)

In order to make good use of the resource, a right group of customers to target has to be decided. Hence, segmentation is helpful for gathering customers with similar

needs and characteristics into a group, namely a market segment. Certainly, there are many types of segmentation for B2C market including behavioral segmentation, geographic segmentation, demographic segmentation, age segmentation, and so on. Behavioral segmentation is the chosen one for the thesis, since it looks at the six following psychographic variables: benefit sought, purchase occasion, purchase behavior, usage, buyer readiness stage, and attitude towards the product. (Kotler & Armstrong, 2012,191-192.)

The benefit sought refers to the desired practical benefits of customers. In some cases, people seek the prestige or the pleasure of owning a product or experiencing a service. Sampson (1992) calls them functionally seekers, image seekers and pleasurable seekers, respectively. Then, purchase occasion indicates whether the product purchased as gift or for personal use. Sometimes, it also means buying different version of the products at different times. Purchase behavior attempts at explaining the reasons for decision to buy a product or use a service or payment methods of the customers. Next, usage describes the patterns of the customers, if they are new customers, frequent customers or wind-back customers. The purpose of this one is to find tactics to encourage light customers to medium customers while re-recruiting old customers. Buyer readiness stage affects the type of communication the company needs to use to offer the needed information for the customers to make their purchasing decisions. Attitude towards the product gives the general view on how the customers percept the product or service. (Blythe & Megicks, 2010, 158- 159.)

Thereafter, targeting is the decision on which segments to serve. In other words, it means deciding where to spend the company's resources on. In order to aid such decisive move, Derek Abell (1980) listed the following five basic strategies of market coverage: product/ market concentration, product specialisation, market specialisation, selective specialisation and full coverage. (Blythe & Megicks, 2010,183.)



FIGURE 17. Targeting Five Strategies (modified from Kotler & Keller, 2012,254)

The figure above provides the general picture regarding the five strategies for targeting. Each and every of them has its own orientation towards certain objectives in the market. For instance, full coverage strategy indicates firm's attempts to enter every possible segments in its market. Then, a closer range of the market is multiple segment specialisation, including: product specialisation and market specialisation. Product specialisation shows that firm pays full attention on its production of a special product type and offer it to several segments. On the contrary, for market specialisation strategy, company provides a specific group of customers every types of product that fit their needs. Then the single-segment concentration or product/ market concentration strategy focuses on the niche segment, which means the company perform the marketing activities on one small special part of the market. As for selective specialisation, business select individuals as segments to do one-to-one marketing. (Kotler & Keller, 2012, 255-256.)

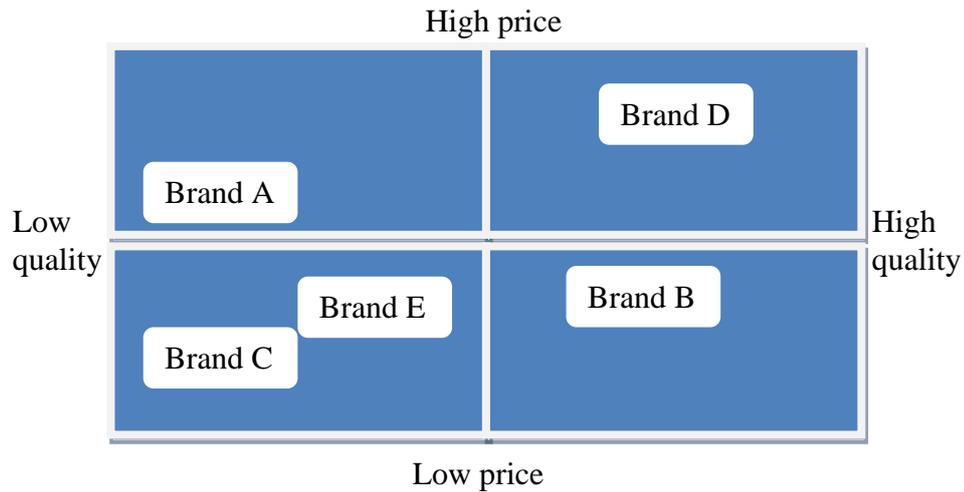


FIGURE 18. Simple Perceptual Map with Two Dimensions of Quality and Price (modified from Blythe & Megicks 2010, 189)

The third factor of the STP, positioning, is the process of creating brand's epistemology to raise competitiveness of the company in the market. Simply put, it is an objective view on the performance gap between the business and its competitors. In the framework of quality, price, and reliability, positioning projects the place of the company's products or services in the mind of the customers. Furthermore, perceptual maps are the graphic ways to display such idea. In many cases, they can be multidimensional. (Blythe & Megicks, 2010, 189.) Still, due to the scope of the thesis, the simple perceptual map or, in other words, the two dimensional perceptual map is utilized for visualisation of Etihad Airways services compared to its direct competitors. The figure below is the example of the simple perceptual map.

2.2.4 Tactics

If the Strategy stage is the overall idea about how to get to our pursued destination, then the Tactics phase of SOSTAC® model is the even more details employment of the findings from the previous stages. This step implements an association of elements in the marketing mix to satisfy the chosen segments (Smith, 2011). To be clear, the purpose of the marketing mix is to attain the

desired position. Its components comprise the following 7Ps: Product, Price, Place, Promotion, People, Process, and Physical evidence. However, due to the time and scope of this thesis, it is limited to basic 4Ps, which are Product, Price, Place, and Promotion. (Kotler & Armstrong, 2012.)



FIGURE 19. The 4Ps Components of Marketing Mix (modified from Kar 2011)

The figure above offers the detailed criteria of each element in the 4Ps. Further discussion regarding the marketing mix of Etihad Airways is available in the latter of this thesis.

2.2.5 Actions

Action stage implements all the presented findings from the prior stages in even more details than Tactics phase. This stage is where all the efforts from the very beginning are put into use.

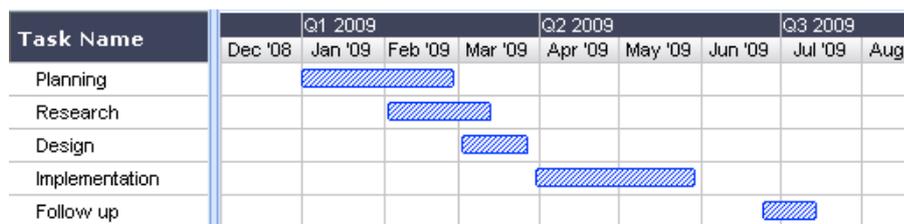


FIGURE 20. A Simple Gantt chart (Gantt.com, 2012)

All the strategies and tactics are assigned into different smaller projects and conducted by the relatively responsible departments (Smith, 2015). There should be schedules for certain objectives and reflecting the resources, as well as the responsible ones. That is the essence of Gantt chart, which is commonly used in project management. (Gantt.com, 2012.) The figure above is one simple example of Gantt chart.

2.2.6 Control

As mentioned repetitively in the previous parts, benchmarking and SOSTAC® model share many similarities. Hence, this stage is no exception. It captures the same idea as the fourth step of benchmarking: review, which covers consistently monitoring the achieved progress, as well as preparing for the next step.

		Consequences		
		Minor 3	Moderate 2	Major 1
Likelihood	Probable A	Yellow	Red	Red
	Possible B	Green	Yellow	Red
	Improbable C	Green	Green	Yellow

Key	Green Low Risk	Yellow Medium Risk	Red High Risk
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FIGURE 21. 3x3 Risk matrix (Garlick, 2015)

For monitoring the progress, feedback is essential. It should be frequent and concise. Furthermore, businesses should always be prepared in advance for any potential risks from the external environment. It can be achieved with the help of the 3x3 matrix as it assessed the consequence and likelihood matrix of risks, as well as evaluates risks from low to high level, as shown in the following figure. As indicated in the graph above, improbable or low-possibility and low to moderate-consequences risks are acceptable. Major consequences but less likely to happen, minor to moderate consequences with probability and high-possibility

but minor consequences are medium risks. They are not yet threats, but to be monitored closely for further assessment. On the contrary, moderate to high-possibility and medium to major consequences are risks that require immediate counterparts. (Garlick, 2015.)

TABLE 1. Summary of key findings of Benchmarking and SOSTAC® model

Benchmarking	SOSTAC®
<ul style="list-style-type: none"> • Definition: -A consistent self- improvement and management process by comparing and measuring the results of industry leaders • Types: -Competitive benchmarking • Process steps: 4 stages -Planning -Analysis -Action -Review • Tools -SWOT -Public domain & survey benchmarking 	<ul style="list-style-type: none"> • Situation Analysis: -SWOT -PEST -Porter’s Five Forces • Objectives: -Objective hierarchy: mission, vision, aims/goals, objectives on corporate/ functional & unit level • Strategies: -Behavioural segmentation -Targeting's five strategies - Simple perceptual map positioning • Tactics: -4Ps marketing mix • Actions: -Gantt chart • Control: -3x3 risk matrix

This chapter discusses in details about benchmarking and SOSTAC® model. Before moving onto examination the Vietnamese air travel market and Etihad Airways in the next chapters , a summary of the key findings by far is provided in the table above, in order for the readers to recap better the main idea of this chapter. In short, the benchmarking type used in this thesis is competitive benchmarking where the company studies its direct competitors to learn from them. There are four steps in the benchmarking process: planning, analysis,

action, and review. This thesis concerns mostly the first three stages, but not the review stage. This is applied the same for SOSTAC® model, since this thesis is individual research and Etihad Airways is not the commissioning party of the author. Therefore, the author cannot evaluate the review and control stages.

3 GLOBAL AVIATION INDUSTRY AND SITUATION IN VIETNAM MARKET

Transport plays an irreplaceable role in every aspects of daily life. It is the vital factor supporting the national and international commerce by acting as a mechanism for the movements of people and freight (Duval, 2007). Transport encompasses five main modes: road, rail, sea/water, pipeline, and air. Each transport mode has its own characteristics, strengths and shortcomings. However, in term of speed, air mode leads the race. In fact, in recent times, air transport has become the dominant mode when it comes to long distance travel and international tourism and trading (Graham et. al, 2008,1).

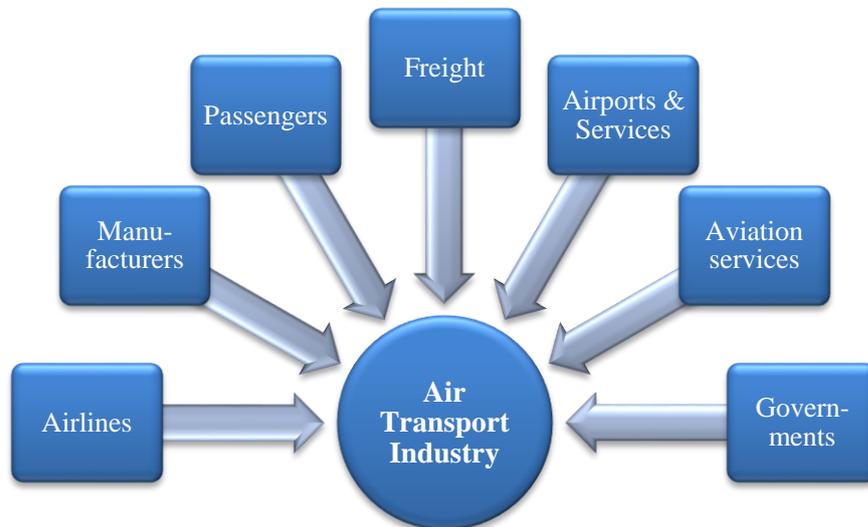


FIGURE 22. The Air Transport Industry (simplified and modified from ILO, 2013)

It is notable that air transport industry includes vast sub-sectors as shown in figure above. The thesis, however, focuses only on the passenger sector of air transport. This chapter concerns the literature review of the thesis: the commercial aviation industry. In the manner of figure 4 in sub-chapter 1.3, this chapter presents a brief introduction to the global commercial aviation industry history, which discusses the civil aviation as a whole. Then it narrows down to the air passenger sector, in which, the recent trend and outlook of air travel are given. Then, the study moves on to examine the air travel industry in Vietnam, which concerns Vietnam's

economy outlook for the 5 year period from 2011 - 2016, and PEST analysis, as well as Porter's Five Forces analysis of Vietnam market.

3.1 Global Commercial Aviation Industry

Initially, aviation is the terminology first used in 1866. It was originally a French word, derived from the Latin word "avis", which means bird. Aviation involves every practical aspects of aeronautics, including the design, development, production, operation, and use of aircraft or heavier- than- air aircraft (i.e. airplane, helicopter, etc.). (Merriam- Webster, 2015.)

Then, aviation has two sub-categories regarding its purposes: military aviation and non-military aviation, or in other words, civil aviation. Commercial aviation, which includes both general aviation and scheduled flight services, is a part of civil aviation. It involves operating aircraft for lease to transport passengers, mails or cargos. (ICAO, 2009.)

