

Tourism, Hospitality & Event Management

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# Travel Marketing, Tourism Economics and the Airline Product

An Introduction to Theory and Practice

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*To Adriana, Michela and Sam.*

# Praise for this Book

*“Dr. Camilleri provides tourism students and practitioners with a clear and comprehensive picture of the main institutions, operations and activities of the travel industry”.*

**Philip Kotler,**  
S.C. Johnson & Son Distinguished  
Professor of International Marketing,  
Kellogg School of Management,  
Northwestern University,  
Evanston/Chicago, IL, USA

*“This book is the first of its kind to provide an insightful and well-structured application of travel and tourism marketing and economics to the airline industry. Student readers will find this systematic approach invaluable when placing aviation within the wider tourism context, drawing upon the disciplines of economics and marketing”.*

**Brian King,**  
Professor of Tourism and Associate Dean,  
School of Hotel and Tourism Management,  
The Hong Kong Polytechnic University,  
Hong Kong

*“The remarkable growth in international tourism over the last century has been directly influenced by technological, and operational innovations in the airline sector which continue to define the nature, scale and direction of tourist flows and consequential tourism development. Key factors in this relationship between tourism and the airline sector are marketing and economics, both of which are fundamental to the success of tourism in general and airlines in particular, not least given the increasing significance of low-cost airline operations. Hence, uniquely drawing together these three themes, this book provides a valuable*

*introduction to the marketing and economics of tourism with a specific focus on airline operations, and should be considered essential reading for future managers in the tourism sector”.*

**Richard Sharpley,**  
Professor of Tourism,  
School of Management,  
University of Central Lancashire, UK

*“The book’s unique positioning in terms of the importance of and the relationships between tourism marketing, tourism economics and airline product will create a distinct niche for the book in the travel literature”.*

**C. Michael Hall,**  
Professor of Tourism,  
Department of Management,  
Marketing and Entrepreneurship,  
University of Canterbury,  
Christchurch, New Zealand

*“A very unique textbook that offers integrated lessons on marketing, economics, and airline services. College students of travel and tourism in many parts of the world will benefit from the author’s thoughtful writing style of simplicity and clarity”.*

**Liping A. Cai,**  
Professor and Director,  
Purdue Tourism & Hospitality Research Center,  
Purdue University,  
West Lafayette, IN, USA

*“An interesting volume that provides a good coverage of airline transportation matters not always well considered in tourism books. Traditional strategic and operational issues, as well as the most recent developments and emerging trends are dealt with in a concise yet clear and rational way. Summaries, questions and topics for discussion in each chapter make it a useful basis for both taught courses or self-education”.*

**Rodolfo Baggio,**  
Professor of Tourism and Social Dynamics,  
Bocconi University, Milan, Italy

*“This is a very useful introductory book that summarises a wealth of knowledge in an accessible format. It explains the relation between marketing and economics, and applies it to the business of airline management as well as the tourism industry overall”.*

**Xavier Font,**  
Professor of Sustainability Marketing,  
School of Hospitality and Tourism Management,  
University of Surrey, UK, and Visiting Professor,  
Hospitality Academy, NHTV Breda, the Netherlands

*“This book addresses the key principles of tourism marketing, economics and the airline industry. It covers a wide range of theory at the same time as offering real-life case studies, and offers readers a comprehensive understanding of how these important industries work, and the underpinning challenges that will shape their future. It is suitable for undergraduate students as well as travel professionals, and I would highly recommend it”.*

**Clare Weeden,**

Principal Lecturer in Tourism and Marketing  
at the School of Sport and Service Management,  
University of Brighton, UK

*“In the current environment a grasp of the basics of marketing to diverse consumers is very important. Customers are possessed of sophisticated knowledge driven by innovations in business as well from highly developed technological advances. This text will inform and update students and those planning a career in travel and tourism. Mark Camilleri has produced an accessible book, which identifies ways to accumulate and use new knowledge to be at the vanguard of marketing, which is both essential and timely”.*

**Peter Wiltshier,**

Senior Lecturer & Programme Leader  
for Travel & Tourism, College of Business,  
Law and Social Sciences, University of Derby, UK

*“This contemporary text provides an authoritative read on the dynamics, interactions and complexities of the modern travel and tourism industries with a necessary, and much welcomed, mixture of theory and practice suitable for undergraduate, graduate and professional markets”.*

**Alan Fyall,**

Orange County Endowed Professor of Tourism Marketing,  
University of Central Florida, USA

# Preface

An ever-increasing number of destinations have opened up to and invested in tourism, turning this industry into a key driver for socio-economic progress. Over the past six decades, tourism has experienced continued expansion and uninterrupted growth, despite occasional shocks. The tourism industry has become one of the largest economic sectors in the world. Many new destinations are increasingly emerging, in addition to the traditional favourites, including Europe and North America. International tourist arrivals have increased from 25 million globally in 1950 to 278 million in 1980, to 674 million in 2000, and reached 1186 million in 2015. Likewise, international receipts earned by destinations worldwide have surged from US\$104 billion in 1980, US\$495 billion in 2000 to US\$1260 billion in 2015.

