



**TOPIC 8**  
AVIATION AND AIRPORTS

## **SHORT HAUL BUSINESS TRAVEL IN THE EUROPEAN UNION: A PROFILE**

**KEITH J. MASON**

Centre for International Shipping and Transport  
University of Plymouth  
Drake Circus  
Plymouth PL4 8AA, UK

**RICHARD GRAY**

Centre for International Shipping and Transport  
University of Plymouth  
Drake Circus  
Plymouth PL4 8AA, UK

### **Abstract**

The research investigates the short haul business air travel market in Europe, using a conceptual model that addresses both the consumer and industrial elements of the market. Three distinct market segments are identified. A profile of these market groupings is given and implications for marketing strategy discussed.

## **BACKGROUND**

Business travellers are particularly attractive to scheduled airlines as they tend to travel more frequently than leisure passengers, and they tend to be prepared to pay higher prices than leisure passengers (Shaw 1985). In short haul markets, such as those within the European Union (EU), business travel may represent a large proportion of a scheduled airline's traffic. Wickers (1994) indicates that about half of all US domestic travel is business related, and Doganis (1991) indicates that this proportion may be as high as two-thirds within Europe. Business travel, therefore, represents a vitally important market to short haul EU carriers.

The EU has recently undertaken a major liberalisation of the air transport market. Mason and Gray (1994) indicate that since the third phase of liberalisation, which took effect on 1/1/93, any community airline can operate any intra-EU route it chooses, at any price, and can offer as much capacity as it wishes. (There are some exceptions, but these are insignificant for the purposes of this paper). The legislative changes means that the EU market is becoming more competitive than at any time in its past.

Faced with an increased choice of airlines, prices, and frequency, the behaviour of the business travel market is difficult to predict. To survive in this new competitive environment, an airline will need to protect and build its market share. The development of marketing strategy, based on a sound understanding of the factors that affect the market, is therefore necessary. Literature has developed for services marketing, as well as for goods marketing. Airlines provide a product that has tangible as well as intangible elements (Shostack 1977) and consequently are classified as a "product" in this paper.

Studies of the behaviour and attitude of air travellers have traditionally considered the business travel market as part of the entire air travel market (eg Ritchie et al. 1980, Good et al. 1985). The rationale for considering the business market together with the leisure market is that the differences in the factors of demand of these two markets are often considered and exploited together by airlines (Brunning et al. 1985). By so doing airlines can manage the peaks and troughs in demand, and, thereby, maximise their revenue per flight. The disadvantage with such an approach is that the richness and complexity of the factors of demand in both sectors tend to be overlooked in a bid to find the main differences between the two markets. In the above examples (Ritchie et al. and Good et al.) the traditional view of business travellers as consumers who place high importance on scheduling factors and low importance on price is re-affirmed, however, little new information about the market is gained. While price elasticity may be the main distinguishing feature between business and leisure travel, it is unlikely that all business travellers follow this stereotypical pattern (eg self employed persons who pay their own fare may consider cost to be highly important). To gain a more comprehensive understanding of the business travel market, given its size and importance, the research described in this paper undertakes a market segmentation study of the business traveller market in isolation.

Market segments exist due to the differences in consumer characteristics and requirements, and, therefore, investigation of these variables may be used to identify the groupings. The aim of a segmentation analysis is to find a variable or group of variables that will allow the division of the market so that members within a grouping will have similar traits (and thus respond in the same way to the firm's marketing activities), and members of different groupings will have inherent differences. To enable an organisation to identify market segments, a segmentation model may be used. A segmentation model incorporates a dependent variable, which is the basis on which the market is split (known as the segmentation base), and one or more independent descriptor variables. The descriptor variables are used to identify and define the segments.

## THE NATURE OF THE BUSINESS TRAVEL MARKET

The purpose of the study is to investigate the nature of the business travel market so that marketing strategies suitable for the market can be developed. Separate bodies of literature have developed for consumer marketing and industrial marketing. Therefore, to consider the business travel market using the applicable body of literature, the market needs to be defined as either being consumer or industrial in nature.

The Industrial Marketing Committee Review Board (IMCRB 1954) defines consumer products as “goods [and services] destined for use by the individual ultimate consumer in such form that they can be used by him without further commercial processing”. Using this definition it would seem that business related air travel may be defined as a consumer service, as the individual consumer (the business traveller) uses the air service as a completed product, which requires no further commercial processing.