January 1, 2014 celebrated 100 year since the birth of commercial aviation (IATA, 2014a). Over time, aviation has been an increasingly critical mode, and proactively connecting every parts of the world. It facilitates tourism, world trade, economy growth and enables globalization in other industries worldwide (Kroo & Alonso, 2005).

3.1.1 Global Commercial Aviation History Overview

One of the remarkable time points of aviation was a 120- foot (36,6 meters), 12-second flight made by Orville and Wilbur Wright, in North Carolina, on December 17, 1903. It was the first powered flight in a heavier-than-air machine in history. Then, the year 1908 marked the first flight with a passenger from a meadow outside Paris. The St. Petersburg - Tampa Airboat Line provided the first scheduled flight with only a passenger across Tampa Bay, Florida, on January 1, 1914. It made the 18- mile (29 kilometres) in only 23 minutes, considerably faster than a two-hour trip by boat. The company operated two flights a day for four months, then folded with the end of the winter tourist season. (Avjobs, 2015.)

Still, aviation was not yet made into an industry, since people at that time were still skeptical about travelling with flying machines. Improvements in aircraft design were also scarce. The situation changed during the World War I. Aviation was, by then, recognised as an industry. However, it dealt mostly with military demands. Then, during World War II, the importance of aviation became more apparent. Although the war halted almost all airline activities worldwide, as carriers donated their aircraft for military uses, air transport generally proved its great importance over supporting the flows of freights and passengers for war supplies. It provided the desired airlift to keep the moving of troops and supplies. As a result, 50 000 planes were manufactured a year and new routes were established, by the end of the war. (Avjobs, 2015.)

Following the end of World War II, regular commercial service was restored. Air travel boomed around the world. (Avjobs, 2015.) Together with the beginning of new nations in Asia, more airlines were also founded. However, in United States, the tremendous growth of commercial aviation industry raised new problems. In 1956, two aircraft collided over the Grand Canyon, resulted in 128 deaths. This led to the pass of Federal Aviation Act of 1958 and the establishment of Federal Aviation Agency (later called the Federal Aviation Administration – FAA). FAA was, back then, a new safety regulatory agency with the objective of maintaining the safe separation of all commercial aircraft through all phases of flight. (Avjobs, 2015.) This period also was the era of tremendously development in aviation technology, especially the jet airliner appearance. The first commercial jet was the De Havilland Comet, operated by BOAC (British Overseas Airways Corporation). It was used for the flight connected London and Johannesburg in 1952. This aircraft helped reduce the fatigue from metal noise of passengers during the flight. However, Boeing 707 (1958) and the first jumbo jet Boeing 747 (1970) proved even more outstanding performances. Thanks to the jumbo jet's accommodating up to 500 passengers, they led to rapid reduction in seat cost per passenger kilometre, which is a common measure of revenue yield. (Holloway & Humphreys, 2012.)

Thereafter, commercial air transport slowly shifted away from being one of the most regulated industries, thanks to the introduction of more liberalised transport

regimes around the world (Duval, 2007). Prior to that, in 1944, there was already an establishment of the five freedoms of air at the Chicago Convention on Civil Aviation with agreements from 80 presented governments. The five freedoms of air were privileges to fly across a country without landing; landing in a country for purposes, such as refueling, other than the purposes of carriage of passengers or freight; offloading passengers, mail or freight from an airline of the originated country; load passengers, mail or freight on an airliner to the destined country; lastly, load passengers, mail or freight on an airline not belonging to the destined country and offload passengers, mail, freight from an airline not of the originated country. These privileges, however, were the framework for only bilateral agreements between countries at the time. Since then, there were many more commercial aviation liberalisation movements. The US passed the 1978 Airline Deregulation Act, partially shifted control over commercial aviation from the political to the market sphere (Smith Jr & Cox, 2008). In Europe, people witnessed the fruit of many years of argument and slow evolution, as the Single Aviation Market of the European Union was introduced on April 1, 1997. This formation welcomed a new era for European airlines to operate in a market characterized by almost freedom from constraints in the areas of market entry, capacity and pricing (Graham et al, 2008, 36.)

The deregulation in commercial aviation changed the overall air travel picture. Charter airlines were freed to sell openly on a “seat - only basis”, instead of the prior “inclusive tour” charters. It also created the opportunities for new airlines to develop and old-established ones to adopt new business strategies. A new kind of airlines, that offer much reduced fares for a more basic air product, appeared. New markets for short hauls, such as weekend breaks also took shape. It was all thanks to the steady growth in global economy of the 1990s and rises in real income, which altogether contributed to the high demand on air travel at the time. This situation brought forth a mixture of both opportunities and challenges for airlines, especially charter carriers since they had to compete against the rising low cost carriers (later will be referred to as LCC). Decisions regarding cost control and pricing structures were strictly reckoned. (Graham et al, 2008, 36, 37.)

Another great advantages commercial aviation gained after the deregulation was the shift from point-to-point services to hub-and-spoke network, which remains till today. Hubs existed before deregulation but there were many restrictions on market entry and exit, hence resulted in complex connections. (Rodrigue, 2015.) Below figure shows the services between two airlines before and after deregulation.

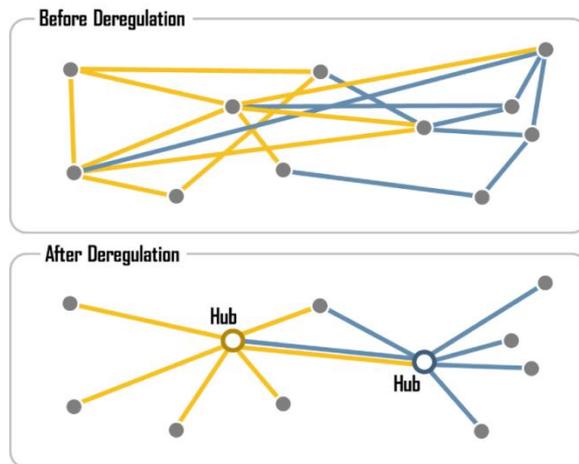


FIGURE23. Air Transport Hubs before and after Deregulation(Rodrigue, 2015)

Generally, it is noteworthy to draw out some prominent and consistent characteristics of commercial aviation industry from its history. First of all, it is an extremely capital intensive business like any other forms transport due to the high cost of operating airports, maintaining and equipping airlines, as well as advancing latest technologies (Holloway & Humphreys, 2012). It is also one of the most regulated modes of transport, though this has been changing with liberalisation trends. Lastly, it is tightly linked with economic growth and highly sensitive with political instability. (Graham et.al, 2008, 45.)

3.1.2 Air Travel's Recent Trend and Outlook

The global airline industry continues to grow briskly but steadily. Today, on average, global aviation industry provides transport to more than 8 million people, daily. In 2013, there were 3.1 billion passengers. (IATA, 2013.) Approximately, there are 140 thousand tons of cargos transported by air per day, about 50 tons per

annum. The annual value of those goods is around 6.4 trillion US dollar. Aviation industry contributes around 540 billion US dollar directly to the global economy. It supports over 57 million jobs worldwide and generates 2.2 trillion US dollar in economic activity. (IATA, 2013.) According to a report from PwC, LLCs were the driven key of the industry growth. They control 25 percent of worldwide market and expands rapidly in the emerging markets. Carriers in developed markets also contributed to the growth. (Clayton & Hilz, 2015.)

Passenger air transport was forecasted to be a fast growing markets in a 20 year scope. IATA expected the passenger numbers to reach 7.3 billion by 2034. Demand for air connectivity will grow by 4.1 percent on average per annum. In 20 years' time, aviation can be expected to help sustain approximately 150 millions jobs and 6 trillion US Dollar, which are more than double the current numbers of 58 million jobs and 2.4 trillion US Dollar. Regarding the growth of specific markets, according to IATA, the US will remain the largest air passenger market until 2030, then will be replaced by China. Also, three out of five fastest - increasing markets in terms of additional passengers per year are emerging markets from Asia countries: China, Indonesia, and India. (IATA, 2014b.) Middle East will be one of the top fastest growing aviation markets during the next 20 years with an extra 237 million passengers. UAE expects an average annual growth of 5.6 percent, which outpaces Qatar (4.8 percent) and Saudi Arabia (4.6 percent). IATA also forecasted that there would be a significant shifts in the market concerning the growth of air traffic to and from Africa. (Cronin, 2014.)

Despite the forecasted growth of the commercial aviation, profit margins of carriers are rather low, which were expected to be less than 3 percent in 2015. While other players in the value chain, such as airports, airplane manufacturers, travel agents, to name a few, gain steady profits. The carriers, which are the crucial link in the chain, have to struggle to break even. This is mainly due to the complex nature of the business. In addition, it was affected by a certain degree of regulation, which minimizes consolidation, and strings of recent accidents (e.g., the missing MH370 and shot down MH17 of Malaysia Airlines). Price pressure also is another factor. The airline yields, which are defined as the average fare paid by passenger per kilometer, have constantly dropped since the 1950s.

(Clayton & Hilz, 2015.) The customers are sensitive towards the price fare. Therefore, the cost efficiency competition between carriers are getting tougher. (Grahamet. al, 2008.) Airlines from the Middle East region have posed as threats to other airlines worldwide, especially, to the three largest airlines of the US: the United Airlines, Delta Airlines, and American Airlines. It is thanks to the great economic potential of the Middle East countries (Ha, 2015).

Tony Tyler, the Director General of IATA, named three major challenges for the future of passenger air transport in 2015 as safety, passenger experience, and environmental as well as financial sustainability (IATA, 2014b).

3.2 Commercial Aviation Industry in Vietnam

January 2015 marked 59 years since the establishment of Vietnam's civil aviation. In 2014, IATA evaluated the commercial aviation industry in Vietnam to be dynamic and fast growing. In fact, Vietnam placed at 7th in the fastest markets growth worldwide for the five-year period from 2013 to 2017, according to IATA. Commercial aviation contributed 6 billion US dollar to the GDP (Gross Domestic Product) of Vietnam annually. It also helped sustain more than 230 thousand jobs from 2008 to 2013 period. Additionally, the number of air passenger in Vietnam doubled the amount, increased by 98 percent, in the same period. Especially, in 2013, Vietnam welcomed around 4.6 million international air passengers, 80 percent of which granted over 5 billion US Dollar to the tourism of Vietnam (Chau, 2014.)

There are 21 airports across the country. Among them, Noi Bai international airport in Hanoi (code HAN) and Tan Son Nhat international airport in Ho Chi Minh City (code SGN), are the two largest and busiest airports of Vietnam. The next table shows the traffic volume of only Vietnam Airlines at Tan Son Nhat International Airport from 2010 to 2014. Although it only shows figures of an airline, it illustrates the dynamic picture at Tan Son Nhat airport. On top of that, there are 41 international airlines operating at Tan Son Nhat airport (see Appendix 1 for further information) (SAA, 2015).

TABLE 2. Number of Take off/ Landing Flights (Flight/ Time) of Vietnam Airlines at Tan Son Nhat International Airport, Vietnam from 2010 – 2014 (CAAV, 2015)

Year	International	Growth	Domestic	Growth	Total	Growth
2014	65.293	4,0%	89.085	15,3%	154.378	10,2%
2013	62.804	7,3%	77.287	4,5%	140.091	5,7%
2012	58.526	7,0%	73.955	1,6%	132.481	3,9%
2011	54.709	11,4%	72.762	20,8%	127.471	16,6%
2010	49.111	10,1%	60.213	20,2%	109.324	15,4%

Vietnam Airlines is the flag carrier of Vietnam, founded in January 1956. Starting with non-regular domestic services, after 20 years of development, today it offers flights to 21 cities nationwide and 28 international destinations in Asia, Europe, and Australia. Vietnam Airlines joined IATA and SkyTeam (the world's second largest global airline alliance) in 2006 and 2010, respectively. (Vietnam Airlines-a, 2013.) Moreover, starting from this year 2015, it shifted from a state own corporation to a limited company, in which the government owns 51 percent of the share (BaoViet Securities, 2014a).

3.2.1 Vietnam's Air Travel Industry PEST Analysis

Despite its being a communist country, Vietnam has a very receptive attitude towards welcoming FDI and establishing trade relations with other countries (Sterling, 2006). Ever since the introduction of Doi Moi (namely 'economic reform') in 1986, the government has been committed to improving the business and investment environment of the country (World Bank Group, 2015). In 2007, Vietnam became the 150th member of the World Trade Organization (WTO). Although there are limits on the political activities and free of speech in the market for organization, the Vietnamese political environment towards air travel has changed relatively in recent years. Nguyen Van The, Deputy Minister of Transport, affirmed the determination in promoting developments in the entire aviation industry. Indeed, the commercial aviation industry in Vietnam had moved towards more liberalization in recent time. The Minister also stated that, the

Ministry of Transport would develop mechanisms and policies to ensure airlines and LCCs to have the best conditions for future developments. Thanks to the liberalization of integration, that commercial aviation industry in Vietnam had positive changes: more benefits for passengers, better service improvement, and relatively low fares. (Tai Chinh, 2014.)

