Strategic Market Planning in the Commercial Airline Industry

Ronald L. Zallocco, D.B.A.
Cleveland State University

and

Donald W. Scotton, Ph.D.
Cleveland State University

and

David A. Jeresko, M.B.A.
Cleveland State University

Strategic market planning has gained widespread use in the past 15 years as an instrument to aid management in establishing focus and direction for an organization. Two primary factors have encouraged this acceptance level. First, strategic market planning provides a conceptual framework for systematically mapping an organization's focus. Second, analytic techniques are available to assist in carrying through the planning process. The four most widely recognized techniques are: Experience curve/cost analysis, portfolio analysis, investment opportunity analysis, and PIMS (Abell, 1978).

A new phase in the evolution of strategic market planning is underway. With increasing experience, firms have learned the limitations of the four techniques mentioned above. These limitations, highlighted by Jain (1981) and Kiechel (1981), are sufficient to suggest serious restrictions in the use of existing techniques. New techniques are being developed by consulting firms and academicians to aid in the planning process (Kiechel). Future evidence will determine whether these techniques are more useful than those they are designed to replace.

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As the methods used in planning change, it would be useful to determine empirically the extent to which various industries have adopted formal strategic market planning in general, and the four techniques mentioned above in particular. The data base pertaining to this issue needs to be improved. Most of the literature on planning for specific industries has provided conceptual frameworks or suggested policy focus (Huffmire, 1975; Mason & Mayer, 1979; Bouamrene & Flavell, 1980). Empirical evidence on the adoption of planning is usually limited to case studies of individual firms or general descriptive papers (Hofer, 1976). The purpose of this paper is to determine the extent that the commercial airline industry uses formal strategic market planning and planning techniques.

AIRLINE INDUSTRY

There are a number of reasons why the airline industry is a good industry to study in determining the extent of adoption by business of strategic market planning techniques. First, capital expenditure requirements for airplane purchases and airport construction programs are extensive and require an extended time horizon for decision-making. Second, the nature of the environment — changing regulations, increasing competition, rising fuel costs, an overall slowing of the economy and the rate of increase in passenger miles, difficulties created by the air traffic controllers situation, and increasing efforts by foreign firms to gain greater access to American airline consumers — has created a volatile situation that demands constant environmental scanning. Third, technological change makes airplane product life cycle planning important. Firms must be able to predict the economic life of airplanes built on a given technology. Finally, the changing structure of the industry — in particular the increasing number of smaller firms concentrating on serving commuters between major metropolitan markets — makes mapping company/market strategy important. The trend in the industry appears to be increasing use of basic marketing strategies such as market specialization and product differentiation in order to develop an approach to serving the market.

All of these factors have had an impact on such performance areas as capacity utilization, revenues, and costs, forcing firms to realistically assess the utilization of their resources and methods for approaching the marketplace. Uneconomic activities and inefficient practices that could