By contrast a definition given by Haas (1981) of industrial products indicates that business related air travel could also be considered as an industrial service. He states that an industrial market involves “organisational users who buy goods and services necessary to the operation of their businesses and organisations” (p. 3). As demand for business travel is derived from a need for business people to travel in the pursuit of their business, business travel also falls within the scope of the definition of industrial products.

It would seem therefore that the definitions given fail to classify business related travel adequately. Analysis of the definitions indicates two dimensions that are used to classify products. These are:

- the number of people involved in consuming the product, and
- the intended use for which the product is purchased.

Both classification criteria can be criticised. The first criterion distinguishes consumer and industrial products by the number of people that use the product. The IMCRB definition considered the individual ultimate consumer, while Haas talks of institutional customers. This criterion seems sufficient to classify products such as jeans, and machine tools, however, many examples could be highlighted where classification is more difficult. The household grouping provides the most obvious example of where products are consumed by more than one individual. Cars, holidays, and joints of meat may all be purchased for consumption by more than one individual, yet these products would naturally be considered as being consumer products, and a piece of wood may be used by only one craftsman in the production of a finished cabinet, yet is obviously an industrial raw material. Products such as those described can be classified using the “intended use” criterion, ie whether further commercial processing will be applied to the product.

The value of the intended use criterion may be questioned. The value of classifying a product as being either consumer or industrial is that it allows different marketing strategies to be applied. However, under certain circumstances the marketer does not know whether a product is purchased for industrial or private consumption, and the product is sold without any recognition of this. For example, tools and building materials are purchased by building contractors and home improvement enthusiasts alike from both home improvement stores and builder’s merchants. Special treatment (such as discounts) may be afforded to high value customers irrespective of the use to which the purchases are applied. Fern and Brown (1984) provide a strong argument that definitions of consumer and industrial products fail to classify many products, and provide a number of examples of products which have elements of both consumer and industrial markets. Smith and Bard (1989) support this view and note that the boundary between the two markets is becoming blurred. They provide an example of a product group (faxes and computers) that seems to fall between consumer and industrial markets, and note that although the product may be selected by the user, if it is being purchased for a business application, it is likely that certain processes will be undertaken that are essentially industrial in nature (ie payment authorisation, budgetary signature, order forms etc).

This situation is also true for a number of transport services including airline services. When an airline ticket is purchased the airline is unaware of the reason for travel. It is assumed that business

travellers place high value on ticket flexibility (being able to change flights etc) and low value on cost; thus high cost, fully flexible tickets are aimed at this market. However the airline does not distinguish between travellers, if a leisure traveller wishes to purchase such a ticket.

It would seem that when considering the selection of a flight a business traveller is influenced by both organisational and personal motives. Based on organisational motives, a business traveller may want:

- to arrive at the destination in good time, to meet business objectives;
- to be able to work on the flight if necessary (perhaps a report needs to be prepared as soon as possible after the visit);
- short check-in times so that working time can be maximised at the destination. This may be particularly important on one-day trips.

Although the individual has a number of business-related wants, he/she will also have a list of wants that do not relate to business objectives. The traveller may want:

- to arrive home after the trip in good time to spend time with his/her family;
- to be recognised by staff and other travellers as being important in his/her organisation. (perceived status may be important to some business travellers).;
- a high quality in-flight service;
- to earn points on his/her frequent flier scheme by flying with a regularly selected airline;
- a certain amount of leg room;
- free drinks, newspapers etc;
- to buy duty free goods.

These lists do not purport to be comprehensive as the wants of each traveller will be different. However, they serve to show that traveller preference may be based on a wide set of motives. If the behaviour of business travellers was based, purely, on personal motives, it would seem acceptable to consider the market as a consumer market (individual consumers, using a finished product), and, therefore, we should investigate the market by applying research approaches solely from the consumer marketing literature. However, the airline user's motives may not be the only set of motives that affect the purchase of air travel.

Cost is likely to be a low consideration to the traveller when the cost for the ticket is not borne by himself/herself. Companies invariably incur the cost of business travel. A study by American Express (1993/4) shows that travel expenditure represents a large cost to many organisations, and that many organisations are beginning to apply closer control over the spending of executives on business trips. It would seem, therefore, that the organisation which employs a business traveller may have some influence over the purchase.