Another aspect that has great effect on the air travel industry is the economy. Vietnam's economy grew at a steady rate in 2014. Its GDP accelerated significantly and grew at the fastest pace in four years, thanks to the improvements in agriculture industry. In the first two months of 2015, the economy showed positive signs with double-digit growth in industrial production. Over the five-year period, from 2009 to 2013, consumption steadily increased, while inflation rates dropped to the lowest level, from 18.7 percent (2011) to 6.6 percent (2013), as shown in table 2 below. (FocusEconomics, 2015.)

TABLE 3. Vietnam Economic Data (modified from FocusEconomics, 2015)

	2009	2010	2011	2012	2013
GDP per capita (USD)	1,044	1,169	1,373	1,595	1,894
Economic Growth (GDP, annual variation in %)	5.4	6.4	6.2	5.2	5.4
Consumption (annual variation in %)	2.3	8.2	4.1	4.9	5.2
Investment (annual variation in %)	8.7	10.9	-7.8	1.9	5.3
Industrial Production (annual variation in %)	8.5	15.7	13.5	4.8	5.9
Exports (USD billion)	56.5	71.7	95.4	114.4	133.3
Imports (USD billion)	68.9	83.8	104.2	112.4	132.9

In 2015, Vietnam expects GDP growth from 5.8 percent in 2014 to 6.8 percent, higher by 2.2 percent than in 2013. In addition, the forecasted CPI is below 7%. There is anticipation for accelerating reform in banking sector. Vietnam's tourism also continued to grow steadily, together with other auxiliary industries, and to develop towards participating in the international supply chain with its partners in FTAs (Free Trade Agreements). Tourism attracts both domestic and international tourists, contributes to the development in the air travel industry. (Nguyen, 2015.)

Furthermore, the population of Vietnam was estimated to be more than 92 million people in 2014, represents 1.28 percent of the total world population. It was forecasted to reach 97 million people by 2020. And 33 percent of the population lives in urban area. The median age in Vietnam is 30.3 years old. (Worldmeters, 2015.) In general, the population data shows the potential market size for air travel industry in Vietnam. Vietnam score 35 points on the indulgence dimension of Hofstede's 6-D Model. This score indicates a society's tendency to cynicism and pessimism, and less emphasis on leisure time and desire than societies with higher scores. (Hofstede, 2010.) This explains the customer's sensitivity towards lower fares and success of MEB3 (Middle East big 3) airlines in recent years.

As for the technology development in Vietnam, the government already launched many initiatives to support the commercial aviation industry. The report on global competitiveness at the World Economic Forum stated that Vietnam ranked no. 82 on the index aviation infrastructure and placed no. 6 among the 10 ASEAN countries. (Tai Chinh, 2014.) Vietnam has 21 civil airports, nine of which are international airports (Decision No.238/ QD-BGTVT, Appendix 1). In 2015, Vietnam aims at building and upgrading the infrastructure of two available domestic airports to become international airports, making a total number of 11 international airports nationwide (Freshfields Bruckhaus Deringer, 2014).



FIGURE 24. Airports across Vietnam (Vietnam Airlines-b, 2013)

Airports Corporation of Vietnam (ACV), a State own Limited Liability Company, manages the 21 civil airports across the country directly. It is based in Tan Son Nhat international airport, Ho Chi Minh City.(CAAV, 2012.)

3.2.2 Vietnam's Air Travel Industry Porter's Five Forces Analysis

In respect of studying the micro factors of the market, the study gives more insight into the air travel industry in Vietnam by using Porter's Five Forces Model.

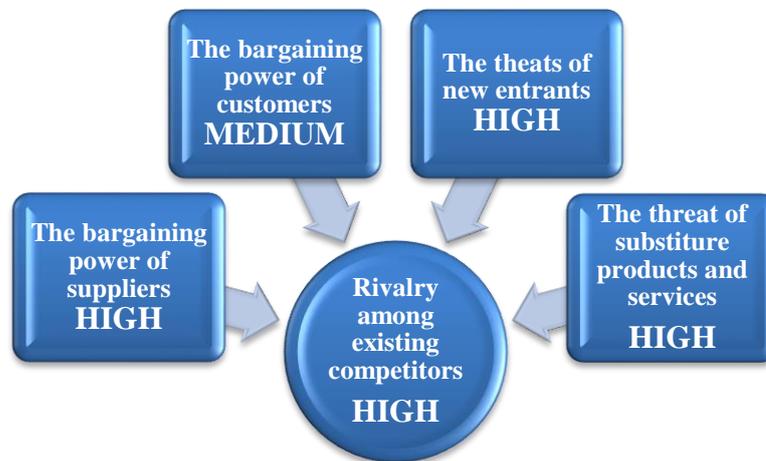


FIGURE 25. Porter's Five Forces of commercial air transport in HCMC, Vietnam

To start with, the air travel in Vietnam market has high bargaining power of suppliers. Although the labor cost in Vietnam is lower than other countries in the area, the rising fuel cost affects marginal pricing policy and revenue of operating airlines greatly. To boost, the MEB3 airlines aim at providing the premium services for air travel, thus they need the professional experts in various fields. In respect of fleets, there are few suppliers globally, namely Airbus and Boeing. Therefore, they can affluent the competition in the market by raising their prices.

Simultaneously, there is a high threat of new entrants. Although there are airlines that cease their operating in Vietnam, many LCCs consider entering the market to

exploit the short haul flights. In addition, Vietnam has a vibrant economy and many incentive policies supporting the air travel industry, as mentioned earlier in this chapter. Nonetheless, merger or acquisition among established airlines in the market also pose great threat to other airlines in the market. As the matter of fact, the emergence of private airliners attracted and increased the ratio of passenger air travel consistently in recent years. In 2013 alone, the domestic passenger number increased by 21.5 percent compared to the previous year. In the first quarter of 2014, the number of passenger also grew by 21 percent compared to the same period in 2013. (Tai Chinh, 2014.)

Then, the threat of substitute products and services in the market is also high. For domestic flights, there are other means of transportation such as trains or buses, depending on the distance. With regard to the international flights, the substitute products are from airlines with different images or products. For instance, the passengers may choose the long established airlines for long haul flights over the luxury brand, as they have a traditional and trust-worthy image. On the other hand, they may choose LCCs services for low fare over high service quality.

However, the bargaining power of the customer is at medium level. Although, air transport customers are highly price sensitive, they only have moderate influence on the competition in the market, but not as much on the price. Their power stems from their decision-making upon many options offered by the airlines. Moreover, it is unlikely for mass switching from one brand to another in air travel market. Hence, even though the customers are not loyal, the airlines still have strong clientele.

The most prominent threat in Vietnam's air travel market is the high rivalry among existing competitors. Regarding international flights, besides Vietnam Airlines, there are 51 international airlines operating in Vietnam. Among them, 10 percent are LLCs exploit 54 international in/outbound routes to international airports in Vietnam. Despite the rapid growth of the market, many international airlines withdrew from Vietnam, such as Lauda Air (Austria), Swissair (Switzerland), S7 (Russia), KLM Royal Dutch Airlines (the Netherlands) and the most recent was Lufthansa (Germany) on March 25, 2014. According to

Lufthansa's representative, the main reason was the relatively low fare offers on the same routes of airlines from the Middle East. Prior to that, KML Airlines ceased its activities in Vietnam after 5 year operating but inefficiently, leaving its strategic alliances Air France as the sole representative in Vietnam. On the contrary, airlines from the Middle East, such as Emirates, Etihad Airways, and Qatar Airways certainly have the upper hands in the market. Industry specialists call them MEB3, which means Middle East Big 3. They have put more pressure on other airlines in 2014, by establishing 21 new fly routes, including seven routes to European countries, six routes to North America, three to Asian destinations, three to Middle East countries, and two to Africa. However, the three said airlines also compete fiercely among themselves. (BaoViet Securities, 2014b.)

This chapter discusses the history of global commercial aviation industry, which ultimately draws out these following characteristics: it is an extremely capital intensive business, and one of the most regulated modes of transport that gradually move forward to liberalisation, as well as it is tightly linked with economic growth and highly sensitive with political instability. Then, the forecast of being high growth and dynamic industry of air travel is also stated. The concerns for its future outlook involve the big three challenges of safety, passenger experience and sustainable development both financially and environmentally. Next, the thesis narrows down to air travel in Vietnam, in which a detailed PEST and Porter's Five Forces analysis of the industry are examined. The next chapter gives detailed analysis regarding Etihad Airways, as well as introduction of its direct competitors.

4 CASE STUDY: ETIHAD AIRWAYS

So far, chapter 2 has introduced the theoretical framework, while chapter 3 covered the background of the air travel and information regarding the Vietnamese market. This chapter focuses on detailed analysis of the case company Etihad Airways: the company's introduction, its direct competitors, SWOT analysis and STP of Etihad Airways and its main competitors, as well as the market analysis.

4.1 Company Overview

Etihad Airways is the national airline of the United Arab Emirates. In Arabic, "Etihad" means union. It is the second-largest airline in the UAE, just after Emirates. Its head office is based in Khalifa City A, near Abu Dhabi, which is the capital and the second most populous city of the UAE. Etihad Airways was established by Royal Decree in July 2003 and started operations in November of the same year. Despite its young history, Etihad Airways has become one of the fastest growing airlines in the history of commercial aviation. The airline reached its break-even point in 2011. Today, it serves flights to more than 86 commercial destinations in more than 56 countries. Etihad quickly established its reputation as ultra-premium airline, and received a wide range of awards. The most prominent among them is "World's Leading Airline" at World Travel Awards for six consecutive years. In 2009, Etihad's new terminal in Abu Dhabi airport was designed as a luxury hotel lounge than a terminal. The tagline of Etihad Airways is "From Abu Dhabi to the World". (Etihad, 2015a.)



Inside Abu Dhabi International Airport, Terminal 1

On October 2013, Etihad Airways started daily flights from Abu Dhabi (AUH), UAE to Ho Chi Minh City (SGN) in Vietnam. The airline commenced Airbus A330-200 to offer approximately more 3700 seats per week to the mentioned route. It marked the first commercial passenger service ever between the two cities. (anna.aero, 2013.) Along with the scheduled flights to Vietnam, Etihad Airways also established its representative office in Ho Chi Minh City, Vietnam, in 2013 (Anh, 2012). The general manager for the office in Vietnam is Frédéric Huynh Quan Dat, who has more than 13 years of experience in the airline industry (Arab News, 2013).

4.1.1 Company Management

The below figure shows the organizational chart of Etihad Airways. It goes from the Boards of Directors, which are from the Royal Decree of the UAE, to international operational function units.



FIGURE 26. Etihad Airways' Organizational Chart

The Boards of Directors comprises the Chairman, HH Sheikh Hamed bin Zayed Al Nahyan, and other six members from the Royal Decree. Then, James Hogan is

the President & CEO, leading the executive team of Etihad Airways. Other members of the executive team, recruited from Australia, Europe and the USA, are Chief financial officer, Chief people & performance officer, Chief strategy & planning officer, Chief operations officer, chief commercial officer, and General course & company secretary. The management team consists of ten members from around the world, are in charge of many responsibilities, from aero political affairs to audit, compliance and risk. (Etihad, 2013.) The final level of Etihad Airways is operational functions including Airport Operations, Customer Service, e-Commerce & IT, Engineering, Finance, Flight Operations, Health Care, Human Resources, Legal, Planning & Strategy, Marketing & Communications, and Sales to name a few (Etihad, 2015b).

As for the Etihad's representative office in Vietnam, the organizational chart is shown in the figure below. The General Manager, FrédéricDat Huynh, leads the team supporting by a Sales Manager, a Finance Manager, a Ticketing Officer, the sales team, and the ticketing agents (Dao, 2015).

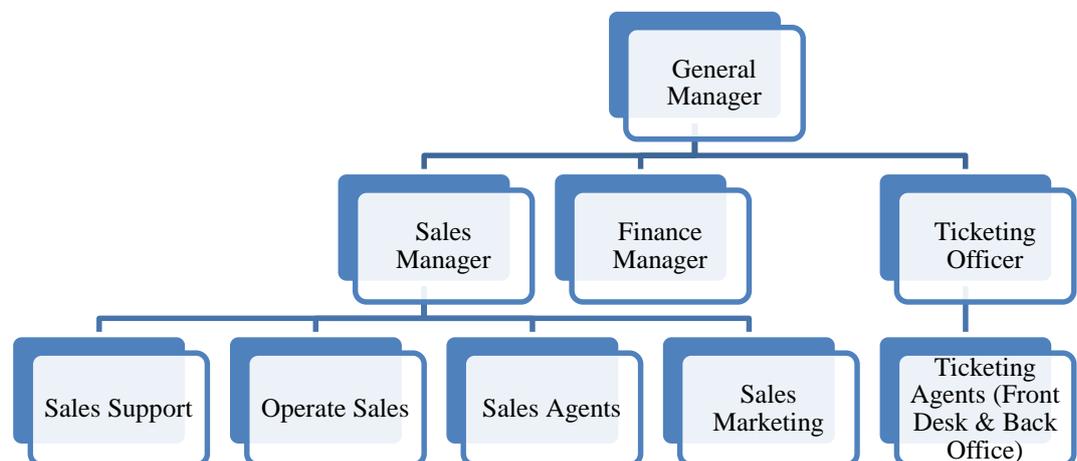


FIGURE 27. Organizational chart of Etihad Airways' Representative Office in Vietnam

Aside from the representative office team, there are seven people, including the Station Manager, the Duty Manager, Operation Officer, and Operation Agents

working at Etihad's Airport Operations team in Tan Son Nhat international airport. Their daily duties are to start working five hours prior to the flights, then to report the situations at the airport back to the office.

