A Study on Marketing Strategy Problems and Solutions in Turkish Airlines

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Abbreviations

IATA	**:**	International Air Transport Association
CAPA	**:**	Centre of Asia Pacific Aviation
OAG	**:**	Official Airline Guide
LCC	**:**	Low Cost Carrier
FSC	**:**	Full Service Carrier
H&S	**:**	Hub and Spoke
CIP	**:**	Commercially Important Person
THY	**:**	Turkish Airlines
TGS	**:**	Turkish Ground Services
TSI	**:**	Turkish Statistical Institute
ASK	**:**	Available Seat Kilometer
CASK	**:**	Cost per Available Seat Kilometer
RPK	**:**	Revenue Passenger Kilometer
CRM	**:**	Customer Relationship Management
EBITDAR	**:**	Earnings before Interest Tax, Depreciation, Rentals for Operations

Acknowledgements

This study, which is called "A Study on Marketing Strategy Problems and Solutions in Turkish Airlines", was written as a thesis of master of business administration in Beijing Institute of Technology School of Management and Economics.

Turkish Airlines, that provides many benefits to Turkey in terms of country presentation and development of the country and viability of the tourism sector, incurs problems which affect determined strategies and offered services. This study aims to identify these problems and offer solutions.

I would like to express my sincere gratitudes to Prof. Dr. Eric Martinot and to my supervisor Prof. Dr. Zhijun Yan who supported me in each part of this study which examined marketing strategy and problems of Turkish Airlines.

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Abstract

Every day more and more globalized and growing air transport sector definitely has the biggest share in transportation sector. In parallel to developing and growing airline industry, competition and technology in the industry are growing at the same time. Growing competition constitutes new threats for airlines. In addition to this, the needs and desires of airline customers started to show diversities with increased competition and evolving technology. Therefore, quality of service offered by airlines in order to satisfy the passengers, represents a great importance for airline companies which want to get competitive advantage.

Airline companies should know customer, be aware of needs of customer and respond to the needs to improve their service qualities. For this purpose, the stability of the offered prices, attitudes and behaviors of employees, quality of the offered product or service are very important for customer pleasure. In this regard, customer-oriented marketing strategies play a major role.

A sustainable financial structure and profitability in the airline industry depends on low costs, high service quality, meaningful transfer connections, the loyal customers who obtained through frequent flyer programs and marketing strategies designed for these activities. Marketing strategies have great importance for companies in all sectors. All necessary operations from the production of the product or service until the presentation to customer should be handled by marketing strategy.

With adopted strategies, Turkish Airlines is in a growth trend in recent years. Additionally, provided advantages and regulations made by the Republic of Turkey have an important role in this achievement. However, new problems have emerged within continuous and rapidly growing airline sector. Some of these problems directly affect the marketing strategy of Turkish Airlines. Besides, some problems have an indirect impact for marketing strategy.

This thesis study was prepared in order to identify marketing strategy and problems of Turkish Airlines in the scope of marketing activities. In this study,

policies adopted by Turkish Airlines, dynamics of the company, effects of these dynamics over competitors, implemented marketing strategies, determined target market, marketing mixture and applied growth strategies were investigated.

Additionally, encountered difficulties or problems were identified by the SWOT analysis and interviews. Solutions were offered for problems in the last chapter. Identifying more effective strategies in marketing area depends on strong relationships with customers. At the same time, it is required to know passengers and to have enough information about customers to provide flight opportunities with affordable prices to passengers. In this regard, various solutions were offered and determined advantages of offered solutions for Turkish Airlines which has various problems about customer relationship. Moreover, necessary solutions were identified for organization problems in Turkish Airlines and problems that are caused by lack of capacity at Atatürk Airport.

Key Words: Turkish Airlines, Airline Marketing, Marketing Strategy of Turkish Airlines, Marketing Problems in Airline Industry.

摘要

随着全球化的发展，日益增多的航空运输业务使航空业毫无疑问地占据了交通运输业的最大份额。同时，与航空业相关的技术应用随之不断发展，竞争也日益激烈，这对航空公司构成了新的威胁。此外，随着航空业竞争的加剧和技术的发展，客户需求也逐渐呈现多样化。因此，航空公司提供的服务质量好坏及能否满足客户需求，对航空公司能否获得竞争优势至关重要。

为了提高服务质量，航空公司需要了解客户及其需求，并能对客户需求做出快速响应。对此，价格稳定性、员工态度和举止和产品服务质量都非常重要。以顾客为导向的市场策略在此方面发挥了重要作用。

一个可持续的财务结构和盈利能力取决于低廉的成本，高质量的服务，高效的转运联系以及通过飞行常客计划和与之相关的营销策略获得的忠实顾客。营销策略对所有公司都非常重要。从产品或服务的生产到最终呈现给消费者，这之间所有必要的运作过程都要考虑到营销策略。

近年来，土耳其航空公司的业绩在其现有营销策略下一直处于增长趋势，其中土耳其共和国政府提供的有利条件和法规也起到了重要作用。但是，在航空业持续高速发展的同时，新的问题也在不断涌现，这些问题直接或间接地影响到了土耳其航空公司的营销策略。

本文的研究目的是在营销活动范畴内识别土耳其航空公司的营销策略及存在的问题。因此，文中我们对土耳其航空公司所采用的政策、公司的动态及其对竞争对手的影响、实施的营销策略、确定的目标市场、营销混合策略和采用的发展战略进行研究。

