Title: The Success Factors of Cathay Pacific Airways (Case Study)

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**Title:** The success factors of Cathay Pacific Airways (Case Study)

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Abstract

This case study has investigated the success factors of Cathay Pacific Airways which based on its success factors, marketing strategies and market positioning. This study aims to evaluate the success factors and the market positioning of Cathy Pacific Airways Limited, it will focus on different management and marketing strategies for different nature of business, then to identify the successful factors of Cathay Pacific Airways, and suggest ways to improve the performance of Cathay Pacific Airways.

This study is being done with a combination of qualitative research methodology with a conceptual framework based on secondary data. Books and journals were used to underpinning this study, such as Journal of Management Development, Journal of Frequent Flyer Programs and so on.

The researcher has developed “Critical Success Model of Cathay Pacific Airways” to identify the success factors of Cathay Pacific Airways which includes eight factors with three results. Eight success factors included the management of the fleet, brand, people and finance for Cathay Pacific Airways, and also internationalization, safety, marketing mix and good quality services. And three results consisted of loyalty, reward and recognition, and innovation.
This study suggests that it is crucial and necessary for Cathay Pacific Airlines to pay additional attention to the staffs’ needs. Due to the fact that the strike carried out by the pilots and staffs, it is clear that Cathay Pacific had no concerns for the employees’ needs. We suggest Cathay Pacific Airlines to hold monthly meetings with the staffs union to collect feedbacks and to understand their needs in order to prevent these kind of incidents to repeat in future for it would not only lower the profit while increasing the cost but it is also possible for customers to lose confidence in the company.
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Chapter 1

Introduction

1.1 The focus of the case study

Airline industry is a global industry that provides transportation services on passenger and cargo. This case study is going to evaluate Cathy Pacific Airways, which was voted by London-based Skytrax research organization to be “Airline of the Year” twice in three years is not small achievement. The Skytrax award is testament to hard work of every member of Cathy Pacific staff and the continuous support from all of our business partners to deliver superior value and service to our customers. “Cathy Pacific Chief Executive Philip Chen said at the special presentation ceremony held by Skytrax in London. Cathy Pacific was voted to be the world’s best airline in 2005”, say millions of travellers worldwide who voted in recent polls conducted UK-based Skytrax Research.

1.2 Background information of Cathay Pacific

The airline was founded in Shanghai, China on September 24, 1946 by two ex-air force soldiers, and, who each put up HK$1 to register the airline. The name “Cathay” was derived from an ancient name give to China, and “Pacific”
because they believed that they would one day fly across the Pacific to the
United States. The company initially flew routes between Hong Kong, Sydney,
Manila, Singapore, Shanghai, and Guangzhou, while scheduled service was
limited to Manila, Singapore, and Bangkok only. It has dedicated it service to
providing fast and reliable performance throughout the West Indies and the
world, and today, Cathay Pacific continues to maintain that standard with
14,000 employees and 87 aircrafts. Cathay Pacific serves 43 destinations
throughout Asia, North America, and Europe with the major hub in Hong Kong.
With dedicated service and 167 daily departures, Cathay Pacific Airlines has
proven itself as a leader in world travel.

After 1990s, Cathay Pacific Airways' expansion and modernization continued
as it progressively replaced its L1011 TriStar regional fleet with Airbus A330s
and A340s. Nowadays, the airline's passenger fleet includes Boeing 747-400
and 747-400F aircraft, 777-200, 777-300 and 777-300ER aircraft, and Airbus
330-300 and 340-300, aircraft. The airline also operates a dedicated fleet of
Boeing 747-200ERF, 747-400BCF and 747-400F freighter aircraft.
Figure 1.1 (Cathay Pacific operating fleet of aircraft)

<table>
<thead>
<tr>
<th>CX operating fleet of aircraft:</th>
<th>117</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing 777-300</td>
<td>12</td>
</tr>
<tr>
<td>Boeing 777-300ER</td>
<td>15</td>
</tr>
<tr>
<td>Boeing 777-200</td>
<td>5</td>
</tr>
<tr>
<td>Boeing 747-400</td>
<td>21</td>
</tr>
<tr>
<td>Boeing 747-400 BCF</td>
<td>9</td>
</tr>
<tr>
<td>Boeing 747-400F</td>
<td>6</td>
</tr>
<tr>
<td>Boeing 747-400ERF</td>
<td>6</td>
</tr>
<tr>
<td>Airbus A340-300</td>
<td>11</td>
</tr>
<tr>
<td>Airbus A330-300</td>
<td>32</td>
</tr>
</tbody>
</table>

| CX inventory of aircraft:      | 126 |
| Average age of passenger aircraft in service | 10.8 years |

| Firm orders                   | 31  |

<table>
<thead>
<tr>
<th>Ordered aircraft types</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus A330-300</td>
<td>6</td>
</tr>
<tr>
<td>Boeing 777-300ER*</td>
<td>15</td>
</tr>
<tr>
<td>Boeing 747-8F**</td>
<td>10</td>
</tr>
</tbody>
</table>

* The remainder of Boeing 777-300ERs will be delivered by 2013.
** The Boeing 747-8Fs will be delivered between 2010 and 2012.

(Source: Cathay Pacific Airways 2010)

1.3 Ownership of Cathay Pacific

Swire remains the largest single investor in Cathay Pacific, holding 43.9% of shares. Its holding was reduced from 52.6% in 1996 under a new share issue which allowed Citic Pacific, a mainland Chinese interest, to raise its holding
from 10% to 25%. The remaining 31.1% of shares are held by a large number of minority stakeholders. (Ballantyne, 1997)

1.4 The way of Cathay Pacific

Cathay Pacific is not only acting the role of airway, but it is also integrated of multiple and series of services which delights every customer who choosing their airway always.

For frequent travellers, Cathay Pacific provides the best mileage program if they want to earn more miles, like Marco Polo Club or ASIA MILES which travellers can earn miles from flights, hotels and even dining etc. The lounge service of Cathay Pacific is the best but limited to certain membership. For example in Hong Kong, The Pier which is the Business Class Lounge only available to First Class and Business Class passengers, Diamond, Gold and Silver Card members and Cargo Clan Elite members and also Oneworld Emerald or Sapphire members. For the Wing which is the First Class Lounge accepts admittance of First Class passengers, Diamond Card members and Oneworld Emerald members. (Cathay Pacific Airways, 2010)
1.5 The awards and honours

Cathay Pacific earns lot of different awards and honours, it can help to improve the brand reputation and the image of the company.