Organisations are concerned with elements of an airline's service that relate to the company's representative being capable of completing, successfully and cost effectively, the purpose for which the trip is being undertaken. Organisations may, therefore, be concerned, among other things, with the:

- price of the flight;
- price of parking at the airport;
- time of arrival at destination;
- safe carriage of any materials (eg sales samples, portable computing equipment etc.).

The needs or wants of the traveller may not be the same as the needs or wants of the company. In some cases there may be some conflict between the objectives. It would seem important, therefore, to assess the extent to which organisational involvement in the purchase of business travel has an influence on buying behaviour.

If the boundary between industrial and consumer markets is blurred, as it appears to be for business air travel, it is necessary to ask whether the distinction is important. One important distinction is that industrial markets are generally more difficult to investigate than consumer

markets, because buying behaviour in companies is very different from an individual purchasing a product, for example:

- there are often more people involved in the decision making;
- the decision making process may take longer;
- the decision to be made is often technically complex;
- each buying organisation is likely to be significantly different from every other buying organisation (Webster and Wind 1972).

The analysis presented in this paper shows that the business air travel market has elements that would be expected in both consumer and industrial markets. To treat the market just as a consumer market, may lead to errors of omission as the analysis would exclude organisational influence. Alternatively, a purely industrial analysis may understate the importance of the personal element of the traveller's motives. It is possible that air business travel can be perceived as a hybrid market, featuring elements of both consumer and industrial markets, and that market segmentation approaches from each may be adopted, possibly with some adaptation. Later, a model is developed that suits the hybrid nature of the market.

## SEGMENTING THE BUSINESS TRAVEL MARKET

To segment the business travel market a segmentation base was sought that considered the many factors that influence buying behaviour and also addressed the influence that the employing organisation has over the purchase. The market was segmented based on the benefit sought from the product, using a stakeholder model of the organisational decision processes. This approach draws on the advantages of the two most appropriate segmentation bases available (benefit segmentation, and buyer centre segmentation), while overcoming the problems in undertaking a segmentation in a hybrid market such as the business travel market. The following discussion defines the terms "stakeholder", "benefit segmentation", and "buyer centre segmentation" and their relevance for the research model.

Benefit segmentation is a base that has been applied successfully in a number of consumer markets (eg Haley 1968, Yankelovich 1964), including travel markets (eg Young et al. 1978, Matear 1991). The base focuses on consumer responses to marketing stimuli, ie what the customer really wants from the product. "The goal of benefit segmentation is to find a group of people all seeking the same benefits from a product. Each segment is identified by the benefits being sought" (Thomas 1980: 26). A product may offer many benefits, and each benefit may appeal to consumers in different segments. However, segments can be identified by the analysis of the total configuration of the benefits sought (ie the bundle of benefits sought), and a relative value placed on each benefit. Benefit segmentation, therefore, is a good method of identifying the underlying needs, wants and motives of the consumer, which is an objective of this research. Wind (1978) notes that benefit segmentation studies can be used to develop a general understanding of the market, and assist in the development of new products.

De Kluyver and Whitlark (1986: 275) comment that "conceptually, benefit segmentation is well suited to industrial products. It provides a detailed and multifaceted picture of customer needs for product design, pricing, distribution, and marketing support decisions". A number of industrial markets have been segmented on the benefits sought in a product (eg Lynn 1986, Dawes et al. 1992, Bennion 1987, de Kluyver and Whitlark 1986). Like its consumer counterpart, industrial benefit segmentation "can provide a better understanding of the causal factors operating in a ....decision" (Lynn 1986: 15). This understanding of the causal factors in the decision making process can aid the marketer by providing clear product design and communication strategy guidance.

Application of benefit segmentation in a consumer market is not complicated. Individuals can be questioned, and the benefits sought from the product identified. The problem associated with this base is that to segment a market with industrial characteristics the researcher must decide which benefits are sought from the customer. The customer in the business travel market is the

organisation that purchases the air service, not the end user of the product (ie the traveller). In such a market the benefits sought from the product are represented by the purchase criteria defined by the organisation, presenting the problem of identifying who speaks for "the organisation". To gain this information a methodology of questioning one respondent has been used in a number of studies (Moriarty and Spekman 1984, Lynn 1986, Bennion 1987). Approaches to key informants to gain information about an organisation are supported by a number of authors (Mitchell 1994, Phillips 1981).