另外，我们采用 SWOT 分析和访谈方式来识别航空公司遇到的困难和问题，并在最后一章中提供了这些问题的解决方案。在营销领域，识别有效的营销策略取决于与客户关系的强弱。要做到在合适的时间以客户能支付的价格提供航班机会，需要了解乘客并有足够的乘客信息。对此，本文针对土耳其航空公司在客户关系中存在的不同问题为其提供了多种解决方案。同时，文中还指出了土耳其航空公司中存在的组织问题和由于 Atatürk（阿塔图尔克）航空公司机场容量不足所引起的问题，并提供了必要的解决方案。

关键词：土耳其航空，航空市场营销，土耳其航空公司的营销策略，航空业的营销问题

1. Introduction

1.1. Research Background

Airline industry is an industry that has very fast technological and structural changes in a short time. Due to changes in the industry, airline companies should be proactive against variations in order to obtain competitive advantage over rivals. In this regard, customer-oriented marketing strategies have a major role. Customer-oriented marketing strategies are strategies that try to understand social and demographic characteristics of the customers and needs and desires of the customers.

In terms of airline companies that want to be successful in marketing activities, correctly identified target market and a well-organized marketing mixture create structure of marketing process. Determining customer expectations and perceptions and thoughts of customers about the airline company enable the development of strategies.

In addition to customer-oriented strategies, airline companies should pay attention to relationship of aviation industry with global markets in order to get competitive advantage and maintain a sustainable growth. Relationship of aviation industry with global markets is two sided. First one is demand relationship. Economic growth or slowdown causes to sudden changes in the overall industry demand. Second one is correlation of oil prices. Fuel consumption is the biggest expense of all airlines. Therefore, global economic developments about fuel-oil prices are very important factors in the aviation sector.

Applied strategic decisions through marketing and growth strategies grew up day by day in the aviation industry in the world and Turkey. The airline industry was liberalized and monopoly structure removed, deregulation activities were applied and competition in the global sector was encouraged. Through liberalization, airline tickets and jet fuel taxes have been reduced. So, airline went from being a luxury product, has spread to the lower income segments of society.

The development of consumer culture, the growing interest in the media for

marketing, technological developments, dissemination of advertising and promotional activities and increased customer expectations led to the development of the airline marketing. Airline sector is a sector that has constantly high service quality, competition and customer expectations. To improve the quality of the product or service in a highly competitive environment is a very complex and difficult process. Continuation of financial profitability and sustainable growth in the long term depends on the quality of provided service. Therefore, airline companies try to get maximum benefit through customer-oriented marketing strategies.

Turkish Airlines, that got an important share from airline market in the world through the implementation of the determined marketing strategies, has been transformed into an airline that gives direction to developments in the global aviation.

Turkish Airlines, which evaluates geographical position of Turkey, transformed İstanbul into a transfer center in the world. With the completion of the biggest airport in the world which is in progress in İstanbul, Turkey will be the capital of civil aviation industry. Turkish Airlines, which will use the new airport as a hub, will obtain a big passenger market thanks to provided new advantages.

On the other hand constantly and rapidly growing airline industry has revealed capacity and slot allocation problems in airports. Planning and managing of fleets that have many aircrafts, and demands of various passengers affect marketing strategies of airlines in a manner directly or indirectly. In addition to these, problems within organizations, terrorist attacks and economic crises in recent years cause problems in the process of determining and implementing of marketing strategies in terms of airline companies and Turkish Airlines.

1.2. Research Questions

The purpose of this thesis research is to understand the marketing strategy of Turkish Airlines and to identify marketing problems and to offer solutions to problems. In this research three questions were answered;

1. What are the marketing problems of Turkish Airlines?

2. What are the reasons of these problems?
3. What kind of solutions can be offered to Turkish Airlines?

In the introduction part of thesis, a general background about airline industry and importance of airline marketing were explained.

In the second part of written thesis study, general informations about the airline marketing, the development of airline marketing, the marketing mixture of airline industry, applied strategies and the future of airline marketing were presented through literature review and interview with marketing department of Turkish Airlines.

In the third part of the thesis study, general informations were explained about overview of Turkish Airlines, existing domestic market in Turkey and international market in the world, competitors of Turkish Airlines according to global key routes in the airline industry, advantages and disadvantages of Turkish Airlines according to Porter`s competitive forces strategy.

In the fourth part of the study, marketing strategies of Turkish Airlines, target market, marketing mixture, strategies and applied activities of market penetration, market and product development and diversification, problems that affect marketing strategies directly and indirectly were determined through interview with official business development manager in the marketing department.

In the fifth part of the study, thanks to obtained informations through applied SWOT analysis and interview, solutions were offered for problems, which identified in fourth chapter, and advantages of these solutions were explained.

2. Airline Marketing

Airline marketing is a customer-oriented service marketing. The purpose of the airline marketing is to offer right product or service to passenger in the right place, in the right price and in the right time. That`s why, airlines have to reply to increasing customer expectations and growing pressure to reduce costs and should improve their operational efficiencies and marketing strategies.

However, determination of the right marketing strategies and improve operational efficiency are not so easy in airline market due to many problems. According to researches has been done by Stephan Shaw et al (2007) political, economic, social and technological factors affect operational efficiencies and marketing strategies of airlines from the past to the present.