4.1.2 Company Missions, Visions, Aims & Objectives

The Vietnam's representative office follows Etihad's missions of being a socially responsible, profitable and financially sustainable corporation. Aside from establishing Etihad's presence in Vietnam, it contributes in carrying out the visions of reflecting the Arabian culture, as well as making Abu Dhabi the connecting center of the West and the East.(Etihad, 2015a.)



FIGURE 28. Hierarchy of Objectives of Etihad Airways (Etihad, 2015)

The primary short-term objective of Etihad Airways is to reach the target of Sales/ Commercial Strategy & Planning (CS&P) by 40 percent by the end 2015 as illustrated in the next figure (Dao, 2015).

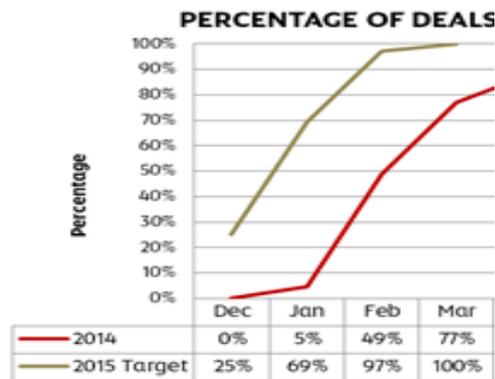


FIGURE 29. Etihad Airways Sales Targets in 2015 (Dao, 2015)

Etihad also expects to acquire four A380s and four Boeing 787-9s in 2015. Another of Etihad's short-term objectives are maintaining the customer value and luxurious brand quality while decreasing costs. Additionally, Etihad aims at creating 15 more destinations and setting up two more Etihad premium lounges by 2019. Meanwhile, the primary long-term objective of Etihad is to expand product offerings, inbound holidays to Abu Dhabi, as well as enhancing customer experiences by 2030. In addition, the airline expects to increase its fleet to 202 aircrafts by 2025. (Etihad, 2014.) The company also set marketing fund agreement to each agency accordingly (Dao, 2015). However, they are confidential data and cannot be disclosed in this research.

4.1.3 Company Services

The figure below shows different services that Etihad Airways offer. The main business of Etihad Airways is passenger transport. Etihad offers three different types of products including Coral Economy Class, Pearl Business Class, and Diamond First Class. International passenger transport accounts for 60 percent of Etihad's product portfolio. (Etihad, 2010.)

Etihad's Service Portfolio



FIGURE 30. Etihad's Service Portfolio

The rest are Etihad Holidays for tourism, Etihad Cargo & Crystal Cargo, Etihad Express 2D (since 2010) for air freight, Etihad Airport services, and Etihad Airways Engineering. (Etihad, 2010.)

4.1.4 Company Partner Network

By 2014, Etihad Airways had 195 interline relationships and code share partnerships with 49 airlines (see Appendix 2 for the airline list), including Vietnam Airlines for the flights from Hanoi or Ho Chi Minh City to Abu Dhabi, transferring in Bangkok, on daily services started from October 2011. Additionally, the equity partners of Etihad Airways are airberlin (29%), Alitalia (49%), Jet Airways (24%), Virgin Australia (22.9%), Air Serbia (49%), air seychelles (40%), Aer Lingus (4.9%), and Etihad Regional (33.3%). Code shares and strategic partnerships delivered more than 3.5 million passengers to nearly 500 destinations and over 21000 flights per week in 2014. (Etihad, 2014.)

4.2 Company Analysis

As mentioned in chapter 2, SWOT is the analysis tool for examining the current situation of Etihad Airways in Vietnam. This sub-chapter investigates the

strengths, weaknesses, opportunities, as well as threats exposed to Etihad Airways generally, and specifically in Vietnam.

The greatest advantage of Etihad is that the company has strong support from the Abu Dhabi Government. The UAE has its own benefit of being one of the oil rich countries. Also, Etihad Airways has over 5000 flights per week over 56 countries worldwide. It also has good branding and visibility on the international market as it actively sponsors many prominent events, such as F1 Etihad Airways Abu Dhabi Grand Prix, Manchester City Football Club, and 2013 Events Washington DC's Nation's Triathlon and Tri Yas to name a few. In Vietnam, it established a strong codeshare partnership with Vietnam Airlines. (Etihad, 2015.)

However, there are critical weaknesses that Etihad Airways should take into account. Although Etihad offers lower fares than its competitors Emirates and Qatar Airways, it still is perceived as an expensive brand by the Vietnamese customers due to its luxury airline image. In addition, the brand awareness in Vietnam is weak, not many Vietnamese can recognize the airline when mentioned. Another weakness is the long connectivity between New York (JFK) and Washington D.C (IAD) as it affects the key corporate traffic. (Dao, 2015.)

There many opportunities for Etihad Airways. Thanks to its being a young airline, Etihad Airways has new aircrafts to offer. Also, Etihad plans to capitalize new destinations on EY network worldwide. Moreover, the airline intends to establish tight relationships with airports to offer premium facilities to its passengers to improve premium share, as well as gaining customers' confidence in the brand. (Dao,2015.)

Still, the airline should keep watch for the intense and increasing competition in the Middle Eastern market. Especially the entrants of the LCCs would pressure Etihad Airways to come up with counter plans. Additionally, there were an increasing cost of fuel, changes in international aviation regulations and local government policies in 2014. (Dao, 2015.)

TABLE 4. Etihad Airways' SWOT Analysis

Strengths	<ul style="list-style-type: none"> - Strong support from the Abu Dhabi Government - Strong codeshare relationship with Vietnam Airlines - Competitive offering over AUH hub to key European destinations and 5000 flights per week over 56 countries worldwide - Good branding visibility on the international market for its sport sponsorships.
Weaknesses	<ul style="list-style-type: none"> - Brand awareness in Vietnam - Perceived as expensive brand due to its luxury image - Long connectivity on JFK and IAD affecting its key corporate traffic
Opportunities	<ul style="list-style-type: none"> - New aircrafts to offer - Capitalize new destinations on EY network worldwide - Tight relationships with airports to offer premium facilities - Improve premium share - Gaining customers' confidence in the brand
Threats	<ul style="list-style-type: none"> - Intense and increasing competition in Middle East market, especially the entrants of the LCCs - Increasing costs of fuel globally also pressure the airline - Changes in international aviation regulations and local government policies in 2014

The above table recaps the main points of SWOT analysis of Etihad Airways in Vietnam market. Besides the advantages and opportunities, the airline still has potential threats to counter. The weakness of low brand awareness in Vietnam is the crucial reason to conduct benchmarking with its direct competitors in the market.

4.3 Direct Competitors Overview

As mentioned in chapter 2, the benchmark type used in this thesis is competitive benchmarking, which compares the company conducting benchmarking to its direct competitors. In addition, the market situation in chapter 3 indicates that the

direct competitors of Etihad Airways are the other two airlines of the MEB3: Emirates and Qatar Airways.

4.3.1 Emirates

Emirates is one of the UAE's airlines, besides Etihad Airways. The airline started operating in October 1985. The Government of Dubai wholly owned the airline back then, but recently let it become independent entity. Emirates' hub is at Dubai International Airport, the UAE. Emirates airline operates over 1500 passenger flights per week to six continents worldwide. The airline is the current world's largest operator of both the Airbus A380 and Boeing 777. Aviation Industry Awards named Emirates the Aviation Company of the Year, in 2014. It is a diverse travel and tourism conglomerate, as its product portfolio comprises of various operations: Emirates airline, Destination & Leisure Management, Emirates SkyCargo, Emirates Skywards, Emirates Official Store, EmQuest, Emirates Aviation College, as well as Emirates Engineering. (Emirates, 2015.)

4.3.2 Qatar Airways

Qatar Airways is the national airline of the State of Qatar. It started operation in 1994 as a small regional carrier, then re-launched in 1997 by the Emir Sheikh Hamad bin Khalifa Al Thani with vision of making it an international airline with leading service standards. Qatar Airways' hub is in Doha, capital of Qatar. The airline has a network of 146 destinations worldwide. Skytrax World Airline Awards named it Airline of Year in 2011 and 2012. It also received five stars for service quality. (Qatar, 2015b.) The airline's product portfolio consists of Qatar Duty Free, Al Maha Services, Qatar Aircraft Catering Company, Qatar Airways Cargo, Qatar Aviation Services, The Qatar Distribution Company (QDC), International Media Services, Hamad International Airport, and Qatar Executive (Qatar, 2015c).

5 EMPIRICAL RESEARCH & ANALYSIS

This chapter covers the empirical research process of this thesis. The first sub-chapter describes the purposes and the process of collecting both primary and secondary data through different methods including desk study, survey, and interviews. Subsequently, the latter sub-chapter focuses on analyzing the collected data.

5.1 Data Acquisition Process

The following Gantt chart of data acquisition process is the holistic view for the whole process of collecting both primary and secondary source of this thesis.

TABLE 5. Gantt chart of Data Acquisition Process

Task name	Q1 2015				
	Dec 2014	Jan 2015	Feb 2015	March 2015	April 2015
Desk research	X	X	X		
Design interview questions & modify questionnaire			X	X	
Launch survey & conduct interviews				X	X
Data analysis & results					X

Generally, the process consists of three main phases: desk study, interview, and survey. Then, they break into smaller tasks: desk research, designing the question layout for the interviews & the survey questionnaire, launching the survey & conduct the interviews, as well as analyzing the data & finalizing the results. The next three sub-chapters explain the objectives and fashion of each phase.

The desk study part is the start of the analysis stage of benchmarking. The goal of this thesis is to find the benchmarks for marketing activities of Etihad Airways to improve its brand awareness in Vietnam. Thus, this process concerns finding the data from public domains regarding the marketing strategies of Etihad Airways, Emirates, and Qatar Airways, in order to make comparisons between them. The aim is to confirm whether Emirates and Qatar Airways are indeed the direct competitors of Etihad Airways in Vietnam, by comparing their STPs (Segmenting, Targeting, and Positioning) as introduced in chapter 2, sub-chapter Strategies. The factors for segmenting concern benefit sought, purchase occasion, purchase behavior, usage, buyer readiness stage, and attitude towards the product. Those factors are to compare how the three companies define their market segments and if they have the same target groups. Then, this phase also defines the targeting strategies of each company. In addition, a positioning map of Etihad Airways, Emirates, and Qatar Airways in Vietnam market is included for preliminary assessment of their positions in the competition among them.

This phase started in early December 2014 and lasted until the end of February 2015. The data came from public domains, such as press releases on the websites of the airlines, other electronic sources, as well as internal sources from the airline representatives. As the thesis concerns the marketing strategies in Vietnam market, the author had to contact the MEB3's representatives in Vietnam for more specific strategic information.

After confirming that Emirates and Qatar Airways are the right benchmarkees for Etihad Airways, the interview phase is to affirm the findings on their marketing strategies from the desk study. As the information regarding the marketing activities of the MEB3 in Vietnam market are scarce or from non-academic sources, this step is essential for the study. Generally, there are three types of interviews, which are structured interviews, semi-structured interviews, as well as unstructured or in-depth interviews. Structured interviews used standardized and identical questions for all the interviewees, while semi-structured interviews covers a list of themes and the interviewer can omit or add more questions depending on the case. Meanwhile, unstructured interviews are for general topics, where there is no set list of questions and the interviewee has the opportunity to

talk freely. Depending on either the purpose of the research, significance of establishing personal contact or the nature of the questions, the interviewer decides the suitable type for the interviews. (Saunders et. al, 2012, 320-321.)

The interviews in this study are semi-structured interviews, which benefit for open-ended questions (Easterby-Smith et. al2008, according to Saunders et. al, 2012, 324). This type of question allows the participants to describe the situation and provide extensive answers (Saunders et. al, 2012, 337). Once again, this study focuses on marketing strategy benchmarks for Vietnam market, thus the interview questions concentrate on such topic. The framework for the interviews is the 4Ps of marketing mix: Place, Product, Price, and Promotion. The following is the frame for the interviews with the representatives from Etihad Airways, Emirates, and Qatar Airways in Vietnam. The actual questions slightly vary for different interviewees according to their position in the company (back office or cabin crew).

- What are the main target groups of the company in Vietnam?
- What are the methods of the company to approach the target groups and raise brand awareness among them?
- What are the competitive advantages of the company in the Vietnamese market?