**Figure 1.2 (Awards and honours of Cathay Pacific in 2008)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Award</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Nov</td>
<td>Best Airline Economy Class</td>
<td>2008 <em>Business Traveller</em> China Travel Awards</td>
</tr>
<tr>
<td>2008</td>
<td>Oct</td>
<td>Best Airline - Business Class</td>
<td>TTG Travel Awards</td>
</tr>
<tr>
<td>2008</td>
<td>Sept</td>
<td>Most Admired Company in Hong Kong</td>
<td>Asian Wall Street Journal Top 200 Survey Business Traveller (Asia Pacific)</td>
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<tr>
<td></td>
<td></td>
<td>Best Frequent Flyer Programme</td>
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<td>2008</td>
<td>Aug</td>
<td>Best First Class airline</td>
<td>Skytrax</td>
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<tr>
<td></td>
<td></td>
<td>Best First Class Catering</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Airline of the Year award runner-up</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>Jul</td>
<td>The Top 7 Yahoo! Emotive Brand Awards</td>
<td>Yahoo! Emotive Brand Award 2007 - 2008</td>
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<tr>
<td></td>
<td></td>
<td>Yahoo! Emotive Brand Award 2007 - 2008 Airline Category</td>
<td></td>
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<tr>
<td>2008</td>
<td>Jan</td>
<td>Programme-Based award - Gold Award</td>
<td>Customer Service Excellence Awards – Hong Kong Association for Customer Service Excellence (HKACE)</td>
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<tr>
<td></td>
<td></td>
<td>Internal Support Service (Team) - Gold Award</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Counter Service – Gold Award</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Internal Support Service (Individual) – Silver Award</td>
<td></td>
</tr>
</tbody>
</table>

*(Source: Cathay Pacific Airways 2010)*

1.6 The partnership and alliance

Cathay Pacific is one of the members of the “OneWorld” global airline alliance.

There are currently 11 full airline members, namely: American Airlines, British
Airways, Cathay Pacific Airways, Finnair, Iberia, Japan Airlines, Malév Hungarian, Mexicana, LAN, Royal Jordanian and Qantas Airways. (Cathay Pacific, 2010)

There are also 19 affiliate “OneWorld members including Cathay Pacific's sister airline, Dragon air. Joining an international alliance such as “OneWorld” provides an extensive range of benefits to Cathay Pacific and our passengers. We have been able to extend our global network so that our customers can enjoy seamless travel to almost 700 airports in nearly 150 countries and territories. (Cathay Pacific, 2010)

1.7 The common Goals of Cathay Pacific

The goal of Cathay Pacific Airways is to be the world’s best airline. To achieve this goal, Cathay Pacific spends for research and development and new capital investments. Also Cathay Pacific provides new services, such as the design in new catering services and meals, to purchase new airplanes that can launch to new destinations.
1.8 The mission and vision of Cathay Pacific

Cathay Pacific Airways is an international airline registered and based in Hong Kong, offering scheduled cargo and passenger services to more than 110 destinations around the world.

There are two missions in the mission statement of Cathay Pacific Airways. The first mission of Cathay Pacific Airways is to provide the best services to satisfy consumer needs for cargo and passenger service from their heart, they want to provide safety flight, outstanding products and services, and also Cathay Pacific is a socially and environmentally responsible company. To develop Hong Kong’s aviation industry and enhancing Hong Kong International Airport as airline hub all over the world is the second mission of Cathay Pacific Airways.
The vision of Cathay Pacific Airways is to be the world’s best airline. Being the best means that Cathay Pacific always strive to excel in everything they do. Their dynamic team provides the highest quality service so that their customers are happy they chose Cathay Pacific. (Cathay Pacific, 2010)

1.9 Aims and Objectives of Study

Passenger and the cargo services are the major business of Cathy Pacific. Besides that, there are different strategies for different business. Different from the cargo business, the performance of passenger services is highly
depending on the customer perceived value towards airline. And this study is aiming to evaluate the success factors and the market positioning of Cathy Pacific Airways Limited, it will focus on different management and marketing strategies for different nature of business.

Objectives of study

1. To identify the success factors of Cathy Pacific Airways

2. To identify the marketing strategies of Cathay Pacific Airways

3. To analyze the market positioning of Cathay Pacific Airways

4. To recommend ways to improve the performance of Cathay Pacific Airways.

In order to have a better understanding about Cathy Pacific, secondary data will be the major information using in this case study.
Chapter 2

Literature review

2.1 Introduction

This part is going to research Cathay Pacific Airways. Cathay Pacific as a Hong Kong based airline, it is a successful airline in the airline industry. Cathay Pacific Airways is now growing as the most famous airline in Hong Kong and put itself onto the International platform. Cathay Pacific currently ranks as the world's 7th most profitable airline (net profit) and the 18th largest airline in the world by operating revenue. In terms of revenue passenger kilometers it ranked 17th-largest in the world and the 7th-largest in freight ton kilometers (Air Transport World, 2008; Cathay Pacific Airways, 2010).

2.2 The Philosophy and Cultural

Byars and Neil (1987) stated that “philosophy and mission statements are defined to establish long-term and short-term objectives to achieve that mission and selecting the suitable strategy to be used in achieving those objectives. As a part of this process, developing an organization's philosophy and mission is essential. Statements drawn can establish the values, beliefs, and guidelines for the way the organization conducts its business and
determines its relationship with its stakeholders including customers, shareholders, employees, public and the government etc”.

The definition of Hofstede’s culture management is “collective mental programming: it is that part of our conditioning that we share with other members, of our nation, region, or group but not with others” (Hofstede, 1983).

2.3 The success factors of Cathay Pacific

According to Thompson et al. (2005) Key success factors have several direct and several possible uses for any business unit whether it is for-profit or not-for-profit, large or small, domestic or foreign. In strategic analysis of a business unit, key success factors often initially appear as analytical tools for examining the character of the industry in which the business unit competes.

Airlines are in part service businesses. To be successful, an airline may be effective in three general areas: managing its fleet, managing its people, and managing its finances.

2.3.1 Managing the fleet

Effective maintenance is a critical component in any organization’s operating strategy. This is because it sustains the organization’s reputation in the eyes of its current and potential customers, its owners and the general public. The
strategy issues for maintenance normally focus on delivering safe and reliable operation of capital assets, so it is the importance of managing fleets in airline industry. (Briggs and Atkinson, 2000)

Most transport and industrial accidents are caused by unsafe human actions, although accidents may also reflect longstanding system deficiencies. There is now a growing worldwide recognition that maintenance errors also cause a serious threat to airline safety and profitability. If the airline improve work safety and quality of the fleets which are the one of the critical capitals and resources in airline industry, an understanding of maintenance errors is very important. (Hobbs and Williamson, 2002) Cathay pacific Airways have contained a large team of fleets which are providing products and services from safety to encourage customers for selecting its company.

2.3.2 Managing its people

People are part of the total tourism product offered, as much as any other attribute of the product. People can enhance the quality of the products or destroy it, so it is important in managing and training the employee’s skills and attributes on their job (Kandampully et al., 2001)
Global airline industry is becoming more dynamic and competitive, deploying
talent even more flexibly across broader with the organization is needed. Since
management must develop and accomplish value creating initiatives quickly,
talent is becoming more important to corporate performance, specific needs
for talent are more unpredictable, and companies must develop talent more
rapidly than ever (Bryan, Joyce and Weiss, 2006). According to (Shaw, 2007),
it stated that “Quality management poses especial problems in service
industries generally and especially in the aviation industry. In aviation industry,
there is not only the problem of perishable of the output. The production
process is a complex one, where the activities of many different departments
have to come together in the right way and at the right time if product quality is
to be sustained. This is especially in areas such as safety and punctuality.”