In addition to these, fragile brand image in the airline industry, the difficulty of supply-demand balance, the brevity of the life cycle of offered services, the high level of customer expectations, variability of travel behaviors, lethal competition in the sector, the pressure on revenues and costs and worldwide developments in the airline industry have been identified by Shaw as factors influencing the airline marketing.

2.1. Marketing Concept

Marketing is an action that manages flow of goods and services from producer to consumer in order to meet the needs of consumers and help businesses to achieve their objectives. Marketing is all activities that satisfy the needs and desires of individuals through change between producer and consumer (Kotler, 2000).

According to American Marketing Association, marketing is a planning process related with promotion, distribution and pricing of goods and services in order to reach to individual and organizational goals.

The highlights of these definitions;

- Marketing facilitates the exchange of goods and services
- Marketing satisfy the needs and desires of individuals

- Marketing actions are carried out by individuals and organizations
- Marketing is a process that involves planning, application and control phases
- Marketing is an objective function used by the companies in order to get their goals

2.2. Airline Marketing

Airline marketing is all activities which aim to satisfy customers through products and services offered by airlines and which aim to determine needs and desires of customers. These activities include many actions related with market forecasts, product pricing, advertisement and promotion activities, ticket sales and development of the product or service (Ekici, 2012, p. 54).

Although product in airline marketing seems a transport operation between two points, product is service marketing. Services offered by airlines consist of three phases. Service begins with the passenger ticket sales, continues with services during flight and ends with ground services at the end of flight (Saldıraner, 1992, p. 14).

General characteristics of the offered services in order to improve service quality in the airline industry should be known; (Abca, 2008, p. 4).

- Services can not be stored in the airline industry . Therefore empty seat on the plane means lost revenue.
- Airline service represents a different meaning for each passenger and therefore airline companies need to pay attention to passengers' personal ideas.
- Airline service is three-stage process due to it is produced and consumed simultaneously.
- The service control is not possible because of sudden changes in airline industry.
- Due to weather conditions or technical problems, service may not be available for passengers.

- Airline service is a service offered in collective. Therefore, it is difficult to provide a massive service individually for each customer.

These features indicate that offered services in the airline industry are complex and difficult process.

Marketing activities of the airline company begin with the identification of customers, who will buy the service, and continue with appropriate services for customer portfolio. Therefore, airline companies need passenger attitudes related with services, socio-economic information and preferences of passengers in order to identify suitable strategies (Okumuş, 2007, p. 15).

2.3. Development of Airline Marketing

Airline industry is capital intensive industry due to it needs expensive and the latest technology aircrafts. Industry is affected from worldwide economic conjuncture, terrorism and epidemics due to capital intensive structure, worldwide service supply and demand. Civil aviation has experienced a growth trend after 2004 because of Sept 11 attacks and economic crisis. Crisis management and marketing methods in the aviation sector have experienced a major development thanks to experiences from this kind of problems (Ekici, 2012, p. 56).

Marketing applications of service sector have lagged behind marketing applications of manufacturing sector because of some problems. Airline industry is a type of service sector. That`s why, we can say that marketing practices in the aviation sector lagged behind the marketing practices in the manufacturing sector (Morrison, 1989, p. 7).

These problems;

- Marketing principles were defined according to manufacturing sector
- Marketing concept of travel industry was discovered late
- Legal gaps and challenges in the organization stage of the airline industry structural problems in the travel industry
- Late adaptation to technological developments

Airline marketing practices has experienced three stages in its development because of these problems. The first stage includes the time until the Second World War. In this period, passengers preferred railway and road transport and airlines carried mail due to mail transport was more profitable than passenger transport. In the second stage, passengers were encouraged to air transport through marketing practices for sales and passengers started to prefer air transport with increment of number of available seat and some incentives. In the third stage, developments in the airline sector and production of wide body aircrafts created low load factor problem. This problem has led to the birth of customer-oriented marketing strategy. Strategies like target market selection and determining the appropriate marketing mix occurred through customer-focused strategies (Wensveen, 2007).

Airlines have adopted marketing and competitive strategies for their presence in the sector due to liberalization activities in the industry, development of low cost airlines, commercialization of the airports, production of commercial aircrafts, privatizations in the industry and globalization activities (Ekici, 2012, p. 58).

2.4. Determination of the Marketing Strategies in Airline Industry

In order to determine marketing strategy, firstly airline companies collect necessary information about market and identify customer portfolio that they will serve. The objectives of the work which will be done are determined after the data collection phase. The most important goal of the companies is to maximize profit in the classical economy. However, today social objectives in business sector also are important factors. Reducing environmental pollution, flight noise or unemployment can be exemplified for social objectives. If an airline company only aims to maximize profit in the short term, it may lose its growth in the market in the long term. That`s why, it should be paid attention to social objectives for profitability and permanence in the market (Alkoç, 2004, p. 63).

In order to be aware of the opportunities and threats in the market, airline companies take into account needs and desires of customers, behaviors of competitors

and affects caused by the external environment, they identify weaknesses of the company and design marketing plan.

Airline marketing strategy can be divided into seven chapters; (Saldıraner, 1992)

- Purposes
- Revising position in the market
- Growth rate
- Competitive reaction
- Cyclical nature of the airline industry
- Retreat position

Airline companies focus on marketing communication after determining the marketing strategy. For this purpose, airline companies aim to ensure the sales of products or services in certain markets.