In total, there are six interviews with the representatives from the back office, as well as the cabin crew of Etihad Airways, Qatar Airways, and Emirates in Vietnam. As mentioned earlier, the author was not in Vietnam; therefore, she had to conduct the interviews online via Skype, Facebook messages, and e-mails. The interviews design and launching happened at the same time with the survey from week 8 in February 2015 until week 16, April 2015. All of the interviewees requested to remain anonymous. Thus, they are interviewee EA1, interviewee EA2 for Etihad Airways; interviewee QA1, interviewee QA2 for Qatar Airways; interviewee E1 and interviewee E2 for Emirates. Moreover, the oral references do not include their identities.

Subsequently, survey is the most advantageous system to collect data on such topics as consumer decision making, customer satisfaction, and management information system to name a few. Questionnaire is a predetermined set of questions formulated for the respondents to record their answers either on papers or via electronic means. It is to say that questionnaires are less time consuming than interviews but they pose a low return rate if conducted via e-mails and electronic platforms. Hence, the design of the questionnaire should be succinct, concise and topic focuses. (Sekaran & Bougie, 2014, 102, 147-153.)

As mentioned in the beginning, the thesis covers two ideas of whether the marketing strategy of Etihad Airways in Vietnam is as effective as the strategies of Emirates and Qatar Airways, as well as what Etihad can learn from these airlines. Hence, after defining the strategies, and confirming them with the representatives through interviews, this stage evaluates the attitude of the customers towards the three airlines. Appendix 6 includes the survey for this study. Firstly, it studies the customer's background, ages, and income. This is to confirm if the airlines reach their target group. The survey also aims at investigating the respondent's awareness about the MEB3 airline, if the respondent knows about the MEB3, and through which channels. In addition, the questionnaire enquires feedback if the respondent has traveled with any airlines from the MEB3 before. In case the respondent is not familiar with MEB3's services, the survey aims at checking their willingness to become future customer, as well as of which airline from the MEB3. In total, the survey contains 15 closed questions, which offer a fixed set of answers for the respondents.

The questionnaire design was at the same time as the interview questions and modified many times from week 8 in February 2015 to week 12 in March 2015, as shown in the Gantt chart. Then, the survey launch took place in week 14 at the end of March 2015 via Google doc and Facebook. It was not mass distributed but only to those that fit the target group description of the MEB3. The author aimed at reaching 30 respondents for more credible and reliable results. Moreover, due to the small scale of the survey, there was no need for statistics software.

5.2 Data Analysis

This sub-chapter provides the findings from the three phases introduced in the beginning of this chapter: desk study, interview, and survey. It starts with comparing the STPs of the MEB3 airlines and sum up with figures from the customers' responses for the survey. The data are in the form of tables, graphs, and explained in details. The assessment of desk study data occurred in early stage of the thesis, from December 2014 to February 2015. The analysis data from interviews and questionnaire took place from week 16 to week 18 in April 2015.

5.2.1 Desk Study

This first stage provides confirmation on Emirates and Qatar Airways as the right benchmarkees by comparing the STP of Etihad Airways to theirs. According to the customer profiles, it is apparent that they are the direct competitors of Etihad Airways in Vietnam (see Appendix 3 for detailed information). To be precise, all of the MEB3 airlines divide the segments based on the travel purposes of the passengers. Due to the scale of this thesis, they remain as two main groups: holiday and business. Based on behavioral segmentation, target customers of the MEB3 airlines share many similar traits. For the holiday group, the three airlines all aim at urban middle-class to high-class people who are from 25 to 60 years old and seek safe, comfortable, and reliable services. (Etihad 2015; Emirates 2015; Qatar Airways 2015.)

On the other hand, the business target group concerns high-ranking elites and executives from the 30 - 60 year old age group, who prefer luxury and comfort travel experiences over price. Additionally, the MEB3 airlines all adopt market specialization as strategy for targeting as they offer different services that fit the needs of the segments, from the fleet, in-flight entertainment & catering to airport services (refer to Appendix 4 – the MEB3's Product Strategies). (Etihad 2015; Emirates 2015; Qatar Airways 2015.)

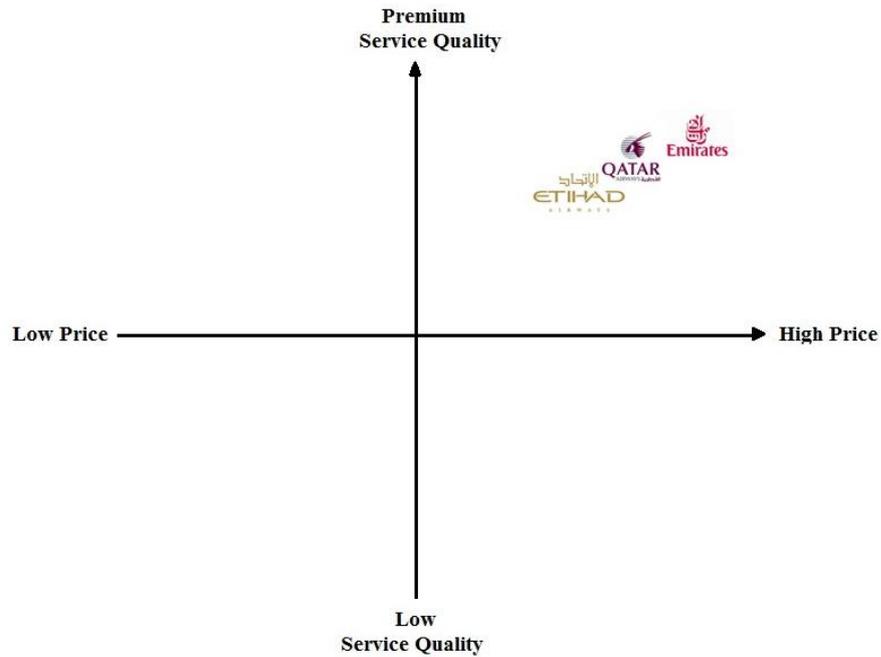


FIGURE 31. Preliminary MEB3's Positioning Perceptual Map

Furthermore, all of the three airlines have premium positioning for their brand image, which offer luxury services that equal to five star hotel experiences, with relatively high price. The figure above shows the simple perceptual map of each airline position in term of service quality and price in Vietnam. In order to create this map, this desk research phase also studies the 4Ps marketing mix of the three airlines (see Appendix 4 for the comparison table). This also helps establish basis for theme and topics in the interview phase. The next stage explains further the marketing mix 4Ps of MEB3.

5.2.2 Interviews

As explained in the data acquisition process of this chapter, the interview stage is to evaluate the credibility and reliability of the findings from public domains in the previous desk research. The interviews conducted separately online with the representatives from the back office and cabin crew of each airline. There are six interviews in total. Respecting the requests of the interviewees to remain

anonymous, they appear as interviewee EA1, interviewee EA2 for Etihad Airways; interviewee QA1, interviewee QA2 for Qatar Airways; interviewee E1 and interviewee E2 for Emirates.

In all of the six interviews, the author discussed with the representatives briefly about the current competition in Vietnam's air travel market. The interviewees all agreed that effective marketing strategy is crucial for airlines operating in the market in this period. Subsequently, as the discussion involves the target segments, and pricing policy, the answers from the interviewees were consistent with the findings from the desk research about the STPs. Especially all of the cabin crew interviewees confirmed that the actual passengers of the airlines fit the target group profiles.

According to the interviewee EA1, Etihad Airways seeks benchmarks from outside the airline industry. They benchmark their products and services to five star hotels, and top restaurants. The airline does not aim at being the biggest, but the best airline in the world, thus, its top concern is the customer service. The representative office of Etihad in Vietnam also realizes the weak brand awareness in the market. Hence, even though they follow accordingly such practice of the company, they try putting more effort in designing better local marketing strategy. As for its main target group in Vietnam, Etihad focuses on the holiday group. The airline has younger passengers profile than other two airlines as it includes those belong to 25 – 30 year old age group. In order to attract the target group, Etihad offers lower price than the other two airlines but the same premium services, making that become its main advantage in the market. The airline pays attention to online travel sites and its strategic partners such as Jet Airways, airberlin, and Virgin Australia to name a few. Additionally, both interviewee EA1 and EA2 agree that Emirates is the main competitor of Etihad Airways in Vietnam.

Meanwhile, Emirates focuses more on the business group as businesspersons are their frequent flyers. The airline also aims at expanding more flying routes to gain more market share. For branding, it practices strategic cooperation with other airlines. The interviewee E1 mentioned that Emirates published its own business magazines and sent to companies to attract their attention. Regarding the in-flight

services, aside from improving and expanding the fleet, entertainment programs and catering, the interviewee E2 stated that Emirates' strategy in scheduling roster creates diversity in the cabin crew to serve the cultural diversity experience for the customers. Both interviewees agree that the advantages of Emirates in Vietnam is its large-scale and good brand awareness from its international sport sponsorships for AC Milan, Arsenal, as well as Real Madrid to name a few.

Considering Qatar Airways in Vietnam, the interviewee Q1 mentioned that it is the fourth largest carrier for the international flights in the Vietnamese market. Its market share in 2013 was 3 percent. The airline advantage is that it has representative offices in both Ho Chi Minh City and Hanoi, Vietnam, unlike the other two airlines that have only offices in Ho Chi Minh City. Thus, it has greater market shares and passenger volumes. Interviewee Q2 affirmed that the main target group of the airline is the business group, which aims at corporation and elites with high salaries. Qatar Airways is confident over the other two airlines because Skytrax evaluates it as a five-star airline, while the other two are four-star airlines. In addition, the airline has good relationships with travel agencies in both Ho Chi Minh City and Hanoi. It also makes good use of online social media such as Facebook and e-magazines.

In general, the findings on customer profiles match the information from the representatives. The preliminary positioning perceptual map also fits the responses in this stage. Appendix 4 shows a detailed comparison of the 4Ps withdrawn from the answers of the interviewees.

5.2.3 Survey

In total, there are 30 respondents to the survey, which meets the set objectives in the data acquisition sub-chapter. The first part of the survey provides the background information of the respondents. As mentioned earlier, the target customer groups of the MEB3 are those from 25 – 60 years old, in middle class and upper-middle class, hence, the respondents are those in Vietnam who meet the conditions

There are 16 respondents from the 23-30-year-old age group, while 14 respondents are older than 30 years old. As their incomes affect their purchase decisions, there is also question regarding their monthly income. The figures are monthly income of each age group in Vietnam Dong, approximately 250-350 euro, 350-650 euro, and more than 650 euro respectively. It is noteworthy that the Vietnamese people view income as per month not per annum. Thus, this question regards such view to avoid difficulty for the respondents. The average disposable salary after tax of those who live in urban area in Vietnam is 6 million Vietnam Dong or 250 euro (Numbeo, 2015). As shown in the next figure, those who have high income (more than 20 million VND or 650 euro) belong to the 40 year old and above age group.

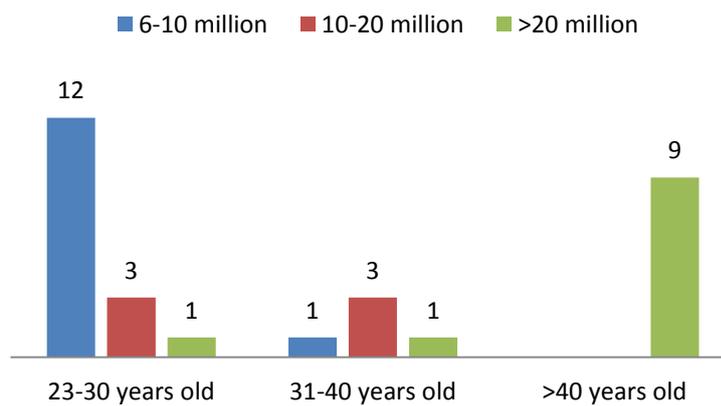


FIGURE 32. Monthly Income according to Age Group

In addition, 17 respondents are already customers of the MEB3, while the rest 13 are not yet customers. Among those who already are familiar with MEB3 services, there are eight customers of Emirates, four of Etihad Airways, and five customers of Qatar Airways. Although the rest 13 respondents are not yet customers of MEB3 airlines, they are familiar with the airlines through many marketing channels, especially the online social media such as Facebook, Twitter and e-magazines. It goes the same for those who are already familiar with the services. They know about the airlines through various channels, listed in the

figure below. The most popular channel is online social media, while the least common is travel agencies, as there are only three answers among 30 respondents. Still, it is notable that two respondents mentioned that they were came to know about Etihad Airways through Jet Airways, which is Etihad's strategic partner, as the tickets they booked with Jet Airways were cancelled and replaced by those of Etihad's.