2.3.3 Managing its finances

Airlines had to sustain their business which control with their costs and gain
revenue in the industry. (Morrell, 2007)

Price leadership in which one company assumes the responsibility for setting
the pricing option that maximizes industry profitability which used to reduce
price rivalry between companies jointly is illegal under antitrust laws. (Hill and Jones, 2007)

2.3.4 Brand Loyalty

The image surrounding a company's brand is the principal source of its competitive advantage and is therefore a valuable strategic asset.

Brand Loyalty is the consumer's conscious or unconscious decision, expressed through intention or behavior, to repurchase a brand continually. It occurs because the consumer perceives that the brand offers the right product features, image, or level of quality at the right price. Consumer behavior is habitual because habits are safe and familiar. In order to create brand loyalty, advertisers must break consumer habits, help them acquire new habits, and reinforce those habits by reminding consumers of the value of their purchase and encourage them to continue purchasing those products in the future.

(Brand loyalty's influence on consumer behavior, no date)

The importance of brand and image of a business are vital to its success. Strong brands can always generate both internal and external customer trust, which is particularly important in airline industry where there are often concerns over safety and reliability. Like Leonard mentioned, “While safety is an
important consideration in many human activities, it has a particularly prominent role in transportation.” (Evans, 2004)

According to its background information, its branding and publicity efforts have revolved primarily around the staff (internal customers) and passengers (external customers) of Cathay Pacific. For example the airline's first campaign focusing on the passenger was "It's the little things that move you". The “little things" are the satisfiers to the Cathay Pacific passengers. The airline's latest advertising campaign is "Great Service, Great People, Great Fares." Another application “Meet the Team", introduces some of the staff through profiles, revealing many behind-the-scenes stories many of which contain inspiring facts about their career life in Cathay Pacific Airways. As a result, passengers are willing to pay more to take a Cathay Pacific flight; at the same time employees are willing to join Cathay Pacific and figure out their career path there.
2.4 Marketing strategies

2.4.1 Successful strategy

According to Gerry et al. (1998) Success depends on selecting the right strategy, one that fits the competitive strengths of the organization and the industry it is in.

Marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage.

A marketing strategy is most effective when it is an integral component of corporate strategy, defining how the organization will successfully engage customers, prospects, and competitors in the market arena. (Marketing Strategy, 2010)

A strategic management is developing a long-term decision which just how to survive and develop the plans successfully in the future. The organization often takes an advantage of the decision to the external environment and the internal conditions of the current situation as a starting point of planning, which use of the SWOT analysis to formulate strategy (Griffin, 2007). If the business to be success in a rapid changing and competitive environment, the
organization should be taken in advance of the situation, it requires the organization to make a long-term strategic plan (Finlay, 2000)

2.4.2 Marketing Mix (4Ps)

Definition of Marketing Mix

Dividing the multitude of marketing variables or mix into four distinct categories makes it much easier to formulate a marketing strategy. The four categories are product, place, price, and promotion, and are commonly called the “4Ps.”

Note also that the client is not part of, but rather is the target of the marketing mix (Perreault & McCarthy, 2004).

Price

Marketing plans must include price considerations. The pricing mix includes competition, cost, markups, discounts, and geography. Even if all the other aspects of the marketing mix are perfect, with the wrong price clients will not buy the product. The marketing plan must include consideration on how flexible prices are, lifecycle pricing, who gets discounts, and who pays transportation (Perreault & McCarthy, 2004).

Of all the aspects of the marketing mix, price is the one, which creates sales revenue all the others are costs. The value of sales made is depending on the
price of an item, it is an important determinant. In theory, price is really
determined by the discovery of what customers perceive is the value of the
item on sale. Also, we have to research consumer’s opinions about pricing as it
indicates how they value what they are looking for as well as what they want to
pay. Furthermore, a right pricing policy for an organization will help in
recovering those operating expenses.

Cathay Pacific's air ticket fares is varying with the length of staying at the
destination, the time of travel, the class is choosing, and the place and time
that the ticket is purchased.

**Place**

Place includes marketing issues such as, channel type, exposure,
transportation, distribution, and location. A product needs to be available to the
client when and where the client wants it. Marketers describe this process as
the “channel.” The channel describes “any series of firms or, individuals that
participate in the flow of products from producer to final user or consumer”
(Perreault & McCarthy, 2004). Services and business to business channels
tend to have fewer partners, sometimes not any.
Place is concerned with various methods of storing goods and transporting, and then making them available for the customer. The distribution system is getting the right product to the right place at the right time. The choice of distribution method will depend on a variety of circumstances. It will be more convenient for some manufacturers to sell to wholesalers who then sell to retailers, while others will prefer to sell directly to retailers or customers.

Cathay Pacific adopts hybrid marketing channels that include the direct and indirect marketing channels. Direct marketing channel involves distributing directly from Cathay Pacific to consumers while indirect marketing channel is through middle man, such as Travel agencies.

Product

Products come in several forms. Consumer products can be categorized as convenience goods, for which consumers are willing to invest very limited shopping efforts. Thus, it is essential to have these products readily available and have the brand name well known. Boeing, for example, has both a commercial aircraft and a defense line of products that each takes advantage of some of the same core competencies and technologies of the firm. (Lars Perner, 2008).
Armstrong and Kotler (2005) define product as “anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy a want or need”. Most definitions are similar and it should be emphasized that a “product is not limited to finished goods” (Perreault, Jr. & McCarthy, 2004). All businesses, whether for profit or not have at least one product. Even government, by providing services and physical goods, has products.

When creating a marketing strategy, product development and its related aspects such as packaging, warranty, and branding must be considered. Analyzing and understanding client needs is important to remember along with the specific demographics the product aims to address.

As stated by Perreault & McCarthy (2004), clients are buying satisfaction not parts. Many companies fail to remember what the client is really searching for. In the words of famous marketer Abraham (2005), “give them your solution – or somebody else will”. Abraham also goes on to note that clients do not buy products, they buy benefits and advantages (2005).

Cathay Pacific provides the latest aircrafts services which are designed to meet the needs of varied destinations. It is spanning over 90 destinations over the world.
Promotion

Promotion is what most people think about when creating a marketing plan.

Promotion is only one fourth of the entire mix and not necessarily more important than any other part. Formally defined by Armstrong & Kotler, promotion is concerned with telling the target market or others in the channel of distribution about the “right” product (Perreault, Jr. & McCarthy, 2004).

Promotion is the business of communicating with customers. It will provide information that will assist them in making a decision to purchase a product or service. The cost associated with promotion or advertising goods and services often represents a sizeable proportion of the overall cost of producing an item. However, successful promotion increases sales so that advertising and other costs are spread over a larger output. Though increased promotional activity is often a sign of a response to a problem such as competitive activity, it enables an organization to develop and build up a succession of messages and can be extremely cost-effective.

Apart from that, Cathay Pacific also adopts different discount and allowance to customers for enjoying. Passengers can join some partner programs, such as
Frequent Flyer Programs (FFP). Frequent Flyer Programs allows members earn and or redeem miles on Cathay Pacific.