2.5. Rules in Airline Industry

There are many rules and arrangements in both domestic and international flights in order to protect many passengers and employees in the aviation sector. Transportation in the domestic market of each country is determined by its own internal arrangements. Each country has its own initiative about the arrangements for domestic airline companies. Scheduled international flights are subject to agreement between the two countries. Nonscheduled flights are determined by bilateral or multilateral agreements (Alkoç, 2004, p. 62).

Airlines and routes which will be used to operate flights are determined by bilateral aviation agreements between countries. Moreover, each airline may enter into agreements with other airline companies in the market. Traffic lines, capacities, timetables or codeshare conditions are determined with these agreements. Mutual transportation between two countries based on equality of opportunity (Alkoç, 2004).

In line with the rules established by the International Civil Aviation Organization, rules related with flight safety are determined by each country's civil aviation authority.

Reasons for these rules;

- Ensuring flight safety
- Protection of scheduled flights
- Excessive competition
- The protection of local airline companies

Rules that have economic objectives (airport ground services, flight services and fees, route and capacity allocation) are determined by the civil aviation authorities. However, these rules through deregulation in the airline industry may be changed or canceled (Saldıraner, 1992, p. 17).

2.6. Marketing Mixture of Airline Industry

Increasing competition in the airline industry in recent years expanded scope of the service concept. Airline companies, which are players in the service sector, should include traditional marketing mix as well as physical environment, participants and process for mixture (Anderson, 1998, p. 21).

2.6.1. Product in Airline Industry

Product in the service sector is offered service. Purposes of marketing-oriented service companies are to provide appropriate services to the market, planning and development of services. Products of airline companies are inflight cabin services that meet the needs of passengers, ticketing, luggage transfer services and cargo services (Wells, 1981, p. 286).

Airline companies have to know needs of target market in determining the service in the airline industry. Services needed by passengers generally are cabin layout, flight network, aircraft types and flight frequencies, reservation, terminal services, punctuality and inflight services (Shaw, 2007, p. 130).

2.6.1.1. Cabin Layout

Width between seats and width of each seat are the most important factors for

cabin layout. In particular, the importance of cabin layout for the convenience of passengers on long-haul flights is increasing. In the first years of commercial flights, there was no difference between flight classes in terms of seat. However, airline companies which want to increase their service qualities, started to use different seats and cabin layouts in order to create a privilege. Additionally, intense competition in the sector caused new arrangements in the sector in addition to cabin layouts (Alkoç, 2004, p. 66).

Product design in the airline industry depends on relationship between the needs of customers and the solvency of customers. When balance between the needs of customers and the solvency of customers is achieved, airline companies can be successful. As a result the cabin layout in airline industry is tailored to the market's expectations.

2.6.1.2. Flight Network

Determination of the flight destinations in the airline industry depends on some criterias and rules identified by governments. Airline companies must take into account international bilateral agreements and government controls before determining flight destinations. Airlines try to identify potential passengers on this line after determining destinations which will be flown. Analysis of competitors and competitive advantages-disadvantages are the most useful data resources about potential passengers (Shaw, 2007, p. 135).

2.6.1.3. Aircraft Types and Flight Frequencies

Frequency and type of aircraft for a flight decision depends on each other. They have an impact on ticket prices. In markets which have intense flights and low frequencies, the use of wide-bodied aircrafts allows to achieve high load factors. This falls cost per available seat kilometer and increases profitability.

On the other hand, the frequency of flights is very important for people flying for business purposes. Frequent flights can be generated to these markets with narrow

body aircrafts. The use of narrow-bodied aircrafts for flights, which have high frequencies, increases load factors and decreases cost per available seat kilometer.

2.6.1.4. Reservation

Reservation is another product or service offered by airlines for customers. Scheduled airline companies need advanced reservation systems in order to sell ticket. However, operation of the system, which works accurately and reliably, causes high costs. Therefore, while major airlines have their own reservation system, small airlines are obliged to pay rent for these systems.

2.6.1.5. Terminal Services

Airport terminals, which provide boarding and landing services and luggage transfers, obtained a growth trend as a parallel to the development of airlines. Airline companies, state or private operators are competent for operations of some terminals in the World and Turkey. Airline companies in the United States manage their own terminals themselves. However, no matter who is competent for airport, private passenger lounges at each airport is available for privileged passengers. Various services are offered especially for frequent flyers in these rooms.

2.6.1.6. Punctuality

Air transport services and punctuality are important factors for business passengers. However, punctuality is affected from some factors which airline companies can control or not. Incompletion of the boarding process is the most important factor that affects punctuality. Fuel intake, aircraft interior cleaning, load of catering supplies to aircraft are main causes of delays. On the other hand, terminal and air traffic densities and bad weather conditions can be given example to uncontrollable reasons (Shaw, 2007, p. 167).

2.6.1.7. Offered Services during Flight

Services offered to passengers during flights are planned carefully by the airlines. Available catering for flights has a significant impact on this issue. Offered catering for passengers varies according to the flight class. For example, in 1997, British Airways offered ostrich meat for first class passengers on the flights between London-New York and aimed to raise standards of service quality. On the other hand, Turkish Airlines takes into account views of passengers on long-haul flights in order to expand its catering options day by day (Alkoç, 2004, p. 70).