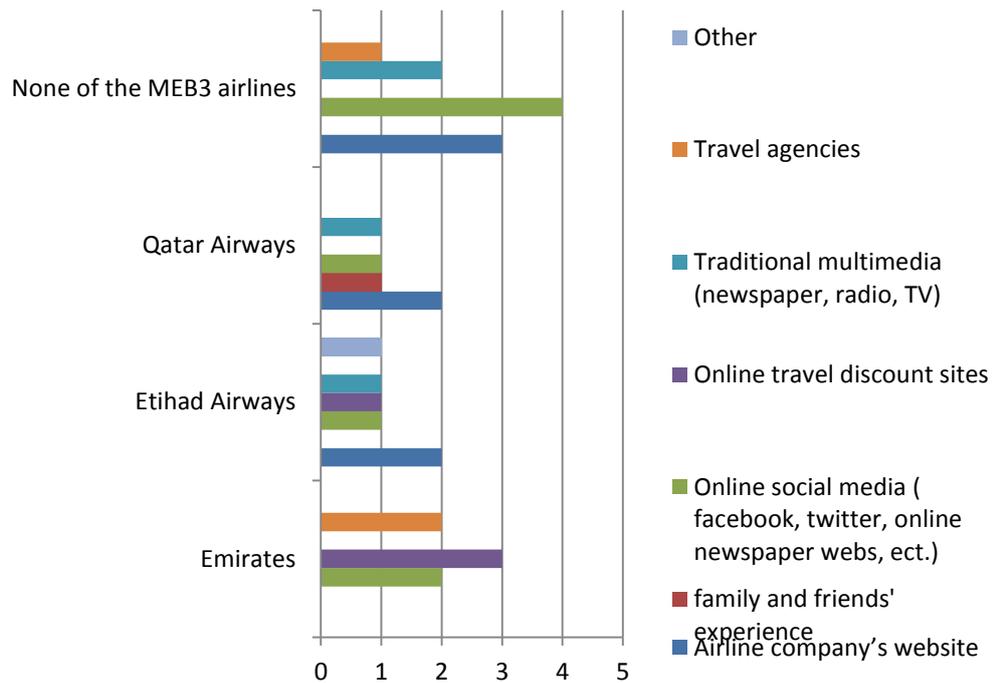


FIGURE 33. Brand Familiar vs Marketing Channels

According to the next table, the customers of the MEB3 airlines are satisfied with the services, especially those who travelled with Emirates. Emirates' customers are more frequent fliers than those of the other two airlines. Their evaluation of Emirates' reward program is significantly more positive than the rest. In term of airport service, Qatar Airways has slightly better service than Emirates and places the best among the three. Generally, Emirates leads the race as it has consistent customer satisfaction grades, and they are all above three. (See Appendix 6 for details of the assessment grade instruction). However, Etihad Airways still has the advantage when it comes to price and cabin service, as the customers appreciate

their fair price but excellent cabin service, as shown in the next table. Appendix 7 shows detailed grades of each MEB3 airline from the survey.

TABLE 6. Comparison of Customer's Satisfaction Average Grades

Criteria/ Airline	Emirates	Etihad Airways	Qatar Airways
Travel Frequency	3.25	2.75	3.2
Price	3.75	3	3.6
Cabin Service	4.25	4.5	4.2
Airport Service	4.38	3.25	4.4
Reward Program	4.38	2.5	3.6

As the survey is for the Vietnamese market, the destinations are for outbound flights from Vietnam to other countries. According to the figure below, European countries are popular destinations for all the MEB3 airlines. Intra-Asian countries and South American countries place second and third respectively. The questionnaire includes Africa as one of the options but it has none response. Although the number of respondents is small, the answers are consistent with the fact presented in chapter 3 about the air travel industry in Vietnam. The MEB3 airlines have the competitive advantage over the Europe flight routes, especially Emirates.

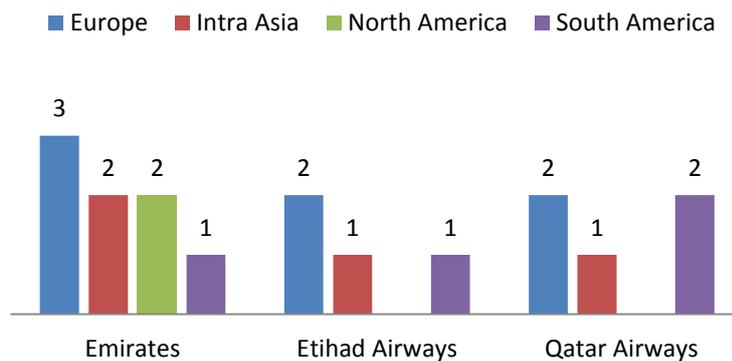


FIGURE 34. Answers on the outbound destinations

As mentioned earlier, the MEB3 airlines' most concerning criteria for the market segmentation is the travel purpose, in order to offer suitable services. The results

show that the common travel purpose is holiday occasions (11 answers out of 17 respondents). Meanwhile, business travel remains low, as there are only five answers from 17 respondents. The age groups of the respondents affect this section greatly as people from 23 – 30 group tend to travel for leisure purpose more than on business. Nonetheless, this result indicates that Etihad Airways currently focuses on the right segment in Vietnam.

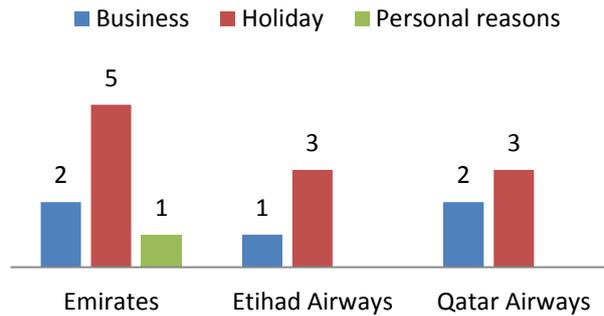


FIGURE 35. Answers on travel purposes

Regarding the purchase channels, the majority of the responses are purchasing through online travel sites such as Skyscanner or Supersaver. Meanwhile, only one customer of Qatar Airways bought the ticket through travel agency. This result projects that the MEB3 prefer the new channel to the traditional ones. The following chart shows the channels where the customers of each airline purchased their tickets.

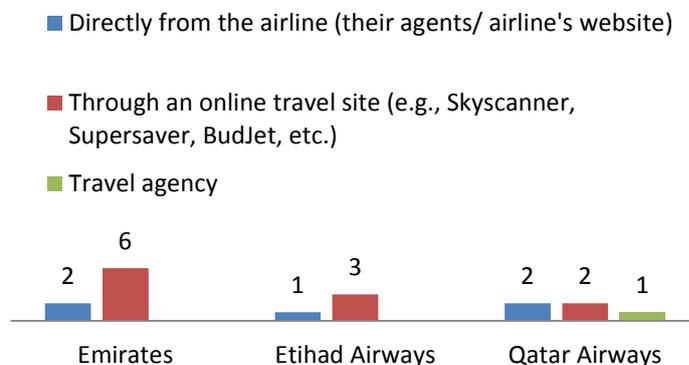


FIGURE 36. Purchase Channels

On the other hand, nine out of 13 respondents who are not yet familiar with the services of the MEB3 airlines, show interests in travelling with them in the future (see Appendix 8). The pie chart below shows that 60 percent of them prefer travelling with Emirates, while the rest accounts equally for Etihad Airways and Qatar Airways. Apparently, the brand awareness affects their choices greatly.

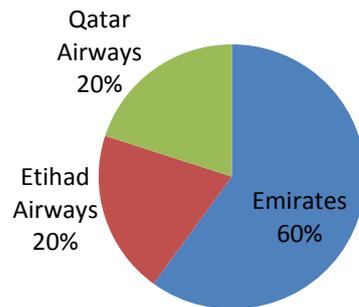


FIGURE 37. Answers on Willingness to Become Future Customers by Airlines

To sum up this chapter, the empirical research of the thesis includes collecting data from desk study, interviews, and survey. All of those methods assist and strengthen the credibility as well as the validity of the findings on the marketing strategies of the MEB3 airlines in Vietnam. The desk research establishes the customer profiles and the preliminary positioning map of the MEB3 airlines in Vietnam. Then, the interviews confirm the reliability of such findings, while survey is the final confirmation and overall evaluation. It is found from the survey that the main customer group of the MEB3 is people belong to the 23 – 30 age group with average and higher income, travelling on holiday occasions. The popular routes are European and Intra-Asian destinations. Meanwhile, the popular marketing channel for the airlines is the online social media. Although there is a difference between the actual customer group and the target group of the airlines, the survey results are consistent with the findings from desk study, as well as the interviews. The age group and their location of the respondents are factors that cause the difference. Still, it shows that Etihad Airways focuses on the right customer group. The results from this chapter serve as the basis for the benchmarks in the next chapter.

6 RECOMMENDED BENCHMARKS FOR ETIHAD AIRWAYS

So far, the thesis introduces the benchmarking approach and SOSTAC model as the theoretical framework in chapter 2. It also mentions the nature and the outlook of air travel market globally, as well as the analysis of the Vietnamese market through PEST & Porter's Five Forces, in chapter 3. Chapter 4 concerns the introduction of Etihad Airways and its direct competitors. The previous chapter 5 is the empirical research, which studies and compares the marketing strategy of the case company to its competitors by various data collecting methods. It establishes the basis for this chapter 6. In this chapter, the study presents the benchmarks for the marketing mix of Etihad Airways in Vietnam market. They are benchmarks concerning the place, product, price, and promotion strategy.

6.1 Place

All the MEB3 airlines have its representative offices in Ho Chi Minh City, Vietnam. Apparently, it is because HCMC is a metropolitan area and one of the important economic hubs of Vietnam. Only Qatar Airways has another office in Hanoi, the capital of Vietnam. In 2014, Hanoi had the population of almost 7 million people, which made it the second largest city in Vietnam, just after HCMC (General Statistics Office of Vietnam, 2014). There are 26000 Vietnamese employees currently working in the Middle East and many of them come from Hanoi (Ministry of Foreign Affairs, 2013). Considering the potential market size, it is advisable for Etihad Airways to follow suit.

Additionally, Etihad Airways should also consider revising its hub strategy for the flights from Amsterdam to Vietnam. One-hour transit time in Abu Dhabi is not enough as the arrival time in Abu Dhabi is the peak traffic time of the airport. Thus, it is really crowded and difficult to get from the arrival terminal to the departure terminal in such a short time. Meanwhile, there is only one flight from Abu Dhabi to Vietnam daily so the passengers have to stay a day inside the airport until the next flight. In respect of this matter, Emirates and Qatar Airways assign the departure gate close to the arrival terminal for short transit time flights.

6.2 Product

The product strategy of all MEB3 airlines is differentiated premium air travel. Still, Emirates and Qatar Airways focus more on the business segment, which earn them customers that are more loyal, and generate more profits than the holiday segment. Etihad should pay more attention on this segment and consider offering them more product selection. Concerning the actual product for business segment, Emirates offers them high-end urban lifestyle onboard, which is a different approach to Etihad's 'simplicity and functionality' cabin design. For instance, besides the flatbed seat and premium entertainment, there is also personal mini-bar for business passengers of Emirates. In addition, the airline offers them the A380 Onboard Lounge, which serves premium spirits and exclusive wines. As there are many nouveaux riches in Vietnam, the luxury urban lifestyle approach of Emirates is more appealing than the minimalistic approach of Etihad.

Not only do Emirates and Qatar Airways focus on individual elite, but they also pay attention to company as a whole. As for the augmented product of this segment, Emirates has the Business Rewards for the small and medium size businesses. The membership applies for the entire company to earn rewards together. Moreover, the company can register up to 80 members under its name. On the other hand, Qatar Airways has Qbiz sharing the same idea as the Business Rewards of Emirates. However, its policy appears to be stricter than Emirates' as it requires the travelling employees to be members of Qatar Airways Privilege Club. Etihad Airways should improve this aspect, as the airline only has Etihad Guest Miles for individual passengers.

6.3 Price

The pricing strategy of Etihad Airways is market penetration for gaining more market share. Simply put, the common strategy is price adjustments or lowering price to increase sales volume. In contrast, the other two airlines adopt skimming strategy, which the price is high at first, then lower over time. This explains the

lower price of Etihad comparing to the prices of Emirates and Qatar Airways. As the customers for the holiday group in Vietnam are price sensitive, this strategy of Etihad is suitable. However, in the long-term, it affects the premium image, and objectives of serving the best services of Etihad. Although Emirates has the reputation as the most expensive airline from the Persian Gulf, it maintains the premium brand image consistently, and has enough resources to improve its services quality continuously. Therefore, once Etihad achieves a certain level of brand familiarity in Vietnam, it should increase the price to make up for the increasing fuel costs, as well as improve its brand value to catch up with Emirates.

6.4 Promotion

Promotion is the most important strategy that Etihad Airways has to concentrate on and improve. From the previous empirical research, the customers in Vietnam prefer direct online contact via social network such as Facebook. Among the MEB3 airlines, only Qatar Airways has Facebook page for its representative offices in Vietnam, while Emirates and Etihad only have international pages. The contents are about price lists, offers, and campaigns of the airline, which it is customer friendly, and sales supporting. Considering that holiday group is Etihad main segment, it is highly advisable that the airline learns from Qatar Airways.