2.4.3 The Internationalization strategy

A hub and spoke system is one in which an airline designates one or several cities as hubs from which most or all of its flights originate/terminate. Passengers flying from one non-hub city to another usually have to connect through a hub, while passengers living in a hub city have a wealth of nonstop destinations to choose from. (Smart Travel, 2010)

In the airline industry, the hub and the spoke system is an important element. The airline route maps of the major carriers from linear ‘point to point’ arrangement to “hub-and-spoke” networks that can coverage and connect passengers arriving on subsidiary ‘feeder’ lines. A hub can be defined as a central airport location used as a transfer point for services from outlying spoke airports. Passengers transfer between flights at the hub and transit to another route. This allows the airlines to take advantage of the number of international connections which between points of the network. (Havel, 2009)

2.4.4 Cause to Failure

xxx
Many airlines which end up in difficulties appear to do the emergency planning because they base their marketing strategy on the assumption that everything will keep going their way. An overly optimistic marketing strategy will, for example, be based on the assumption of continuing strong traffic growth. However, the world economy will in the future have periods of stagnation as well as growth, and aviation growth will be severely limited during the stagnation times. (Shaw, 1990)

2.5 Marketing Positioning

Market positioning is the manipulation of a brand or family of brands to create a positive perception in the eyes of the public. If a product is well positioned, it will have strong sales, and it may become the go-to brand for people who need that particular product. Poor positioning, on the other hand, can lead to bad sales and a dubious reputation. A number of things are involved in market positioning, with entire firms specializing in this activity and working with clients to position their products effectively. (What is Market Positioning? 2010)

Cathay Pacific selects business and non-business passengers as its target market and position itself as the admired airline which provides safe and good quality of in-flight services in the consumer’s eyes.
2.5.1 Safety

Cathay Pacific Airways was first established in 1946 and it has been evolved gradually to become one of leaders in Hong Kong or even global airline industry. From the past years, Cathay Pacific successfully built up an image of strong safety and reliability.

In year 2009, Cathay Pacific spent HKD $3,260 million on aircraft maintenance that ensure providing safe in-flight services to passengers. In fact, refer to Fatal Events and Fatal Event Rates of Airlines statistics from planecrashinfo.com which shows that there was one fatal event from Cathay Pacific since 1970s which occurred in 1972.

<table>
<thead>
<tr>
<th>Airline</th>
<th>Million lights</th>
<th>Fatal Events</th>
<th>Adj. Fatal Event</th>
<th>Last Fatal Accident</th>
<th>Above / Below Average Accident</th>
</tr>
</thead>
</table>
### Rate

<table>
<thead>
<tr>
<th>Cathay Pacific Airways</th>
<th>1.18</th>
<th>0</th>
<th>0</th>
<th>1972</th>
<th>+38%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore Airlines</td>
<td>1.55</td>
<td>2</td>
<td>1.5</td>
<td>2000</td>
<td>-101%</td>
</tr>
<tr>
<td>Qantas Airways</td>
<td>2.63</td>
<td>0</td>
<td>0</td>
<td>1951</td>
<td>+84%</td>
</tr>
</tbody>
</table>

#### 2.5.2 Good quality Services

Service is the main element to attract customers and retain potential customers. What is the service? Kotler (1984) has defined that a service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything.

Good quality is an important point of airline industry, it can lead to build up the customer loyalty, the brand reputation and improve the business of the company. According to Bitner and Hubbert (1994), service quality is a consumer's overall impression of the relative inferiority or superiority of the organization and its services. Buter and Keller (1992) summarized that service quality in the airline industry can only truly define by the customers.
Refer to Marash and Ozment (1994), to provide the high quality service to passengers in the airline industry can be benefits of retain customer backing, increase the market-share and become profitable.

Because of the high competitive pressure in the airline industry, so it is forced to provide high quality service to customer since this is the basic marketing requirement.

Parasuraman, Zeithaml and Berry (1991) reported that delivering high quality in the service industry has been recognized as the most effective means of ensuring that a company’s offerings are uniquely positioned in a market field with ‘look-alike’ competitive offerings.

It can shows that good service quality will lead to higher customer satisfaction and higher demand of services, repeat customer will be occurred because of the good quality of services. Furthermore, marketing share, marketing positioning and the profit will be increase. Apart from that, company differentiate can be the competitive advantages from the competitors of its high level of service quality.

CHAPTER 3
METHODOLOGY

3.1 Research Methodology

3.1.1 Introduction

Secondary data was collected to give ideas and concept to the researcher. It can be found much useful information from textbooks, journals, magazines, website and newspapers etc. And due to cost constrains and saving time-consuming, secondary data is a common way to use when collecting the data.

In this study, researcher aims to describe the methodology had been used in this study. This study aimed to find out the success factors of Cathay Pacific Airways. The study identified the marketing strategies and competitive advantages of Cathay Pacific Airways within their operation, marketing, etc. All of the data will be collected from the qualitative research and the secondary data. It is because it is hard to set up the questionnaires about the success factors of Cathay Pacific Airways.

3.1.2 Secondary Research
From Leedy (1981), the knowledge human holds are incomplete and problems are to be solved. The problems are solved by asking the relevant question and finding out the answer. Therefore, the reason of having research is to provide a method to seek the answer within field of the scientific method. And also, research is done for the reason of discovering, interpreting, revising and knowledge on different aspects of the world.

And according to Bryman (1989) Secondary data are written documents included books, journals, magazine articles, newspapers, periodical, reports, webcite, proceeding etc.

Secondary data is data that has already been collected by someone else for a different purpose (Hazel Hall, 2007). Secondary data include raw data and published summaries, as well as both quantitative and qualitative data.

Saunders et al (2003) deduced secondary research provides a wide range of information, and conceptual and theoretical framework to support the study.

3.1.3 Merits of using the secondary data
According to Kotler (2003), low cost and the already existence of the data would be the merits of secondary data. Researcher will find it more convenient and easy to get more data relatively.

The major advantages of the analysis of secondary data is the researcher can get less time to collect the secondary than the primary data, also it is less expensive to collect secondary data than the primary data. The accessible population for primary data may be less representative of the target population than that for secondary data.

3.1.4 Limitations of secondary research

Clegg and Hardy (1996) stated that data were originally collected for another purpose was called secondary data. The secondary data could be referenced not really as the same as what the researcher wanted. More than that, the economic environment was changing due to the global financial crisis, the data and concept might not be applied probably in this study. The researcher found that different empirical studies had different results and it was difficult to find similar study or research.

According to Saunders, Lewis and Thornhill (2000), it stated that “Secondary data is often criticized for being out-dated and inconsistent.” So that mean
some of the information or data collected from some articles, journals, books may be got out-dated after months or years under the changing of the environment.

Existing information was the form of research already completed on the related topic. But according to Veal (1997) Existing research might not obviate the originally proposed research, but it may provide interesting ideas and points of comparison with the proposed research.

And one similar finding has been made by Churchill (1995). Since secondary data is collected for other purposes. It will be rare that they fit the problem as defined perfectly.

3.2 Sources of secondary data

In this study, secondary data can be classified into internal and external sources. For internal sources, it includes the annual reports for Cathay Pacific Airways while external sources include industry statistics, textbooks, research reports and the journals.

3.2.1 Internet
Data and information can be found through the internet. Cathay Pacific website will be used to obtain the current activities. Furthermore, different information can be obtained by visiting Cathay Pacific’s competitors and strategic alliance website. It can allow researcher to make comparison.

3.2.2 Press Release and Newspaper

Articles can be found in the electronic databases and the press releases of Cathay Pacific and others are recorded.