The cabin crew is the most important factor that determines the quality for flight service. Service differentiation in the airline industry is a very difficult process. Therefore, cabin crews have an important role in order to differentiate the offered services. Number of cabin crew per passenger especially for business and first class is more than number of cabin crew per passenger in economy class. Reason of this, services for business and first class are individual and must be fast.

2.6.2 Price in Airline Industry

To determine appropriate prices for the services that are offered in the aviation industry is an important element of transport policy. There are two main factors to determine the price; the cost of transport and cost of passenger.

2.6.2.1. Cost of Transportation

There are five main factors that affect the cost of transportation (Shaw, 2007);

1. **The capacity of the cabin and the seats of airplanes:** The use of airplanes, which have high passenger capacity with wide body, reduces cost per available seat kilometer and provides the opportunity to save.
2. **Duration of use of aircraft and personnel costs:** When the duration of use of aircraft increases, flight incomes increase and maintenance costs decrease.
3. **Load Factor:** As load factor increase, the cost per flight is reduced.

4. **Terminal Expenses:** Long haul flights have lower terminal costs comparatively to short haul flights.
5. **Flight Frequencies:** The frequency of flights, affects the total cost per flight hour. Frequent flights, which have high passenger demand, reduce costs per flight hour and enable the ticket prices to be low.

2.6.2.2. Passenger Cost

Passenger costs can be given example to variable costs. When passenger does not fly with airline, these costs do not occur. Commissions paid to travel agencies and catering expenses for passengers are the most important costs of airline companies (Alkoç, 2004, p. 71).

2.6.2.3. Types of Ticket Pricing

Airlines consider many factors in order to determine their pricing policies. Price structure must be compatible with the service due to variety of services that are offered to passengers. In addition to this, price varies according to the marketplace sections. For example, airline companies can offer tickets with low prices to passengers who have purchased tickets for tourist purposes. Purposes of pricing strategy in the airline market are profit, simplicity, persistence and equity. Types of prices generally vary according to discounted prices and cabin classes in the sector. (Banfe, 1992, p. 91).

The spreading of differentiation strategies due to increasing competition in the airline industry caused to generate the different pricing policies and the different service class. First class has the highest price among all classes. Discounted tariffs or restrictions are not valid for first class.

Business class tickets are situated between first class and economy class. Campaigns related with discounts are not valid for this class. Economy class ticket price is higher than discounted ticket prices and lower than prices of first class and business class.

Special discounted ticket prices are located below the price value. They are determined by airline around changing criteria according to utilization under the tour requirement, flight time and seasonal conditions.

Fixed price implementations for a single price, provides simplicity. However, the number of passengers becomes low, cost per available seat kilometer increases, flight frequency decreases and single price can be used for short haul flights.

The implementation of different prices in the market caters to various segments and the number of passengers becomes high. Wide body aircrafts can be used by airlines. Cost per available seat kilometer decreases and flight frequency goes up. The implementation of different prices can be used for short and long haul flights. However, the timetable structure becomes complicated, and fairness could not be achieved (Alkoç, 2004, p. 73).

2.6.3. Place in Airline Industry

Products are manufactured firstly and then sold. This approach is not valid for service sales. Services are sold firstly and then consumed. If there are no buyers when the services are produced, this means economic loss. Additionally, services should create benefits for customers. Service distribution in the air transport sector is three-fold (Wells, 1981, p. 287);

- Own sales and reservation offices of the airlines
- Travel agents
- General distribution systems

2.6.3.1. Own Sales and Reservation Offices of the Airlines

There are two types of sales offices of the airlines. On-line offices are linked with each other. Off-line offices are active in the small residential areas. The airline sales offices are usually located in the terminals and the city centers.

2.6.3.2. Travel Agents

Travel agents have a big role for service distribution. Big share of total ticket sales usually is performed by travel agents. Airlines are represented by authorized agents in the regions which they can`t be organized. Additionally, agents are effective in choice of airline and buying tickets. Therefore, agents play a key role in the distribution of airline services.

2.6.3.3. General Distribution Systems

General distribution systems are systems which provide services of reservation and exchange of information for airlines, railways, maritime and overland transport, hotels, tour operators and insurance companies. General distribution systems provide services of pricing, reservation, ticket sales and service of real-time movement for airline companies. Sabre, Galileo, Worldspan and Amadeus are effective general distribution systems in the world. They are technology partners of airline passengers who buy tickets online. Provided distribution, information technologies, sales solutions, the accuracy of the information, excess of alternatives, time and cost savings, comparison of the different options activate sales and marketing activities of the airline companies (Yüksek, 2013, p. 64).

2.6.4. Promotions in Airline Industry

Offered product, price and place are not enough to satisfy needs and desires of passengers. These activities must be supported by promotional activities in order to increase sales and create global brand image. Appropriate promotional activities became required due to the rapid growth in the industry and analysis of target market.

2.6.4.1. Promotion Budget

Airline companies use two methods in order to identify their promotion budgets; Percentage of sales method and method based on the expense of competitors.

Percentage of sales method determines a certain percentage of sales as a promotion budget. If applied promotional activities be successful, income of airline increases. This means that percentage of promotion budget will increase for next year.

The other method is the method based on the expenses of competitors. Promotional expenses of competitors and distributions of these expenses are examined. However promotional activities vary from company to company. To assume that competitors use the most accurate promotional activities is a wrong idea. That`s why this method is not a very logical method (Öztürk, 1995, p. 25).