Regarding the business segments, besides the similar marketing channels like the other two (see Appendix 4), Emirates also publishes its own business journals and sends them to its target companies, as well as its customers. Etihad Airways withdrew from Skytrax Awards to cut down the cost on Skytrax's auditing, in 2014. The airline should review this move to attract more customers from the business segment, as Emirates and Qatar Airways all hold solid evaluation from Skytrax as four-star and five-star airline respectively.

7 CONCLUSION & SUGGESTIONS

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

7.1 Answers to the Research Questions

In general, Vietnam air travel is a promising market thanks to the country's vibrant economy, favorable geographic area, as well as many government incentive policies for the market.

- i. What is the current situation of Vietnam's commercial air transport?

Despite the bright outlook, the competition among airlines operating in the market is intense as the market has high threats in rivalry among existing competitors, bargaining power of suppliers, as well as substitute products & services.

- ii. Who are Etihad's main competitors?

Emirates and Qatar Airways are the other two airlines from the Middle East. Together with Etihad Airways, specialists call them the Middle East Big 3. Emirates and Qatar Airways have similar background to Etihad's and strive for luxury brand image as well. Results from desk study on their STPs, as well as interviews confirm that they are the direct competitors of Etihad Airways in Vietnam.

- iii. What is the marketing strategy of Etihad Airways in Vietnam?

In terms of the STP, Etihad adopts behavioural segmenting as it profiles the customers based on their benefit sought, travel purposes, etc. Its targeting strategy is market specialisation since the airline concentrates on satisfying many needs of

the holiday customer group (see appendix 3 for details). Moreover, premium is the positioning strategy of Etihad Airways.

TABLE 7. Answers on Research Question

Research Questions	Answers
What is the current situation of Vietnam's commercial air transport?	The competition among airlines operating in the market is intense as the market has high threats in rivalry among existing competitors, bargaining power of suppliers, as well as substitute products & services.
Who are Etihad's main competitors?	Emirates and Qatar Airways are Etihad's direct competitors. They have similar background to Etihad's and also strive for luxury brand image.
What is the marketing strategy of Etihad Airways in Vietnam?	Based on the STP, Etihad adopts behavioural segmenting as it profiles the customers based on their benefit sought, travel purposes, etc. Its targeting strategy is market specialisation since the airline concentrates on satisfying many needs of the holiday customer group. Moreover, premium is the positioning strategy of Etihad Airways.
Where is Etihad's position in the market compared to its competitors?	Etihad Airways has weaker brand awareness, and lower service quality compared to Emirates and Qatar Airways.
What can Etihad learn from its competitors' marketing strategies?	Based on the 4Ps, Etihad should consider expanding to Hanoi, and remap its terminal in Abu Dhabi to avoid bottleneck traffic. In respect of pricing, the airline should shift towards skimming strategy to maintain its service in long-term. Then, Etihad should pay more attention on the business group and improve its customer rewards program. As for promotion, the airline needs to pay attention on the social media for the holiday group, and reconsider its channels and approaches for the business segment.

- i. Where is Etihad's position in the market compared to its competitors?

The findings from desk study, interviews, and survey show consistent results that Etihad Airways has weaker brand awareness, and lower service quality compared to Emirates and Qatar Airways (refer to the positioning perceptual map at the end of sub-chapter 5.2.1).

- ii. What can Etihad learn from its competitors' marketing strategies?

The benchmarks are in the form of the 4Ps – Place, Price, Product, and Promotion. Firstly, Etihad Airways should consider establishing its presence in Hanoi for the potential market size there. It also should remap its Etihad terminal in Abu Dhabi Airport to avoid bottleneck during peak traffic time. In respect of pricing strategy, it is advisable that the airline shift towards skimming strategy to maintain its service quality in the long-term. Then, Etihad Airways should pay more attention on the business group and improve its customer rewards program. In term of promotion, the airline needs to pay attention on the social media channel for the holiday group, as well as reconsidering its channels and approaches for the business segment.

7.2 Reliability and Validity

The three stages of data acquisition: desk study, interviews, and survey crosschecked the findings for the empirical research of this study. The six interviewees are representatives from both the offices and cabin crews of the MEB3 airlines in Vietnam. Additionally, the criteria for respondent selection of the survey followed the customer profiles of the MEB3. The results proved the findings from all of the three steps to be consistent. In that essence, the author believed that if there were other research on the marketing strategies of the MEB3 airlines for the Vietnamese market in the 2013-2015 periods, it would yield similar results. Thus, the research is greatly reliable.

Meanwhile, the thesis attained its final goal as it adequately answered all the research sub-questions. The theoretical knowledge structuring the research was based on different academic sources such as published books, scholarly journals, as well as trusted public domains. Most of the sources received peer reviews and from ten years back. However, some of the theories on benchmarking came from sources dated 20 years ago. To compensate, the author tried to find recent articles and many different books on the topic. Furthermore, the information for the analysis of Etihad Airways came from a personal and trust-worthy internal source. In short, this thesis has high validity.

7.3 Suggestions for Further Research

The thesis is strictly the strategic analysis of finding the benchmarks for the marketing strategy of Etihad Airways from its direct competitors in Vietnam. As explained earlier, this research does not cover the Action and the Control stages, as the research question concerns ‘what’ - the benchmarks, not ‘how’- the implementation plan. Suggested models for the Action, and the Control stages are Gantt chart, as well as 3x 3 risk matrix respectively. Actual adaptation of the said models in this thesis requires more specific and confidential information from Etihad Airways. Hence, further research for the benchmarks implementation plan is highly recommended. In addition, it is advantageous to conduct a large-scale survey with large amount of samples, as well as more demographic variables to gain better insight of the customer segments and customer behaviors of Vietnam’s air travel market.

8 SUMMARY

Thanks to Vietnam's vibrant economy and government incentive policy, the air travel market is booming and has a positive outlook. However, it is also resulting in intense competition among the existing players in the market. On top of that, the rivalry between the MEB3 airlines puts more pressure on the situation. Therefore, it is crucial for airlines in Vietnam to have strong marketing strategy in order to establish solid brand awareness. In accordance, the utmost goal of this thesis is to find out the benchmarks from direct competitors for Etihad Airways to refine its marketing strategy and improve its presence in the market.

The thesis employs a combination of inductive and deductive approaches, complemented by mixed-methods research choice. In that sense, the primary data is derived from both qualitative and quantitative data collection methods, namely interviews and survey respectively. The secondary data stems from published books, academic journals, and trust-worthy public domains. Altogether, they form a strong and logical structure, as well as contribute to the validity and reliability of the thesis.

The main idea generating this thesis is benchmarking philosophy. The purpose is to find the best practice in the field regardless of geographical area. The benchmarking type adopted in this study is competitive benchmarking, which allows the benchmarker to seek benchmarks from its direct competitors. The SOSTAC® model is the marketing planning tool complementing the benchmarking process. It stands for Situation Analysis, Objectives, Strategy, Tactics, Actions, and Control. The model supports building a thorough marketing plan by establishing small tasks for each step.

The research started with an overview on the commercial aviation industry, its components, history, and characteristics. Apparently, air travel has changed towards more liberalization, which brought better benefits for both the airlines and the passengers. In spite of the bright outlook globally and in Vietnam, the airlines had to deal with low profits, increasing fuel surcharges, as well as safety issues. The market had high threats of rivalry and substitute products/ services. This

demonstrated that performing benchmarking on marketing strategy for Etihad Airways in Vietnam was timely and necessary.

Etihad's main competitors in Vietnam are Emirates and Qatar Airways. Together, specialists call them the MEB3. The desk study found that they profiled their customers based on the travel purpose, and behavioral segmentation. They had two customer segments, which were the holiday group and the business group. Their targeting and positioning strategies were differentiation and premium, respectively. The interviews with representatives from the offices and cabin crews confirmed those findings. It was notable that Etihad Airways focused on the holiday group, while the other two paid most attention to the business segment. Additionally, the survey results show consistency with the previous findings. Emirates was the most appreciated airlines among the MEB3 with high customer satisfaction. However, Etihad Airways had good feedback on their prices and cabin services.

The benchmarks regarded the marketing mix 4Ps: Place, Price, Product, and Promotion. Firstly, Etihad Airways should consider establishing its presence in Hanoi for the potential market size there. It also should remap its Etihad terminal in Abu Dhabi Airport to avoid bottleneck during peak traffic time. In respect to pricing strategy, it is advisable that the airline shift towards skimming strategy to maintain its service quality in the long-term. Then, Etihad Airways should pay more attention to the business group and improve its customer rewards program. In terms of promotion, the airline needs to focus on social media for the holiday group, as well as reconsidering its channels and approaches for the business segment.

In conclusion, the study reached its objective of appropriately answering the main research question and sub-questions. It also had high levels of validity and reliability. The limitations concerning this thesis were the research ethic, the absence of implementation plan, as well as the small-scale of the interviews and survey. They are the suggestions for further study.

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APPENDICES

APPENDIX 1. List of operating airlines at Tan Son Nhat International Airport(SAA, 2015)

1. AIR FRANCE (AF)
2. ASIANA AIRLINES (OZ)
3. AIR CHINA (CA)
4. ALL NIPPON AIRWAYS (NH)
5. CHINA AIRLINES (CI)
6. CATHAY PACIFIC AIRWAYS (CX)
7. CHINA SOUTHERN AIRLINES (CZ)
8. EVA AIRWAYS (BR)
9. GARUDA AIRLINES (GA)
10. JAPAN AIRLINES (JL)
11. JET STAR AIRWAYS (JQ)
12. KOREAN AIR (KE)
13. LUFTHANSA (LH)
14. MALAYSIA AIRLINES (MH)
15. MANDARIN AIRLINES (AE)
16. PHILIPINES AIRLINES (PR)
17. ROYAL BRUNEI (BI)
18. SINGAPORE AIRLINES (SQ)
19. SHENZHEN AIRLINES (ZH)
20. SHANGHAI AIRLINES (FM)
21. THAI AIRWAYS (TG)
22. TIGER AIRWAYS (TR)
23. UNITED AIRLINES (UA)
24. UNI AIR (B7)
25. BANGKOK AIRWAYS (PG)
26. QATAR AIRWAYS (QR)
27. JET STAR ASIA (3K)

28. HONG KONG AIRLINES (HX)

(To be continued, see next page)

29. VIVA MACAU (ZG)

30. THAI AIR ASIA(FD)

31. CEBU PACIFIC AIR (5J)

32. LION MENTARI AIRLINES (JT)

33. SHANGHAI AIRLINES CARGO (F4)

34. K-MILE AIR (8K)

35. FEDERAL EXPRESS (FX)

36. CARGOITALIA AIRLINES (2G)

37. CARGOLUX AIRLINES (CV)

38. TRANSAERO AIRLINES (UN)

39. UNIVERSAL WEATHER & AVIATION (TNT)

40. AIR ASIA BERHAD (AK)

41. QANTAS AIRWAYS (QR)

APPENDIX 2. List of Etihad Airways' Codeshare Partnerships

- Aegean Airlines
- AerolineasArgentinas
- Aer Lingus
- Air Astana
- airBaltic
- airberlin
- Air Canada
- Air Europa
- Air France
- Air Malta
- Air New Zealand
- AirSERBIA
- Air Seychelles
- Alitalia
- All Nippon Airways
- American Airlines
- Asiana Airlines
- Bangkok Airways
- Belavia (Belarusian Airlines)
- SN Brussels Airlines
- China Eastern Airlines
- Cyprus Airways
- Czech Airlines
- Darwin Airline (Etihad Regional)
- Flybe
- Garuda Indonesia
- GolLinhasAéreasInteligentes
- Hainan Airlines
- Hong Kong Airlines
- Jet Airways

- JetBlue Airways
- Kenya Airways
- KLM Royal Dutch Airlines
- Korean Air Lines
- Malaysia Airlines
- Middle East Airlines
- NAS Air (flynas)
- Niki (flyniki)
- Philippine Airlines
- Royal Air Maroc
- SAS
- Siberia Airlines (S7 Airlines)
- SNCF
- South African Airways
- SriLankan Airlines
- TAP Portugal
- Turkish Airlines
- Vietnam Airlines
- Virgin Australia

APPENDIX 3. Comparison of the MEB3's Segmenting Strategies

Variables/ Airlines		Etihad Airways	Emirates	Qatar Airways
Holiday	Age:	-25-50	-30-60	-30-60
	Social Class:	-Middle Class, Upper-Middle Class & High Class	-Upper-Middle Class & High Class	-Upper-Middle Class & High Class
	Lifestyle:	-High-end lifestyle	-Luxury & High-end lifestyle	-Luxury & High-end lifestyle
	Occasion:	-Holiday occasion & Leisure purpose	-Holiday occasion & Leisure purpose	-Holiday occasion & Leisure purpose
	Benefits:	- Safety, comfort & high customer benefits	-Safety, comfort & reliability	-Safety, comfort & high customer value
	Readiness Stage	-Aware	-Aware & Unaware	-Aware & Unaware
	Attitude towards Product:	-Product is more appealing than other brands	-Product is more appealing than other brands	-Product is more appealing than other brands
Business	Age:	-30-60	-30-60	-30-60
	Social Class:	- Upper-Middle Class & High Class	-Corporate, Upper Middle Class & High Class	-Corporate, Elite, Upper Middle Class & High Class