3.2.3 Annual Report of Cathay Pacific

The annual report of Cathay Pacific for the year is important sources to examine the financial static and performance with the year to year financial comparison. Other than that, it enables researcher to find out the information about the operation and the marketing strategies of Cathay Pacific.

3.2.4 Textbooks

Textbooks are written in a more ordered and accessible manner and therefore will help to clarify the research questions and objectives. But textbooks are not up to date as journals and the Internet, they are mainly used in both to identify
how success of Cathay Pacific Airways put forward by different authors, and to analyse the practices of the different strategies of a company.

3.2.5 Other research reports

Much more information such as different operation of Cathay Pacific Airways can be found in it, also different statistics and analyzing of Cathay Pacific can be found in those reports.
Chapter 4

Findings

4.1 Introduction and Conceptual Framework

This chapter is going to find out the success factors of Cathay Pacific Airways. It has focused on the marketing strategies and business of Cathay Pacific Airways. Based on the literature review, the researcher examined and gathered it as to find out the success factors of Cathay Pacific Airways. The researcher has designed a model to comprise eight success factors of Cathay Pacific Airways that had been reported in the literature review and the framework is listed below.

Figure 4.1 Conceptual Framework of success factors for Cathay Pacific Airways
4.2 Success Factors of Cathay Pacific Airways

4.2.1 Philosophy and Cultural

Safety is the first priority to customers. In the airline industry, the most important thing is sending passengers safety to every corner of the world. Therefore, it is perfectly suitable to be the most essential philosophy for Cathay Pacific. As a fact of matter that Cathay Pacific has long built up the reputation of safety and quality. The second thing that put after safety is cultivating leaders and potential talents. Cathay Pacific Airways, talents are one of the most vital resources that they have, so Cathay Pacific has to provide all rounded and well facilitated training programs to employees. Beside, as to retain talents and leaders, Cathay Pacific is providing a clear career path is another major target of Cathay Pacific. As for the third philosophy of Cathay Pacific, is to provide quality services. It can help Cathay Pacific to build up the brand reputation and retain the repeat customers. The forth one, the financial returns and simply making profits. As a profit making organization, to maintain good financial performance is significant for the sustainability for the future business. Cathay Pacific ranked one of the most profitable airlines in the world; it shows us that Cathay Pacific is making good balance on cost and profit. Last but not least, Cathay Pacific Airways is being one of the legendary local
businesses in Hong Kong; it has to take up the social responsibility to support
Hong Kong’s community, economic and environmental development.

Cathay Pacific Airways is one of the biggest airlines in the world; its
organizational culture has been built for years and which lies align with its
mission statement which is to be the world’s best airline. Being the best means
that their staffs always strive to excel in everything they do. The customers are
satisfied to choose Cathay Pacific because of their dynamic team is providing
the highest quality service to them. There are also some common values set
by the corporate and shared by all crews and employees. The values are
induced to every single employee and build up a unique corporate culture. The
corporate mission and vision statements stated by Cathay Pacific Airways
could be truly achieved and provide the best airway service in the world
ultimately since the high morale and culture awareness among employees.
Furthermore, Cathay Pacific’s organizational culture could be built up a
sustained comparative advantage that is the best airline service provider.

4.2.2 Managing the fleet

Cathay Pacific took delivery of five new Boeing 777-300ER “Extended Range”
passenger aircraft in 2009, taking the total to 14 at the end of the year. And two
more were delivered in January and February 2010, leaving 14 of the aircraft
type still on firm order for delivery by 2013. Cathay Pacific signed an agreement
with BOC Aviation for the sale and leaseback of six of our new Boeing 777-
300ER aircraft, starting with the delivery of our twelfth of the aircraft type in
October. The sixth and final Boeing 747-400ERF “Extended Range Freighter”
was delivered to Cathay Pacific in April, helping to boost the overall
operational efficiency of the freighter fleet. Cathay Pacific retired five Boeing
747-200F “Classic” freighters in 2009, bringing to an end the fleet’s 27 year
history at Cathay Pacific. Cathay Pacific has a total of 10 Boeing 747-8F
advanced freighters on order. Delivery was originally due to commence in late
2009 but will now begin in 2011 as a result of a delay in the manufacturing
program. (Cathay Pacific Annual Report, 2009)

4.2.3 Managing the People

In year 2001, Cathay Pacific Airways invested more than $250 million in
e-business, and a part of that change in the company’s strategic direction was
to implement an e-learning environment called the “Learner’s World”. The
e-learning environment would help Hong Kong-based Cathay Pacific deliver
learning to more than 14,000 employees. The training function at the company
is made up of eight physical training centres, which are autonomous, with each
training centre based on a different department. The focus of the program is to ensure that employees reach high levels of professional performance as well as to build a culture of innovation and collaboration. In addition, when the airlines started focusing on its e-business strategy, it also began implementing its e-learning strategy within the company to build the airline’s learning management system. It manages the employees learning process, from enrolling learners and tracking their progress through delivering tests and reporting costs, and through Learner’s World, the airline employees have open access to a wide range of learning options, from online tutors and virtual classrooms to in-class training. Moreover, this program will be beneficial for the airline’s employees for the design of their learning experiences are consistent with the service experiences for their customers, such as their choice, control, customization, and community, and have reengineered every aspect of employee experience the company can leverage, including their benefits, performance management, career development, learning, and many others. It also defines a culture of self-responsibility to get courage to innovate and openness to collaborate, for a more effective communication and success.

This strategy of Cathay Pacific is surely beneficial for the company, for the program will not only add learning and knowledge to the employees, but also
enable them to communicate effectively with each other. In this type of industry, communication is one of the best strategies to develop and improve, for without effective communication, it would be hard for the company to function. In addition, with effective communication brought about the program, the company can ensure that their employees have the first hand information in training and development, which would be useful in rendering services to their customers. With the use of the program, the company can properly and effectively assess and evaluate the need for improvement in the company, such as identification of internal and external problems, conceptualization of marketing projects and plans, and implementation of new production strategies and regulations.

4.2.4 Managing the Finance

According to (Figure4.1), it has shown us the Cathay Pacific Group reported an attributable profit of HK$4,694 million in 2009, compared with a loss of HK$8,696 million in 2008. The improved results principally reflect the profit on the disposal of a 12.45% stake in HAECO, a lower average fuel price compared to 2008 and significant mark to market gains on fuel hedging contracts. The cost cutting measures that were introduced in response to weak
passenger and cargo traffic demand helped to constrain operating expenses in 2009. (Cathay Pacific Annual Report, 2009)