2.6.4.2. Promotion Types

Airline companies use different promotion activities in order to grow their market shares. Airlines try to differentiate their products through these activities. In this way, perception of quality of the offered products is given to customers (Tek, 1997, p. 322).

2.6.4.2.1. Advertisement Operations

Identification of purposes, determination of budget, determination of advertisement agencies, and timing of the campaign, media selection, creative strategies and life of advertisement should be considered to create advertisement campaigns. Advertisement in the airline industry has four functions. Advertisement should create a favorable image for the airline, sell product, be impressive and motivate (Shaw, 2007, p. 258).

Firstly, image of airline is brought into prominence. For example, British Airways accentuated that it offered special services with sincerely and individually in 1996. This is a brand image advertisement. Second function of advertisement is to provide information to current and potential passengers to increase sales. Another advertisement functionality is impressiveness. Airlines sometimes try to influence governments in order to get financial support. Advertisements are very important sources for the airlines in this regard. Finally, advertisements must be a source of

motivation for employees. For example, Delta Airlines shared pictures of its staff in the past and aimed to increase motivation in the company (Alkoç, 2004, p. 78).

2.6.4.2.2. Personal Selling

Personal selling is an important method of promotion in the airline industry as well as in other sectors. Companies generally prefer experienced and knowledgeable staff to build the sales team. A portion of the sales are carried out by travel agents. When this is considered, the importance of personal sales is increasing.

2.6.4.2.3. Sales Promotions

Sales promotions are operations that determine the relationship between price and value of products or services and provide incentives in addition to benefits of services. Especially these operations are done in order to increase sales in short term and obtain loyal customers in long term (Öztürk, 1995, p. 25).

Sales promotions implemented in the airline industry is divided into two parts; Sales promotions for passengers and sales promotions for travel agents.

2.6.4.2.3.1. Sales Promotions for Passengers

Sales promotions for passengers are free ticket facilities or implemented price reductions by airlines in order to increase sales and occupancy rate. Generally these operations are applied for short term (Alkoç, 2004, p. 80).

Competitions organized by airlines can be given an example to sales promotions for passengers. Moreover, such activities enable to recognition of the airline company in written and visual media. In addition to these, gifts like coffee cup, watches, pens given to passengers enable to remind the airline company.

Investee and the most implemented sales promotion is frequent flyer program. Frequent flyer program is a system that provides benefits to passengers in many areas and differentiates offered products and services. In this way, load factor in aircrafts increases and it is obtained customer loyalty in the long term.

2.6.4.2.3.2. Sales Promotions for Travel Agents

It is applied various sales promotions for travel agents that have a big role about passenger ticket purchase decisions. Seminars given to agency employees by airlines, free vacation opportunities and discount airline tickets are some of these applications.

2.7. Physical Factors, Processes and Participants in Airline Industry

Airlines should provide quality and satisfactory services in order to satisfy customers who have different expectations from different social classes. Services offered by airlines can be misinterpreted by the customers. Therefore, airline companies give a few clues before buying about their service qualities and facilities for customers who have already tried company or will try. The physical factors are very good sources to provide clues for customers. Additionally, the physical factors, not only for customers but also the efficiency, satisfaction and motivation of the company's employees, are important factors. Therefore, physical environmental factors should respond to all needs of employees and customers.

Physical environment factors are used to embody nonphysical services. Physical factors make tangible, perceivable and visible tourism products that can`t be touched. In other words, physical factors include regulations related with travel such as inflight services and seat configurations. Through five sense organs, providing noticeable experiences and services are very useful to determine behaviors of customers. This result shows that packaging concept which applied for tangible products also are available for the services. Factors like the use of wide body aircrafts, inflight services, lighting, behaviors of cabin crew, uniform design of the crew and various catering service may be given example for physical factors (Ekici, 2012, p. 69).

Participants that are part of the physical environment is another factor influencing customer expectations and service satisfaction. The tourism sector or the transport sector is a people-oriented process. Participants that are service personnel not only service delivery and post but also determining the needs before buying have very important role. Because participants are primary representatives of the brand.

Training and licensing of employees in the airline industry are essential.

Process in the airline industry means managing of services, pricing of services, distribution, promotion through participants. In other words, the process is a mechanism or procedure that allows the customer to access services. The quality of service that will be promised to customers, will increase by reducing the negativity in the process. (Uygur, 2007, p. 65).

2.8. The Future of Airline Marketing

Although politic, economic and social problems, some airlines continue to serve successfully thanks to appropriate business models to today's conditions. Airline flight traffic, which obtained a significant growth through increasing travel demand and growing flight network, became a medicine in the past for airline companies which have weak management standards. It is estimated that will be a huge increase in demand for business and leisure trips in the next 10 years. However, many airline companies will have lower yields. According to study has been done by Stephen Shaw (2007), airline companies, which have low operational costs, can continue to carry passenger in a lucrative manner in long term. According to Shaw, global aviation industry will has more fragile and difficult structure than today's conditions. Worldwide deregulation and liberalization in the sector will continue and overdue changes and control rules will have a big importance in the sector.

Technology will have a greater significance as a parallel to technologic developments. In particular, advances in communication technology will reduce business travels and this situation shows that airline companies will have more fragile structure in terms of load factor. Therefore, airlines will have to make revolutionary changes in their marketing strategies in order to survive in the industry that has a fragile structure. It is estimated that low cost carriers will be in a stronger position for short and medium haul flights. Important radical changes may not occur in long-haul flights. This is a great chance to survive in the industry behalf of full service carriers (Shaw, 2007, p. 292).