The second segmentation base that could effectively be applied to the business travel market is the buyer centre. A number of studies have used the concept of the buyer centre (also known as the decision making unit) to model the complex decision processes within an industrial market (eg Choffray and Lilien 1978, Moriarty 1983, Lynn 1987). The buyer centre is the "members of the organisation who interact during the buying decision process" (Webster and Wind 1972: 77). Wind and Cardozo (1974: 157) state that industrial markets can be segmented "on the basis of similarities and differences among decision making units". Such a study would develop an understanding of the buying behaviour that takes place within an organisation, when an employee makes a business trip.

A decision making unit (or DMU) is formed when a purchase decision is to be made. All members of the group will have a set of objectives that they wish to see fulfilled. These objectives may be task related (regarding the purchase) or non-task related (not connected to the purchase, eg gaining status over other members). Also these objectives may be departmentally based, organisationally based or personally based. Buyer centre research shows that:

- The sort of purchase to be made will affect the size, and composition of the buyer centre (Robinson et al. 1967, Crow and Linquist 1985, McWilliams et al. 1992).
- Different people in the buyer centre have different degrees of influence in the purchase decision, and these people may bring different objectives to the decision making process based on their personality, hierarchical position, and organisational role (Choffray and Lilien 1978, Thomas 1984, Lynn 1987).

Where there are a number of people involved in organisational decision making process, each with their own set of objectives, a conflict between the members may well arise. It is not difficult to envisage a scenario where production engineers wish to select a product which has a high specification, while members of the DMU from the finance function wish to select a lower specification product for cost reasons. Individual members of the DMU will bring their own strategies to the decision making process (ie purchase of the individual's preferred product) and to this end they will employ whatever power that they hold within the group. Webster and Wind (1977: 68) state "conflict must be resolved by finding some kind of consensus among the organisation members", and go on to identify a number of methods of reducing conflict within the DMU. However, they recognise that consensus may not be truly reached as they indicate that there is often only a "quasi resolution of conflict" (p. 68). It would seem intuitively true that consensus is unlikely to be achieved in a large number of purchase situations. Increased awareness of travel and entertainment costs within an organisation may mean that a conflict of interests will develop between the people involved in the purchase of business related air travel, particularly between the person responsible for the budgeting the cost, and the person taking the flight. The disadvantage with the DMU model is that, to apply it, all the members of the DMU need to be identified, which requires an in-depth study of a large number of organisations.

To overcome the problems associated with the DMU model, a stakeholder model may be used instead. Stakeholder theory is a strategic management concept, applied to the decision making processes in organisations. It recognises that decisions are made by a number of people within an industrial setting. It acknowledges that a number of people or groups have a vested interest in the decision being made, and that people do not necessarily agree with the decision that is made.

The theory draws from the notion of corporate shareholders. It is these shareholders that place objectives on the company, such as profit maximisation. However, as companies grow, ownership becomes divorced from the day-to-day control of the organisation (Thompson 1990). The managers who have effective control over the company may not be shareholders and may develop their own objectives (eg revenue maximisation) for the company. While these managers do not

have a share in the company, they hold a stake or vested interest in the company. Freeman (1984: 46) defines stakeholders as "any group or individual who affects, or is affected by, the achievement of the organisation's objectives". Haines (1977) identifies seven stakeholder groups involved in a business; managers, employees, shareholders, customers, suppliers, lenders, and society.

Johnson and Scholes (1988) indicate that the stakeholders, using their perceptions of the power structure in the organisation, will determine the objectives for that organisation. Stakeholder theory postulates that the objectives of the organisation "will take account of the various needs of these different interested parties who will represent some type of informal coalition" (Thompson 1990: 116). Freeman (1984) develops a strategic management model using stakeholder theory. The model is used to develop strategies based on an assessment of the power structure of the various stakeholders and goals that each group seeks. The stakeholder model is, therefore, similar to the buyer centre model as it, too, attempts to identify the decision making power structure in an organisation. The difference is that the stakeholder model does not attempt to identify individuals. The stakeholder model attempts to identify groups of people that hold a similar vested interest in a decision, and attempts to discover how much power each group has.

The stakeholder theory is normally applied to strategic decision making, but the concept that stakeholders have a vested interest in a decision can also apply to increasingly less strategic decisions within the company. For example, if the cost of air travel represents a large cost item to a company, shareholders will be interested in the class (and thereby the cost) of travel taken by the travelling employees of the company, as it directly affects the profitability of the company. For each decision made by an organisation, there will be a group of stakeholders that have a vested interest. It is possible, therefore, to apply stakeholder theory to the purchase of air travel.