**Figure 4.2 (The Cathay Pacific Group operating results analysis)**

<table>
<thead>
<tr>
<th>Cathay Pacific and Dragonair operating results analysis</th>
<th>2009 HK$M</th>
<th>2008 HK$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airlines operating profit/(loss) before fuel hedging, non-recurring items and tax</td>
<td>286</td>
<td>(1,440)</td>
</tr>
<tr>
<td>Profit on disposal of HAECO shares</td>
<td>1,254</td>
<td>–</td>
</tr>
<tr>
<td>Realised and unrealised fuel hedging gains/(losses)</td>
<td>2,758</td>
<td>(7,970)</td>
</tr>
<tr>
<td>Settlement of the United States Department of Justice Cargo investigations</td>
<td>–</td>
<td>(468)</td>
</tr>
<tr>
<td>Tax (charge)/credit</td>
<td>(170)</td>
<td>1,476</td>
</tr>
<tr>
<td>Airlines profit/(loss) after tax</td>
<td>4,127</td>
<td>(8,402)</td>
</tr>
<tr>
<td>Share of profits/(losses) from subsidiaries and associates</td>
<td>567</td>
<td>(294)</td>
</tr>
<tr>
<td>Consolidated profit/(loss)</td>
<td>4,694</td>
<td>(8,696)</td>
</tr>
</tbody>
</table>

(Source: Cathay Pacific Annual Report 2009)

Refer to (Figure 4.2) Passenger turnover decreased significantly, by 20.8% to HK$45,920 million, as a result of the economic downturn. The number of passengers carried decreased by 1.6% to 24.6 million and revenue passenger kilometres decreased by 1.7%. The first and business class revenues decreased by 27.0% and the front-end load factor decreased from 62.5% to 58.5%. Economy class revenue decreased by 17.9% and the economy class load factor increased from 81.6% to 84.3%. And the revenue load factor increased by 2.6 percentage points to 77.7% while the breakeven load factor was 72.8%. (Cathay Pacific Annual Report, 2009)
4.2.5 The Brand Loyalty

Cathay Pacific Loyalty Program (CPLP)

The Marco Polo Club

The Marco Polo Club is an exclusive program that offers a range of privileges to our most frequent flyers, all designed to enhance your journey before, during and after your flight.
Cathay Pacific's worldwide network, Dragonair's extensive coverage of Mainland China, and both airlines' affiliation with the “Oneworld” alliance, makes The Marco Polo Club the most powerful airline loyalty club in Asia.

With almost 700 destinations and nearly 150 countries, The Marco Polo Club lets you enjoy a world of benefits, convenience and personalized service wherever you go. (Cathay Pacific, 2010)

CPLP, a wholly-owned Cathay Pacific subsidiary, was established in 1999 as a satellite company to manage the airlines’ loyalty program. Cathay Pacific's signature loyalty and recognition program is The Marco Polo Club.

Membership is tier-based with members receiving more benefits, privileges and special services depending on membership level. Club benefits range from lounge access to excess baggage allowance and guaranteed seats.

Cathay Pacific management is well represented at Club events in Hong Kong and in other cities where events are held. The rationale behind hosting such exclusive and intimate gatherings is that by fostering a personal relationship with Club members, there is a greater sense of belonging.
Asia Miles

Asia Mile, Asia’s leads travel reward program, offers you a world of exciting rewards to match your lifestyle. Fly with 20 Asia Miles partner airlines (including Cathay Pacific) to earn Asia Miles towards flight awards, upgrades, companion tickets and other lifestyle awards. (Cathay Pacific, 2010)

Separate and distinct from The Marco Polo Club, Asia Miles is a neutrally branded travel reward program, which has 19 airlines and over 240 partners in 9 categories. Miles can be earned for everything from flying and using credit cards to purchasing home furnishings and dry cleaning. Asia Miles has enjoyed a lot of success in its relatively short six–year life. The program has won many awards for its offerings, promotions and website. Asia Miles was named Best Frequent Flyer Program by Asiamoney and at the recent Freddie Awards walked away with four honours.

4.3 The Marketing Strategies

4.3.1 Marketing Mix

Product

As their marketing strategy, starting in January 2007, Cathay Pacific will be phasing a new seat design and cabin interiors with enhanced in-flight
entertainment options. One of the most important features common to the business and economy classes is the new three-point seatbelt design, which was previously used on business jets only, and this design will offer increased stability at take-off and landing.

Cathay Pacific Airways features three classes. The new First Class seats are fully adjustable with massage function, and can be easily converted into a big bed, believed to be the largest provided on any commercial airline. Additional stowage space and a personal closet will also be provided, will also feature a new extendable meal table and an enhanced personal entertainment system with a TV screen. The Business Class will feature suites with luxurious seats that can be converted into a 6-foot-6-inch horizontal flat bed in herringbone configuration that will also offer a four-way lumbar support and a relaxing massage. There will also be an enhanced in-flight personal entertainment system that will offer a large personal TV and Audio Video on Demand, with the handset doubles as a personal phone. Lastly, the Economy Class seats will have a fixed back design, which allows passengers to recline their seats without intruding on those seated behind, and the new Live Black Upholstered Seats uses office chair technology to provide extra support for the spine. Features also include a larger personal TV screen offers Video Audio on
demand, a larger tray table, a coat hook and a literature pocket that has been
relocated to below the seat cushion, which creates more legroom for
passengers

The improvement of the amenities of Cathay Pacific Airways is also part of
their aim to improve and develop their marketing strategies, for with the
innovation and pleasant features of the airline, the company can better
accommodate their passengers, and even providing them the comfort and
elegance, they truly deserve. Moreover, the new features of the three different
classes enable the passengers to get more than the amount they have paid for,
which not only entails enjoying the trip, but also enabling the passengers
experience new technologies.

**New technologies**

We introduced a new, more sophisticated Internet booking system with
features such as a fare calendar to all countries in which Cathay Pacific
operates. In December we launched a new redemption booking system
featuring an “Award Calendar” to advise users of redemption availability on
various dates. We also boosted Common Use Self-Service Check-in in various
overseas destinations and now have the facility available in 16 airports. An
innovative CX Mobile and KA Mobile application was made available for users of I-Phones, Blackberrys and other smart phones, enabling passengers to check in for flights, download City Guides and retrieve other useful travel information from Cathay Pacific and Dragonair mobile sites. (Cathay Pacific Annual Report, 2010)

Promotion

The Frequent Flyer Program

Most frequent flyer programs offer many additional benefits apart from free travel and upgrades, but the central feature of most is still more miles for more flying. Traveling in higher class, club class, first class, is encouraged through greater bonuses, and decisions to omit economy class travel from the scheme. Some airlines have segregated the customer base to differentiate rewards according to the value of the individual to the airline.

Frequent flyer programs operate on the basic that rewarding loyalty results in greater customer retention and therefore greater profitability, yielding additional revenues which outweigh the costs. In this respect, they conform to the best principles of relationship marketing.
Like most other airlines, the origin of Cathay Pacific’s frequent flyers initiatives lies in its need to track and reward high value customers and the need to respond to competitive pressure. Given the dominance of the travel trade and dependence of the entire distribution system on travel agents’ customer reservation systems, airlines do not know who their customers are without finding some means of tracking them. About 25 percent of Cathay Pacific’s total system wide revenue is generated by only 5 percent of its frequent flyers and the cost of a new sale is approximately five times more than the cost of retention, so clearly it makes sense to target these high value frequent flyers. In the increasingly competitive world of airline business, having a premium brand or product is no longer enough to guarantee customer loyalty. (Stone, et al., 1996)

4.3.2 Internationalization Strategy

Hub and spoke system

In recent years, Cathay Pacific and have made concerted efforts to expand their networks and frequencies and generally to work to further the development of Hong Kong as one of the world’s leading aviation hubs. Some of the passenger capacity reduced during the first half of 2009 was estored for
the 2009 winter schedule and more capacity is being restored in 2010. Cathay Pacific will add four flights a week to Seoul from May and a further three flights a week from July, taking the frequency back to the 2008 level of five flights a day to and from the city. Current plans also include increasing frequencies to Los Angeles and Toronto, and launching new passenger services to Milan in March and Moscow.