Tourism is one of the leading industries, in terms of international trading between countries. In addition to receipts earned in destinations, international tourism has also generated US\$211 billion in exports through international passenger transport services that were rendered to non-residents in 2015, bringing the total value of tourism exports up to US\$1.5 trillion, or US\$4 billion a day, on average. International tourism now represents 7% of the world's exports in goods and services, up from 6% in 2014, as tourism has grown faster than other world trade, over the past four years (UNWTO 2017).

In this light, this book provides a broad knowledge and understanding of travel marketing, tourism economics and the airline product. It explains the strategic and operations management of the travel, tourism and hospitality industry sectors. At the same time, the readers are equipped with a strong pedagogical application of the political, socio-economic, environmental and technological impacts of tourism and its related sectors. The course content of this publication prepares undergraduate students and aspiring managers with a thorough exposure of the tourism industry. It highlights the latest trends, including; eTourism, revenue management, travel distribution and contemporary interactive marketing for the future.

This publication is written in an engaging style that entices the curiosity of prospective readers. Covering both key theory and practice, it allows prospective tourism practitioners to critically analyse future situations and to make appropriate decisions in workplace environments. It explains all the theory in a simple and

straightforward manner. It often makes use of short case studies that are carefully drawn from selected tourism businesses. Descriptive cases set the theory in context as they have been purposely chosen to represent the diversity of the industry, ranging from small travel agents to large, full-service airlines or multinational hotel chains.

At the start of each chapter, the readers are presented with an abstract that will help them focus and organise their thoughts. At the end of every chapter, the author has presented a succinct summary. This way, the readers of this book could review and retain key information.

Chapter 1 introduces its readers to the subject of tourism marketing. It provides an overview to different aspects of the tourism product, including; accessibility, accommodation, attractions, amenities and ancillary services. Chapter 2 raises awareness on the rationale for market research in travel and tourism. It explains how it enables marketing managers to make better decisions in order to improve their products or services, for the benefit of their customers. Chapter 3 suggests that tourism businesses should consistently monitor their macro- and micro-environments as the industry is continuously changing. When organisations regularly scan their marketing environment, they will be in a position to deal with any possible opportunities and threats from the market. Chapter 4 explains how tourism firms may adopt segmentation strategies, targeting and market positioning. Chapter 5 provides a sound knowledge on the integrated marketing communications' tools, as they play an important role in achieving the company's promotional objectives. Chapter 6 sheds light on how tourism businesses make use of distribution channels to reach customers. Chapter 7 illustrates how strategic planning supports management in their decision-making. It suggests that strategic planners ought to assess their resources, competences and capabilities as they evaluate their strategic options in the market place. This chapter also underlines the importance of critically analysing and evaluating the strategic plan's effectiveness, and to take remedial actions, if necessary.

Chapter 8 indicates how pricing has become an extremely important element in the marketing mix. It outlines the pricing strategies that are usually employed in the travel industry, including prestige pricing, penetration pricing, cost-based pricing, differential pricing and uniform pricing. Chapter 9 suggests that pricing and revenue management systems stimulate demand from different customers to earn the maximum revenue from them. It clarifies how this discipline involves using price optimisation strategies that align the right products to each customer segment. Chapter 10 describes the airlines' products and their constituent parts. It posits that the products' tangible and intangible elements must be customised and developed so that they attract various segments from different markets. Chapter 11 explains how the schedules plan is integrated into the airlines' corporate plan as it involves an evaluation of the financial implications arising from the fleets' requirements and their chosen route networks. It clarifies how the schedules planning process must be drawn up to satisfy a number of conflicting objectives. Chapter 12 reports how the airlines' marketing policies are affected by costs, which could influence the airlines'

levels of service and long-term profitability. It provides a detailed overview of the airlines' direct and indirect operating costs.

This comprehensive book is unsurpassed in readability and breadth. It allows its readers to acquaint themselves with key issues in travel marketing, tourism economics and the airline product. It is primarily intended to undergraduate and / or vocational students in tourism (including tourism management, hospitality management, airline management and travel agency operations). It is also relevant to airline employees, hoteliers, inbound / outbound tour operators, travel agents and all those individuals who are willing to work within the tourism industry. Course conveners in higher education institutions could use this textbook as the basis for insightful class discussions.

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