Rather than investigating, in-depth, each firm to discover those involved in a decision, stakeholder theory identifies in advance a number of stakeholder groupings that have a vested interest in a decision, and then collects data regarding these groupings. In this way an understanding of the buying behaviour of companies can be developed. While this approach is more rigid than the DMU approach, it enables the application of a quantitative instrument. In the business travel market three types of stakeholder can be identified:

#### *The airline user*

It is self-evident that the person who is actually consuming a travel service may also be perceived as holding a stake in the service's purchase. The user has both a personal and an industrial stake in the purchase. The quality of the service, such as seat comfort and food, will have a significant impact on the user at a personal level. As a representative of the organisation for whom he/she works, the traveller also holds a corporate stake in the air service, since if the traveller misses an important meeting due to a delayed flight then the traveller may be perceived badly by those he/she has let down.

#### *The travel organiser*

For every flight purchased there is a person or group of people who book the flight, and make the various flight arrangements. These people may invest much time and effort in organising travel, and may be judged on their performance. It would seem that these people have a vested interest in the purchase, and thus may be identified as a stakeholder group. The individuals who organise the purchase of air travel may differ between companies. The role of organising travel may have been assumed by an employee in a purchasing role such as a "Office Services Manager", although, in many organisation this role is often assigned to secretaries, clerks, or departmental office juniors. The vested interest in the purchase will tend to be of a personal nature. For example a travel manager may wish to minimise the cost of air travel as it affects his/her performance in that role, while a secretary may wish to spend as little time as possible on the purchase as he/she has other work to complete.

### *The “organisation”*

The previous two stakeholder groups are constructed of individuals or groups of individuals that have a direct involvement in the purchase. However, others in the organisation may also hold a vested interest in the purchase of air travel. For example, the traveller's manager may be responsible for budgeting the cost of ticket, this will affect the department's profitability if it is viewed as a cost centre. The financial department may also be concerned about consumable expenses such as travel, and managers at a company's head office may decide to develop a policy for the purchase of air tickets. All these corporate employees, have a direct or indirect involvement in the purchase of air travel, and, therefore, have a vested interest in the purchase of air travel, which will tend to be based on organisational rather than personal objectives. However, the industrial scenario and the corporate members involved will differ from one company the next. To address the interests of these other people be considered in a group of “organisational” stakeholders. Here the interests of the organisation as a financial entity be considered. The organisation as a whole is likely to be concerned with the cost of travel and also the elapsed time spent by employees travelling in pursuit of the company's business (particularly if flights are delayed).

### **The conceptual model**

The diagram in Figure 1 represents a conceptual model of the buying behaviour of companies in the business air travel market that can be used to segment the market. Three stakeholder groups are identified (the organisation entity, the travel organiser, and the traveller). The model shows that each stakeholder group seeks its own benefits (examples of key variables are given) which may be divergent from those selected by the other groups. For example, an organisation wishing to minimise the cost of air travel may be in conflict with a travel organiser who wishes to book a flight quickly (as he/she will need to spend time searching for the cheapest flight), and the user who may not receive the quality of in-flight meal service that he/she sought from the airline choice. Therefore, it is hypothesised that the relationship between the stakeholders will affect the combined bundle of benefits sought from the air service, as the stakeholder group with the greatest power will be able to ensure that the purchase is selected to meet its benefits sought. It can be seen, therefore, that the actual benefits that are sought from the air service purchase will be based on the competition between the stakeholders, which may be outright “victory” for one stakeholder, or result in a compromise solution.

To operationalise the model a survey of one group of stakeholders was undertaken to identify the purchase criteria, so that benefit segments can be identified, and also to collect information on the other significant actors that have a stakeholding in the purchase so that further behavioural analysis of industrial purchasing of air travel can be undertaken. The traveller stakeholder group was selected to be surveyed because:

- while it has been established that the business travel market has a hybrid nature, the consumer element of the market is significant, and thus it would seem important to interview the individual traveller to ensure that the consumer element of the market is sufficiently considered; and
- business travellers were the easiest group to survey as they could be identified and interviewed at an airport, or in-flight.