Jeddah joined the Cathay Pacific network, the second destination in Saudi Arabia. The four times weekly service operates through Dubai, frequencies will be increased to daily in response to market demand.

Cathay Pacific launched a new weekly freighter service to Jakarta. A three time weekly freighter service to Miami and Houston was launched in March 2009, giving improved access to the increasingly important markets of Latin America; and three more additional frequencies were added to the Milan freight service.

Cathay Pacific worked hard to boost their on-time performance during the year to ensure a better experience for passengers, particularly through Hong Kong. Cathay Pacific benefitted from a change in flight paths over the Pearl River Delta into Hong Kong in October. The two longest arrival routes have been
shortened. This saves time and money. Cathay Pacific continues to work closely with IATA and the Hong Kong Civil Aviation Department on route improvements. (Cathay Pacific Annual Report, 2009)

4.4 Market Positioning

4.4.1 Safety

Cathay Pacific’s Safety Management System (SMS) has been accepted by the Hong Kong Civil Aviation Department (CAD). Hong Kong is one of the few places in the world that has mandated an airline SMS, placing Hong Kong and Cathay Pacific at the forefront of safety management. The SMS defines how they intend to manage safety as an integral part of our overall business. In 2008, as part of the revision of their Safety Policy, they also compiled integrated safety performance objectives, indicators and targets. They have always measured safety and tracked safety metrics, but this new development combines their existing measures, with security, occupational health and safety, quality and contingency planning. These safety performance metrics are documented and reviewed on a monthly basis. They are in line with ICAO best practice for safety management. Cathay Pacific captures in-flight conformance data from every flight and encourages staff to report all incidents,
hazards, threats and errors, and safety concerns. By analyzing data from all of these sources we are able to manage safety on both a proactive and reactive basis. The Engineering Department has adopted the latest generation of safety training with the introduction of Threat and Error Management (TEM) training. The TEM concept has been applied to pilots and cabin crew for many years, helping them to manage operational risk more effectively. Related to this are ongoing observational audit program in the cabin and cockpit to assist with the identification of safety issues. In 2008, a new Corporate Quality Department was set up to support an overall improvement in quality assurance, and ultimately productivity and safety within Cathay Pacific. The department works closely with operational departments and is responsible for identifying and demonstrating conformance to the airline’s quality and safety objectives in order to meet regulatory and industry requirements. In 2008 Cathay Pacific flew over 25 million passengers. In that time we had one single serious injury that involved a passenger being injured as a result of unexpected in-flight turbulence. One serious injury is still too many, and our safety staffs continue to review the procedures around safety in turbulence. There were zero passenger fatalities in 2008. (Corporate Social Responsibility Report, 2008)
4.4.2 Good Quality Service

New Cargo Service

Cathay Pacific Airways today officially launched a new express parcel service promising high-quality service and some of the quickest delivery times in the world. The new service is known as Retail Parcel Express (RPX), and aims to deliver cargo between Hong Kong and the rest of Asia overnight, and to much of the rest of the world the next day. RPX comes in three tiers: RPX Platinum, RPX Gold, and RPX Silver.

The new RPX service is jointly provided by Cathay Pacific and a newly created Hong Kong company RPX Limited. Order-taking, customer service, local operations and billing are all handled by RPX, whilst Cathay Pacific concentrates on the flight operations for its 51 destination global network.

The top-tier, RPX Platinum, targets mission critical shipments such as vital documents, commercial prototypes, and essential electronic parts. Staffs are available 24 hours a day to accompany the cargo on a flight. The fastest possible mode of transportation is used at each end and immediate confirmation is made on delivery.
RPX Gold is specially designed to cover the major cities in Asia and North America. Packages are collected and delivered on the same day using the fastest means available. RPX Silver is aimed at everyday shipments which do not need the speed of RPX Platinum and RPX Gold, but nonetheless require convenient, reliable global delivery at value-for-money prices. (Swire Pacific, 2010)

**Catering Service**

Cathay Pacific Catering Services (H.K.) Ltd. (CPCS) is one of the largest flight kitchens in the world. With forty years of experience in the airline catering industry, CPCS is renowned as a reputable caterer especially having moved into its state-of-the-art facility at the Hong Kong International Airport at Chek Lap Kok.

In 2008, CPCS supplied over 20 million meals to over thirty scheduled carriers operating out of Hong Kong International Airport.

The company is a 100% subsidiary of Cathay Pacific Airways. In addition to preparing authentic, mouth-watering dishes, CPCS provides the logistics services in delivering food and beverages and other commissary items onto aircraft.

**4.5 Result of Factors**

4.5.1 Loyalty
The first result of the success factors is loyalty. Loyalty is the affecting factor of customer’s future buying behaviour and loyalty is depending on customers’ perception of the price or value equation. Cathay Pacific Airways stay true to the brand and keep delivering on the fairly high-cost promise of quality, innovation and service. It can only be achieved though a continuous price-premium strategy and satisfactory passenger load factors since it requires heavy, on-going investments and healthy cash flows. And also load factor is one of the most important determining factors of profitability within the airline industry.

4.5.2 Rewards and Recognition

Cathay Pacific Airways provides the best service to the customers; it has been recognized over the world. Since they provide best services, Cathay Pacific Airways won different awards. Refer to (Appendix1).

While excellent staff performance is rewarded with increased pay and position, the most prestigious award of all is reserved for extraordinary acts of truly superior service.

4.5.3 Innovation
One of the results of success factor is innovation, according to the findings, the management team of Cathay Pacific is always being innovative and trying to create new products, new ideas, as well as new technology in order to match the market trend, to satisfy the needs of customers, and even try to exceed their expectation. For the new technology, Cathay Pacific has an insight into the trend that customers are looking for quick, time saving as well as convenience check-in service due to the busyness of work, therefore, they launched a CX Mobile and KA Mobile application for the users of i-Phones, Blackberrys and other smart phones, which allows passengers to make self check in for flights, download City Guides and retrieve other useful travel information from Cathay Pacific and Dragonair mobile sites. Other than the CX Mobile and KA Mobile, a new redemption booking system featuring an “Award Calendar” has also been launched to advice users of redemption availability on various dates. These innovative ideas allow Cathay Pacific to enjoy competitive advantages among the carriers industry,
Conclusion and Recommendation

5.1 Conclusion

To conclude up the whole findings for this case study, there are eight elements which made the Cathay Pacific Group successful, the management of the fleet, brand, people and finance for Cathay Pacific Airways, and also internationalization, safety, marketing mix and good quality services.

Firstly, managing the fleet, Cathay Pacific airways act a good role in the aircrafts maintenance, since they put the customer’s safety as the first priority, Cathay Pacific will spends lots of capital on maintenance cost, and also check if any errors on their plane. Furthermore, Cathay Pacific Airways will purchases new aircrafts as their new transportation.