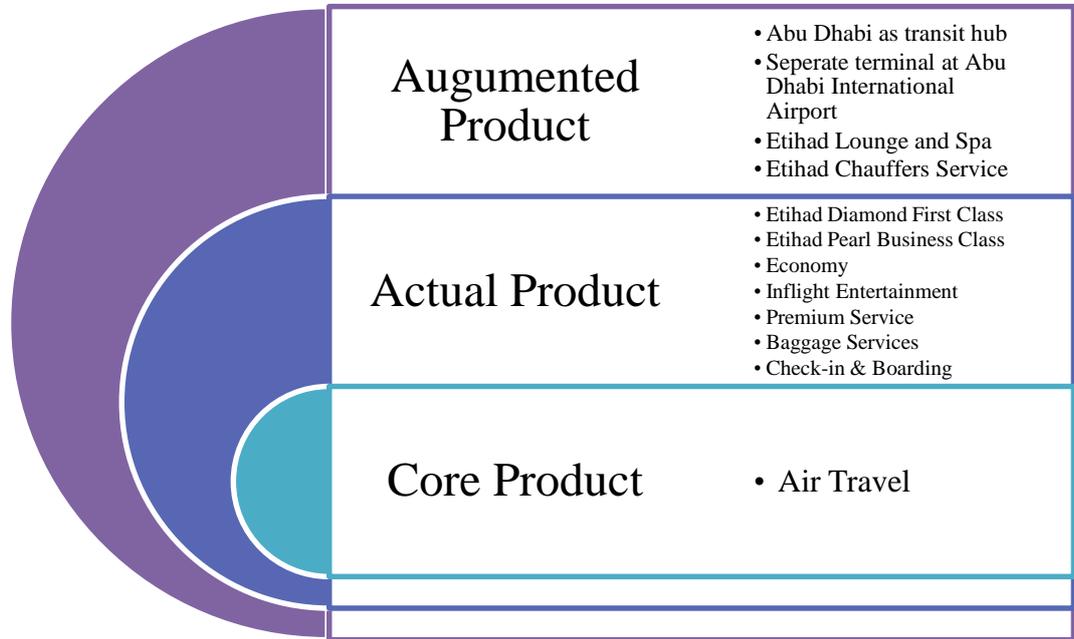
	Lifestyle:	- Luxury & High-end lifestyle	-Luxury & High-end lifestyle	- Luxury & High-end lifestyle
	Occasion:	-Business purpose	-Business purpose	-Business purpose
	Benefits:	-Convenient, safe, premium customer benefit & high privacy	-Comfortable, high reliability & premium service	-Comfortable, high reliability & premium service
	Readiness Stage:	-Aware & Unaware	-Aware & Unaware	-Aware & Unaware
	Attitude towards Product:	-Product is more appealing than other brands	-Product is refine & premium	-Premium product

APPENDIX 4. Comparison of the MEB3's 4Ps

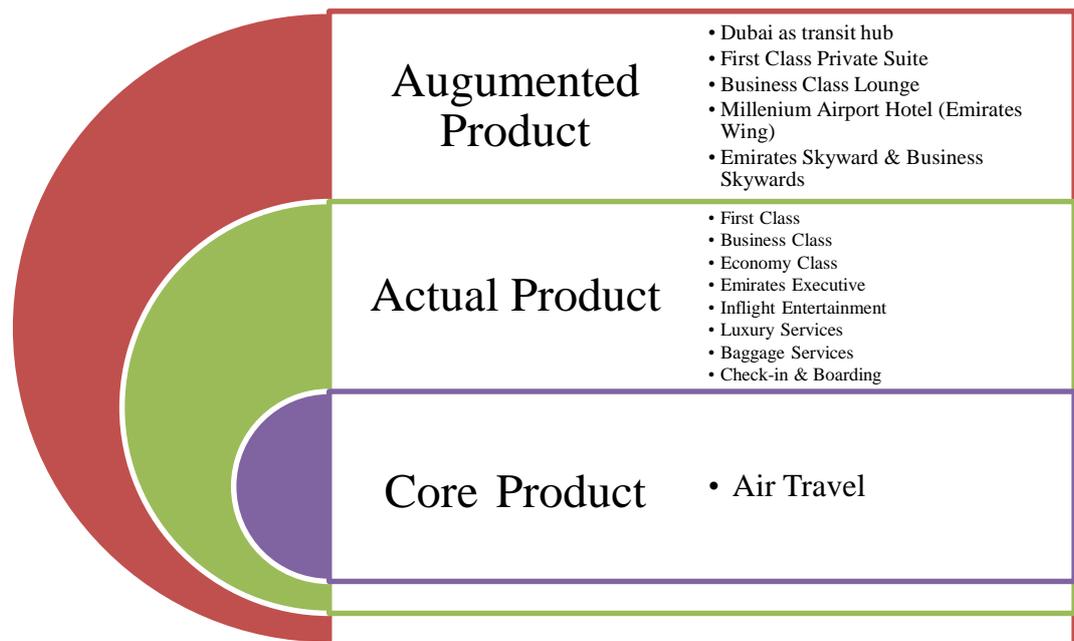
	Airlines		
	Etihad Airways	Emirates	Qatar Airways
Place	-Abu Dhabi, UAE -Ho Chi Minh City, Vietnam	-Dubai, UAE -Ho Chi Minh City, Vietnam	-Doha, Qatar -Hanoi, Vietnam -Ho Chi Minh City, Vietnam
Product	Premium Air Travel	Premium Air Travel	Premium Air Travel
Price	Penetration Strategy	Skimming Strategy	Skimming Strategy
Promotion	-Direct Marketing -Website -Events -Flyers & Brochures -PR -Sponsorships -Inflight Magazine	-Direct Marketing -Website -Events -Flyers & Brochures -PR -Sponsorships -Inflight Magazine -Business Magazine	-Direct Marketing -Website -Events -Flyers & Brochures -PR -Sponsorships -Inflight Magazine

APPENDIX 5. MEB3's Product Strategy

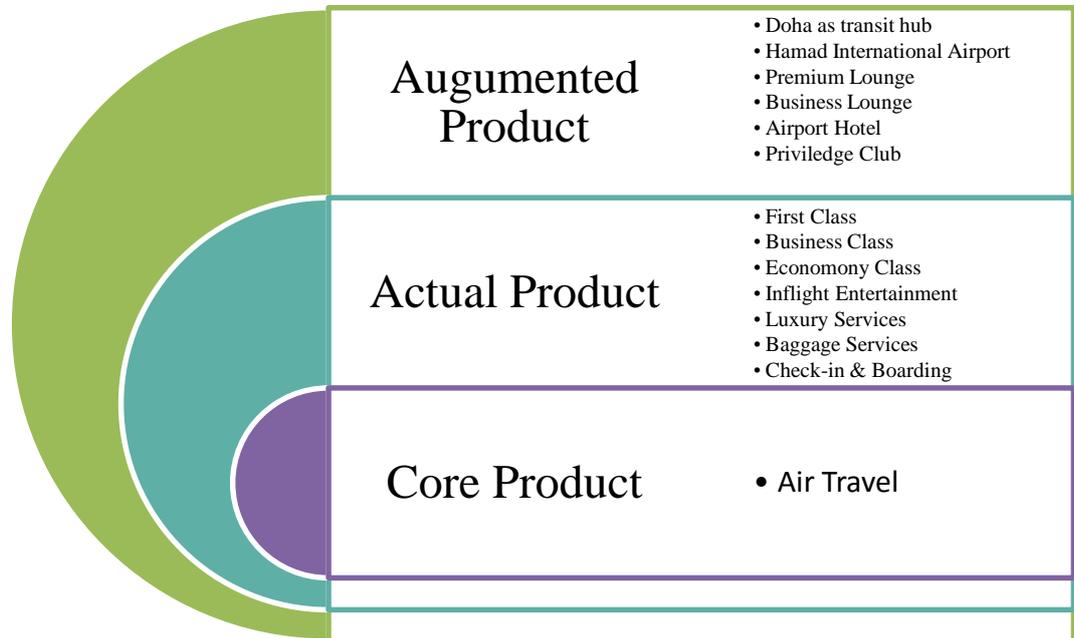
❖ Etihad Airways



❖ Emirates



❖ Qatar Airways



APPENDIX 6. Survey

CUSTOMER SURVEY FOR THE MEB3 AIRLINES

This survey is intended to study the potential customers and feedback for the MEB3 Airlines in Vietnam. The MEB3 Airlines are the Middle East big 3 airlines: Etihad Airways, Emirates, and Qatar Airways. All the answers remain anonymous and serve for study purpose only.



16% completed

SECTION 1. BACKGROUND INFORMATION

1. Your age:

- 23-30 years old
- 31-40 years old
- >40 years old

2. Your monthly average income (VND):

- 6-10 million
- 10-20 million
- >20 million

3. Have you ever travelled with any of the following airlines: Emirates, Etihad Airways, Qatar Airways?

- Emirates
- Etihad Airways
- Qatar Airways
- None of the above (Please proceed to SECTION 4)

4. Through which channel(s) do you know about the above airline(s)?

(Please please feel free to select multiple options)

- Airline company's website
- Travel agencies
- Online travel discount sites
- Traditional multimedia (newspaper, radio, TV)
- Online social media (facebook, twitter, online newspaper webs, ect.)
- Other:



33% completed

SECTION 2. CUSTOMER FEEDBACK

Grading Scale:

1 (Poor/ Strongly Disagree/ Never)

2 (Fair/ Disagree/ Seldom)

3 (Good/ Neither agree or disagree/ Occasionally)

4 (Very Good/ Agree/ Often)

5 (Excellent/ Strongly Agree, Very Often)

Which ME3 airline did you travel with?

(Please specify the airline name in the space below)

How often do you fly with the airline(s)?

1 2 3 4 5

Never Very often

How do you think about our ticket price?

1 2 3 4 5

Cheap Very expensive

How do you feel about the overall journey aboard that you had with the airline?

1 2 3 4 5

Poor Excellent

Do you find services in general in the airline's airport plentiful and customer-friendly?

Etihad Airways = Abu Dhabi Airport, Emirates = Dubai Airport, Qatar Airways = Qatar Airport

1 2 3 4 5

Poor Excellent

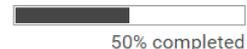
Is the information about the airline(s) reward program (s) informative and easy to access?

1 2 3 4 5

Poor Excellent

« Back

Continue »



50% completed

SECTION 3. DETAILED INFORMATION OF THE FLIGHT(S)

5. Where was/were your flight(s)' destination(s)?

- Europe
- North America
- South America
- Africa
- Intra Asia
- Oceania

6. Do you typically fly for business, holiday, personal reasons, or some other reasons?

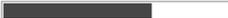
- Business
- Holiday
- Personal reasons
- Other:

Where do you typically purchase your airplane tickets?

- Directly from the airline (their agents/ airline's website)
- Through an online travel site (e.g., Skyscanner, Supersaver, BudJet, etc.)
- Travel agency
- Other:

« Back

Continue »

 66% completed

SECTION 4. RESPONDENT'S CONSIDERATION TO BECOME CUSTOMER OF THE ME3 (Middle East Big 3) AIRLINES

8. Are you interested in flying with ME3 airlines in the future?

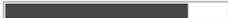
- Yes
- No

9. Which airline in the ME3 are you going to fly with?

- Etihad Airways
- Emirates
- Qatar Airways

« Back

Continue »

 83% completed

This is the end of the survey. Thank you for your time!

« Back

Submit

 100%: You made it.

APPENDIX 7. Survey's Customer Feedback

❖ Emirates

Criteria/ Grade	1	2	3	4	5	Average
Travel Frequency	0	2	3	2	1	3.25
Price	0	1	3	3	1	3.75
Cabin Service	0	0	2	2	4	4.25
Airport Service	0	0	1	3	4	4.38
Reward Program	0	0	1	3	4	4.38

❖ Etihad Airways

Criteria/ Grade	1	2	3	4	5	Average
Travel Frequency	0	2	1	1	0	2.75
Price	0	1	2	1	0	3
Cabin Service	0	0	1	0	3	4.5
Airport Service	0	1	1	2	0	3.25
Reward Program	0	2	2	0	0	2.5

❖ Qatar Airways

Criteria/ Grade	1	2	3	4	5	Average
Travel Frequency	0	2	1	1	1	3.2
Price	0	0	2	3	0	3.6
Cabin Service	0	0	1	2	2	4.2
Airport Service	0	0	1	1	3	4.4
Reward Program	0	2	0	1	2	3.6

APPENDIX 8. Answers on Willingness to Become Future Customers of MEB3