### **Method**

A quantitative study was undertaken at Stansted airport, in the UK. A self-completion questionnaire was designed to be completed by short haul international and domestic business travellers and 827 responses were collected during a two week period. Attitude statements regarding twenty three product attributes, and various demographic and behavioural data were collected (see Appendix). Data reduction of the attitude data by principle component analysis identified six principal purchase benefits. Finally, iterative cluster analysis was used to identify three distinct market segments.



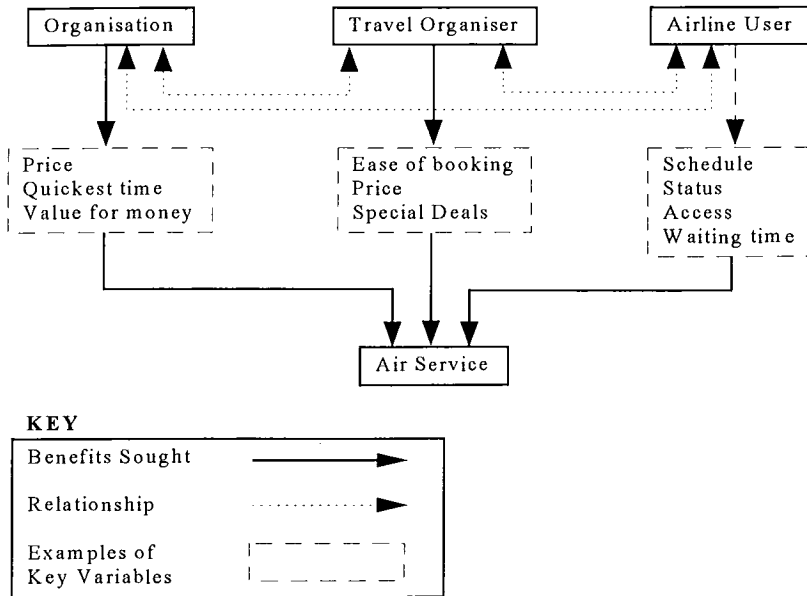


Figure 1 Conceptual model

## RESULTS

The respondents were predominantly male (89%), from a high social classification (83% were AB), aged between 25 and 54, and made an average of 16 business trips a year.

Six principal factors identified by principal component analysis accounted for 60.6% of the total variation in the data set. The factors identified are shown below, along with the variables that associated highly with each factor:

- 1 *Business travel exclusivity and added value*: Return boarding card, availability of a business lounge, city centre check-in, business class check-in, duty free, frequent flier scheme.
- 2 *Comfort and experience*: In-flight service, seat comfort, punctuality, past experience of an airline, safety record.
- 3 *Air service user-friendliness*: Ease of reservation, lack of ticket restrictions, seat allocation at reservation, parking assistance, quality of ground service.
- 4 *Price*: Ticket price, discount.
- 5 *Scheduling*: Timing of outward flight, timing of return flight.
- 6 *Local airport*: The airport should be easily accessible.

For each respondent a score for each principal component was calculated. These scores were then used as input to an iterative cluster analysis. A robust three cluster solution was discovered in the data set. Table 1 shows the cluster centres of the three identified segments. The factors in Table 1 are the same as those described above.

**Table 1** Mean factor scores for identified clusters

Cluster	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
1	0.1896	0.2447	-0.0560	0.1852	-0.5291	1.4515
2	0.1238	-0.0420	0.1860	0.5351	0.7038	-0.2326
3	-0.2056	-0.0685	-0.1564	-0.6049	-0.4500	-0.4221

Analysis of the three clusters identified three types of travellers: schedule driven consumers, corporate cogs, and informed budgeters.

### **Segment 1: Schedule driven consumers**

This segment represents 18.5% of the business travel market. 60.6% of members fall into the A social classification. While this figure is not greatly different than that for the third cluster (59.4%), it is significantly higher than the second cluster (49.6%).

Members of this segment are more likely to purchase full fare tickets than those in other segments. The cost of these tickets are fairly high compared with other tickets available, but offer more scheduling flexibility. This suggests that members of this segment are not particularly concerned about the cost of a flight but that flexibility is important to them.

The majority (64%) of this segment purchase their ticket from a business travel agent, and a significantly higher proportion of this segment than other segments leaves the responsibility for booking the ticket to a secretary.

With regard to travel management, 61.3% of this segment indicated that the travel policy operated by the organisation for whom they work is set by the directors of the organisation. This figure is significantly higher than for those in other segments.