When these strategic changes considered, product concept in aviation industry will be changed in the future. It is estimated that there will be an increment on importance of frequent flyer programs and advantages provided by airlines companies. Obtained data through the frequent flyer program will enable to airline companies which will apply more efficient marketing campaigns for target market. In addition to unstable product concept, it is estimated that first class services will decrease and business class services will take place of first class in over time. With the increase in the use of wide-bodied aircrafts like the Airbus A380 and Boeing 747-8, will increase number of flight from point to point and transfer times will decline (Shaw, 2007, p. 293).

According to Shaw, a stability is not possible in the airline pricing structure in the long term. However through well-defined marketing strategies and growing airline ability, airline companies will try to match their prices and price elasticities belong to different groups in order to manage price instabilities. However, the pressure in the pricing policies of airline companies to increase sales and reduce costs can occur (Shaw, 2007, p. 293).

Distribution channels also will see a big change in the future. A decline in the number of tickets sold by travel agents is estimated to occur. In this way, airlines will be contacted directly with customers for ticket sales and will control their distribution channels effectively. In addition, declining commission costs will increase the profitability of airlines (Shaw, 2007, p. 293).

Brand image of airlines will have a greater importance for success in the future. However, working in the aviation industry will be more stressful because of the fragility in the sector and new problems but sector will get more dynamic appearance thanks to the new opportunities presented by the industry (Shaw, 2007, p. 294).

3. Overview of Turkish Airlines and Competitors

3.1. Turkish Airlines Overview

Turkish Airlines was found on 20 May 1933 in Ankara as "State Airlines Administration" and transformed to Turkish Airlines in 1955. Turkish Airlines, whose headquarter is in Atatürk Airport, is the largest carrier in Turkey. Today 51 percent of company shares are public, while the rest of the shares belongs to state (Turkish Airlines, 2014).

As a vision, Turkish Airlines, which aims to become preferred the leading European carrier with zero major accidents, continues to growth trend over industry average and offer high quality service in worldwide with costs below industry averages. As a mission, it aims to become a flag carrier of the Republic of Turkey with service quality, flight safety, reliability and competitiveness (Turkish Airlines, 2014, p. 19).

Turkish Airlines, which has the 4th largest network, targets to expand its network in order to increase profitability and capacity with Africa market that has a big advantages for aviation industry in over time. Turkish Airlines, that adopts principles of customer satisfaction and respect to person, is a global brand with young, technological and reliable fleet in the world. Airline, that applies projects of cost management, realizes sponsorship deals and advertisements in worldwide. Turkish Airlines, which set up strategical partnerships and sub-brands, is owner of AnadoluJet, which aims low costly flights, and shareholder of SunExpress with Lufthansa Group from Germany (Turkish Airlines, 2015).

Turkish Airlines, which serves to 113 different countries, is the largest carrier in worldwide and is an airline which has the fourth largest flight network with 284 destinations. Turkish Airlines, that raised its market share to 12.8 percent in Europe, was selected second airline in terms of total number of carried passenger in Europe in 2015 by International Air Transport Association (IATA).

Turkish Airlines, which is a member of Star Alliance that is the largest airline alliance of the world, recorded 1069 million US dollars net profit in 2015. Turkish Airlines, which obtained 15 percent growth in terms of number of passengers, carried 61,2 million passengers including 26 million on scheduled domestic routes, 35 million on scheduled international routes with 299 aircrafts in 2015 (Turkish Airlines, 2015).

Table 3.1-General Datas about Turkish Airlines

	2010	2011	2012	2013	2014	2015
Net Profit (million USD)	186	9,85	657	357	845	1069
Number of Passengers (million)	29,1	32,6	39	48,3	54,7	61,2
Number of Aircraft	174	196	219	245	261	299
Number of Destinations	171	189	217	243	261	284
Market Share (Percent)	1.0	1.2	1.4	1.6	1.8	2.0

Source: Annual Report of Turkish Airlines

Growth rate of industry is 4 percent on the average whereas average rate of airline industry in Turkey is 13 percent. This growth is about 17 percent in private for company. Turkish Airlines, that raised its market share 2 times in last 5 years, is among the largest players in the world. Although intensive competition in industry, Turkish Airlines continues to get profitable and consistent growth.

With the completion of the İstanbul New Airport that has 150 million passengers capacity, 6 runways and 271 parking areas for aircrafts, which is in progress in İstanbul, Turkish Airlines aims to carry 135 million passengers and targets to grow more vigorously with a planned fleet of more than 450 aircraft by 2023. Additionally it aims to increase its existing market share of 2.0 percent in aviation industry to 5 percent by 2023. Turkish Airlines, which targets to add new destinations to its flight network in order to increase market share, will have 350 destinations at total in the world by 2023 (Turkish Airlines, 2014, p. 10).

Turkish Airlines, that has the youngest airplane fleet in Europe, was selected Europe`s the best airline, Southern Europe`s the best airline and the World`s the best

premium economy class airline by Skytrax for three years in 2011, 2012 and 2013. Moreover, Turkish Airlines was selected the airline of the year by Air Transport News in 2013. It maintained also its status as the top European airline in 2014 and 2015.