The second factor is the management the people. People is the main capital of a company, how they can retain the loyalty customers are depending on their performance, customers will choose best service. So, Cathay Pacific Airways provides an e-learning environment called the “Learner’s World”, to benefit both Cathay Pacific and also the staff. Through this program, the performance, service quality and the acknowledgement will be highly improved.
The Finance is also important for the company, it reflect the company’s financial status. So that we can depends on the status to use different strategy in the global market.

About the brand loyalty, as we know that, Cathay Pacific Airways is being mature in their brand name. The major reason is that they have different strategies and programs for satisfying different customers, such as the Marco Polo club and the Asia Miles. These programs are majority attract new customers and retain the loyalty customers. As this part, Cathay Pacific is very successful.

The marketing strategy consists of four Ps, People, Price, Place and Promotion, for people, the Cathay Pacific Airways provides the customers different choices of seats. They allow the consumers to choose from First Class, Business Class or the Economy Class. In January 2007, Cathay Pacific will be phasing a new seat design and cabin interiors with enhanced in-flight entertainment options. It provides new feature of in-flight entertainment and also amenities for customers.

It is important to have quality products and services, but it is also crucial to provide them to consumers at right place, Cathay Pacific Airways has
effectively distributed their products and services to people in need. The
transaction of products and services can be both directly and indirectly
purchase from the Cathay Pacific Airways and also through the internet.
Lastly the promotion strategy, a frequent flyer programs is set for those loyal
customers

Due to the fact that the Cathay Pacific Group had mastered the four P’s, as a
result their marketing strategy is successful.

The reason that the Cathay Pacific Group is so successful in
internationalization is because it has a huge advantage over other airlines for it
has one of the strongest hub-and-spoke systems around the globe. In addition,
Cathay Pacific has total control over Dragon Air and therefore it helps
strengthen its partnership with Air China while helps reinforce Hong Kong’s
role as the premier aviation hub. The internationalization strategy is providing
opportunity to both Cathay Pacific and the customers. It is because customers
can have more choices while Cathay Pacific can earn more customers.

Finally, the market positioning, Cathay Pacific Airways is almost the most
safety airline in the airline industry. As I mention that before and refer to the
table, it is much more safety than its closeness competitors, Singapore airlines
etc. Beside that, there is a SMS and also the TEM training for all staffs, then to minimize the accident event rates.

Cathay Pacific is very success in their innovative ideas and products. The new Catering and Cargo service have been jointly provided by Cathay Pacific Airways.

As a result for the eight successful factors, the Cathay Pacific Group had gained loyalty, reward and recognition and innovation. The loyalty of customers towards the group continues to grow as long as the group is capable of maintaining the level of quality of services and the attitude towards to consumers. Winning an award also provides potential customers’ confidence to choose Cathay Pacific Airways for their first choice airlines for the group had recently awarded the Five Star Airlines and the Best Airline of Year 2009.

5.2 Recommendation

In the part of recommendation, researchers suggest that the Cathay Pacific Airways should be caution with the price of fuels and a fuel hedging. It is
because it is the main factor which varies profit and is capable of turning profit into loss.

On the other hand, Cathay Pacific Airways should maintain the advantages like their culture and philosophy which played an important role of gaining customers support, and also gain more profit.

In addition, they should also be paying more attention to their staffs for they are the most precious resources. If the Cathay Pacific Group is capable of carrying that then it is highly likely for the organization to maintain the current profitable state unless there are huge unexpected changes in the airline industry.
References

Books


http://books.google.com.hk/books?id=FY-PU2f8DvYC&pg=PA1&dq=maintenance+importance&cd=3#v=onepage&q=maintenance%20importance&f=false


http://books.google.com.hk/books?id=XsqhxXjKJ2IC&pg=PA27&dq=airline+service+training+quality+importance&as_brr=3&cd=1#v=onepage&q=airline%20service%20training%20quality%20importance&f=false


Website


Appendix 1


<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Award</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Nov</td>
<td>Best Airline Economy Class</td>
<td>2008 Business Traveller China Travel Awards</td>
</tr>
<tr>
<td>2008</td>
<td>Oct</td>
<td>Best Airline - Business Class</td>
<td>TTG Travel Awards</td>
</tr>
<tr>
<td>2008</td>
<td>Sept</td>
<td>Most Admired Company in Hong Kong - Best Frequent Flyer Programme</td>
<td>Asian Wall Street Journal Top 200 Survey Business Traveler (Asia Pacific)</td>
</tr>
<tr>
<td>2008</td>
<td>Aug</td>
<td>Best First Class airline - Best First Class Catering - Airline of the Year award runner-up</td>
<td>Skytrax</td>
</tr>
<tr>
<td>2008</td>
<td>Jan</td>
<td>Programme-Based award - Gold Award - Internal Support Service (Team) - Gold Award - Counter Service - Gold Award - Internal Support Service (Individual) - Silver Award</td>
<td>Customer Service Excellence Awards - Hong Kong Association for Customer Service Excellence (HKACE)</td>
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</tbody>
</table>
## Year 2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Award</th>
<th>Event</th>
</tr>
</thead>
</table>
| 2007 | Nov   | Asia’s Leading Airline  
Asia’s Leading Airline Website | World Travel Awards |
| 2007 | Oct   | Airline of the Year  
Best North Asian Airline | TTG Travel Awards |
| 2007 | Oct   | Best Asia/Pacific Airline MRO Operation | Overhaul & Maintenance Magazine/Aviation Week |
| 2007 | Jul   | The Top 7 Yahoo! Emotive Brand Awards  
Yahoo! Emotive Brand Award 2006 - 2007 Airline Category | Yahoo! Emotive Brand Award 2006 - 2007 |
| 2007 | July  | Airline of the Year | Germany’s Capital Magazine |
| 2007 | June  | Best Airline | CAPITAL Best of the Best For Executives 2007 |
| 2007 | June  | Best Airline | Next Magazine Annual Top Service Awards 2007 |
| 2007 | May   | Best Inflight Travel Retailer in Asia/Pacific  
Best Website Serving the Asia/Pacific Travelling Consumer | Raven Fox Awards |
| 2007 | May   | Most Popular TV Commercials Awards - "My Brother and Me" | 13th Annual Most Popular TV Commercial Awards - by Asia Television and the Hong Kong Advertisers Association |
| 2007 | May   | Award for Excellence | Air Cargo World's third annual Air Cargo Excellence Awards |
| 2007 | May   | Best Cargo Carrier - Asia Award | Asia Freight & Supply Chain Awards by CargoNews Asia |
| 2007 | Apr   | Gold Award in Asia (Airline category)  
Platinum Award in Hong Kong | Reader's Digest Trusted Brand Survey |
| 2007 | Apr   | Best Transpacific Airline | OAG 25th Annual Awards |
| 2007 | Mar   | Excellent Service Brand Award – Airline Category | Sing Tao Excellent Services Brand Award 2006 |
| 2007 | Jan   | Airline of the Year | Style Award by SCMP and Harper’s Bazaar |
| 2007 | Jan   | Prime Award - Best Airline Brand | Prime Awards for the Best Brand Enterprise in Greater China 2007 |
| 2007 | Jan   | Clever reisen! Best Asian Airline Award | Annual Asian Airline Test by Clever reisen, a German travel magazine |