The class of travel accorded to those at different corporate levels represented a significantly different travel policy for members of this segment, than those in other segments. Tables 2, 3 and 4 show that members of this segment work for companies that are the least likely to reward those of a higher corporate status with a higher class of travel. For all three levels of management, business class travel was the most likely grade of travel to be granted to employees.

**Table 2** European flight allowance for company directors

Flight allowance	Segment 1 (%)	Segment 2 (%)	Segment 3 (%)
First Class	17.7	18.5	20.5
Business Class	64.3	55.5	46.3
Economy Class	18.4	26.0	33.2

**Table 3** European flight allowance for senior management

Flight allowance	Segment 1 (%)	Segment 2 (%)	Segment 3 (%)
First Class	7.2	3.4	9.0
Business Class	66.0	58.1	46.0
Economy Class	26.8	38.4	45.0

**Table 4** European flight allowance for other management

Flight allowance	Segment 1 (%)	Segment 2 (%)	Segment 3 (%)
First Class	2.1	0.5	1.0
Business Class	56.3	45.3	35.8
Economy Class	41.7	54.2	63.2

An analysis of the importance placed on the various product elements reveals that the key benefits which members of this segment seek from an airline service are: flight timings, exclusive business class check-in, exclusive business class lounge, and flight frequency. This segment seemed to be unimpressed with many product elements that are not essential to the flight (such as in-flight service, seat comfort, and frequent flier schemes).

83.6% of the membership of this cluster indicated that the timing of the outward flight was of high importance. They also valued exclusive products aimed specifically at the business traveller more highly than those in other segments. 20.0% of this segment thought that these services were highly important compared to 13.0% of the third segment and only 5.8% of the second.

Members of this segment rated flight frequency as being significantly more important than those in other segments. 43.6% of the members in this segment valued this service as being highly important. Since flight flexibility is important to this segment, they are prepared to pay for a ticket which accrues this benefit. The value of this flexibility seems to be recognised by the organisations for which members of this segment work, as these organisations set travel policies which tend not to offer additional benefits to those of a higher corporate status, and are prepared to pay for higher priced tickets that provide flight flexibility.

The organisation and the individual traveller in this segment seem to seek similar benefits. Thus it would seem that the culture in the employing organisations has a significant influence on the membership of this segment. Considering the nature of this segment it seems appropriate to name it as schedule driven.

## **Segment 2: The corporate cog segment**

The second market segment accounts for 40.5% of the business travel market. The social profile of this group is not as high as those in other segments. While 49.6% of this segment fall into the highest social classification, it is this segment that is most likely to have members who are in the B social grouping.

With regard to the purchase of air travel, although 69% indicated that they select their air travel themselves, only 20% book their own flights. The responsibility of booking air travel falls to others in the organisation.

An analysis of the method by which corporate travel policy is decided reveals the importance of travel management and finance departments. A significantly higher proportion of this segment (10%) than those in other segments did not know who decided the travel policy. They also had the least favourable opinion of their company's travel policy. This segment was also the most likely not to know where their ticket had been purchased or what type of ticket it was. It would seem, therefore, that this segment selects the flight they wish to take and then leave the details of booking, paying for, and collecting the tickets to others within the organisation. This would seem to suggest that members of this segment work for somewhat bureaucratic organisations.

Tables 2, 3, and 4 show that members of this segment tend to work for companies that allocate the airline seat class based on the corporate hierarchical level of the traveller.

Analysis of the product elements shows that factor 6, local airport, is the most important in this segment, and that price and schedule (factors 4 and 5) are the most unimportant. Respondents indicated that what they consider to be important may be in conflict with what the organisation for whom they work consider to be important. 44% of this segment thought price was the single most important product element for their company, while only 5.4% of the group personally thought it important. With regard to scheduling, only 30.4% of this segment rated the timing of the outward flight as highly important.

In-flight service, seat comfort, and frequent flier schemes were valued most highly by this group. Such benefits are for the traveller at the cost of the organisation paying for the air travel, and therefore shows that this cluster displays elements of self-interest.

The membership of this segment seems to be based on travellers who seek benefits that differ from those of their employing organisation. They are called corporate cogs for they seem to act as cogs in the workings of their corporation. The individual travellers seem to meet the requirements of their organisation, but try at the same time to gain personal benefits as opportunities arise.

### **Segment 3: Informed budgeter segment**

Members of the final segment identified from the benefit market segmentation analysis have been labelled informed budgeters as they display a good knowledge of the airline products on offer and consequently, of the three segments, pay the least for their air travel.

This segment accounts for 41.3% of the business travel market. 59.4% fall into the A social classification with a further 30.3% in the B grouping. These consumers are more likely to purchase their airline tickets directly from the airline (20%), than those in other segments.

With regard to fare type, this cluster is the most likely to use the lower classes of ticket. 20% of the respondents in this cluster were travelling on Pex tickets and a further 19% held Apex tickets. These fare types are fairly restricted in terms of the reservation flexibility and refund capability. It is this segment that is most likely to pay for the ticket out of their own money (20%) and then claim the expenditure back from their organisation, or to pay by credit card (13%). It would seem that this involvement in the purchase of the ticket leads to more careful budgeting by the members of this segment.

Analysis of travel management policies of the organisations employing members of this segment reveals that these organisations tend to display more careful budgetary behaviour. Tables 2, 3, and 4 show that members of this cluster were the least likely to be allocated business class tickets, irrespective of corporate status and most likely to be awarded economy tickets. With regard to policy making, members of this group were significantly more likely to set their own travel policy than those in other segments. It would seem therefore that the members of this segment tend also to be the policy makers in the organisations for which they work, and consequently set a travel policy based on their knowledge of the market.

The scheduling elements of the airline product, flight timing and frequency were both rated as highly important. It would seem that the members of this segment travel frequently. Their experience has led to a knowledge of the products on offer, consequently members of this segment are more likely to book directly from the airline, and select the cheapest fare type meeting their requirements. It is this behaviour that indicates that this segment is populated with consumers who know the product well and try to spend as little as possible on their ticket. Therefore, they are called informed budgeters.

### **Strategy development**

Having identified three market segments, a company must select which market segments to target. Airlines will need to allocate limited resources in a manner which will reap most benefit.

An airline may not have the required resources to target the schedule driven segment. A strategy aimed at this market would require investment in new routes, extra frequencies and thus new aircraft. The analysis shows that this group is not loyal to either a specific airport or airline. It is possibly unwise, therefore, to develop a strategy targeted specifically at this group. As an airline grows it is likely to gain a proportionately larger share of this market. A strategy of consolidation may be adopted.

The corporate cog market is attractive and may be developed through the introduction and promotion of new products. The products should offer benefits both to the user, in terms of in-flight comfort and frequent flier benefits, and the organisation. Currently airlines seem to wish to concentrate on marketing efforts directed at the user. The research has shown that organisations are taking a more involved role in travel management, and therefore the introduction of products

aimed at the organisation, such as organisation loyalty schemes, might ensure a high volume consumption in this market.

The informed budgeter market represents a large proportion of the market. To increase sales volume purchased by this segment, an airline will need to extend its geographic catchment area. To do this an airline may concentrate sales and promotional activity in the periphery of the catchment areas. Marketing communication should concentrate on the benefits of local airport access, flight services, and price.

## CONCLUSION

The research has shown that by using a stakeholder approach the business traveller market, which is a hybrid consumer-industrial market, can be segmented on the benefits sought. Such an approach overcomes the problems associated with the identification and analysis of the decision making unit. The research provides an analysis of the market size, structure and buyer behaviour of the market. It indicates that not all business travellers seek the same benefits, and that the benefits sought by business travellers differ significantly depending on the nature of the organisation that employs them.

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**APPENDIX**

**Data collected by survey of business travellers**

Data collected regarding the organisation and the traveller	Importance placed on the following product attributes
Postcode of organisation	Timing of outward flight
Main activity of organisation	Timing of return flight
Number of employees in organisation	Flight frequency
Whether the organisation has a travel department or manager	Ticket price
Whether the organisation has a travel policy	Ticket discount
Description of travel policy	Ease of reservation
Flight selection, booking, and payment methods employed	Lack of ticket restrictions
Does the company have preferred airlines	Direct route
The class of travel each level of the hierarchy is permitted to take	Seat allocation at reservation
Corporate position of traveller	Parking assistance
Traveller attitude toward travel policy	Quality of ground service
Origin and Destination	Flight from local airport
Fare type	Return boarding card on departure
No. of trips made by the traveller in the last 12 months	Business lounge available
Length of stay at destination	City centre check-in
Age, gender, and home postcode of traveller	Exclusive business class check-in
	In-flight service
	Seat comfort
	Duty free available
	Frequent flier programme
	Airline punctuality
	Past experience of an airline
	Airline safety record