3.1.1. Services

A. Business Class

Business class is a class that preferred by frequent flyers who travelling for business purposes. Although it is more expensive than economy class as price, class deserves paid money by passengers due to offered services. Business class services which is sold with different price schedule, provide quality services both in the airplane and in the airport.

Offered Services by business class (Turkish Airlines, 2015);

- Different check-in counters
- Special passport control point.
- Passenger acceptance from different door
- Seat selection priority
- Private lounge and a telephone, fax, tv, internet service, newspapers and magazines, iron and shower services and unlimited refreshments in the room
- Free coating of luggage on request
- Special identifier tag and separate loading to airplane for luggages
- 30 kg. free baggage allowance (two pieces of free baggage allowance for transatlantic flights)
- Two pieces of hand luggage
- Commercially Important Person (CIP) service
- Private car facility for transfers in the terminal
- Hotel accommodation service for 24 hours at the request of passengers for long haul flights
- Car parking service up to 7 days

- Economics, magazines, finance, weather content and news channel services in the aircraft
- Ability to send text messages or e-mail and opportunity to receive a reply
- Electirical seats which have massage mechanism
- Uninterruptible power supply for laptops and similar devices
- Menus with different flavors and varieties of international cuisine

B. Comfort Class

Comfort class is a cabin class which offers more affordable price than business class and provides more specialized services than economy class. Comfort class which is equivalent to premium economy class in the international aviation, provides more comfort and more quality catering service than economy cabin. Seat distances are wider according to the economy. Comfort class seat pitch is 46 inches, compared to 32 inches in economy class seats. This cabin service is offered for Sao Paulo, Buenos Aires, Seoul, Toronto, Guangzhou departure / arrivals.

Offered Services by comfort class (Turkish Airlines, 2016);

- Check in service at business class counter for comfort class passengers who are members of Miles&Smiles Elite and Elite plus
- Possibility to use the CIP lounges
- The opportunity to eat at any time during the flight time
- Personal seatback screens for in-cab entertainment and cinema, documentaries, sports, travel, food, fashion, technology and cartoons provided by this screen
- Amenity Kit service (socks, glasses, bags containing items hand cream)
- The best premium economy seats determined by Skytrax and personalized reading lights in the seats and foot rest bracket
- Uninterruptible power supply for laptops and similar devices
- Facility to upgrade from economy class to comfort class or from comfort class to business class in exchange for miles

C. Economy Class

Economy class is a cabin class with more affordable ticket prices according to business class. Economy passengers are taken to the general waiting room after they complete their transactions in the normal check-in counter. There is not offered any catering service in general waiting room. Prepared table d'hote meals and drinks are offered to passengers during the flight.

Offered Services by economy class (Turkish Airlines, 2016);

- Specially prepared medical or diet menus
- Personnel seatback screens for business and comfort classes and music, tv and internet services provided by this screens
- An adjustable head restraint and adjustable footrest
- Uninterruptible power supply for laptops and similar devices
- Available lounges and offered services such as catering, iron, shower, library, wireless, printer and computer for Miles&Smiles Elite Plus members who travel in economy class

D. Other Services

I. Unclassified Services

Turkish Airlines electronic ticketing, pet transport service, infant passenger, private dining service, private health care service, sick and disabled passenger, pregnant passenger service, unaccompanied child passenger service and city guide service are services provided by Turkish Airlines for all cabin classes (Turkish Airlines, 2015).

II. Training Services

Turkish Airlines aircraft basic training courses through the training academy, commercial and ground services training, cargo operations training, hazardous materials training, ground operations training, passenger services training, reservation

and ticket sales training, personal development and management training are training services of Turkish Airlines. Additionally cabin crew and cockpit crew trainings through Turkish Aviation Academy in Aydın Çıldır may be given example (Turkish Airlines, 2015).

III. Cargo and Technical Services

Domestic and international cargo service and cargo agents, charter service, aircraft and engine maintenance services provided by TurkishTechnic, fleet management services, engineering services and component services may be given example for cargo and technical services (Turkish Airlines, 2015).

3.2. Existing Market

Airline market is an industry which has 58 million employees and 751 billion dollars total turnover in the world. According to datas of International Air Transport Association (IATA), total flights and total passengers were 33.4 million and 3.31 billion people respectively in 2015. IATA predicts growth of 7 percent at global airline traffic, 5.5 percent at total capacity, and 4.3 percent at total revenue in 2016. The main reasons of these estimations are cost reductions of fuel prices and global expectations in cargo industry (IATA, 2014).

When considered the current global market, China will get 1.19 billion passengers in 2034 and will be obtained 758 million passengers more than 2014 with annual 5.2 percent growth. At the same time United States will get 1.16 billion passengers with annual 3.1 percent growth. USA will be obtained 523 million passengers more than 2014. India is going to depose the United Kingdom as the third market in 2026. Indonesia will go up to number five after UK in the world (IATA, 2015).

According to analysis has been done IATA et al (2015), overall market size will be 2.9 billion in terms of global passenger traffic in 2034. Asia-Pacific region will rise up 42 percent compared to other regions. North American region will be obtained

extra 649 million passengers for each year and 1.4 billion passengers in total by 2034. Europe will get the slowest rate with 2.7 percent, but still it will have additional 591 million passengers per year. Europe market will be had extra 1.4 billion passengers totally by 2034.

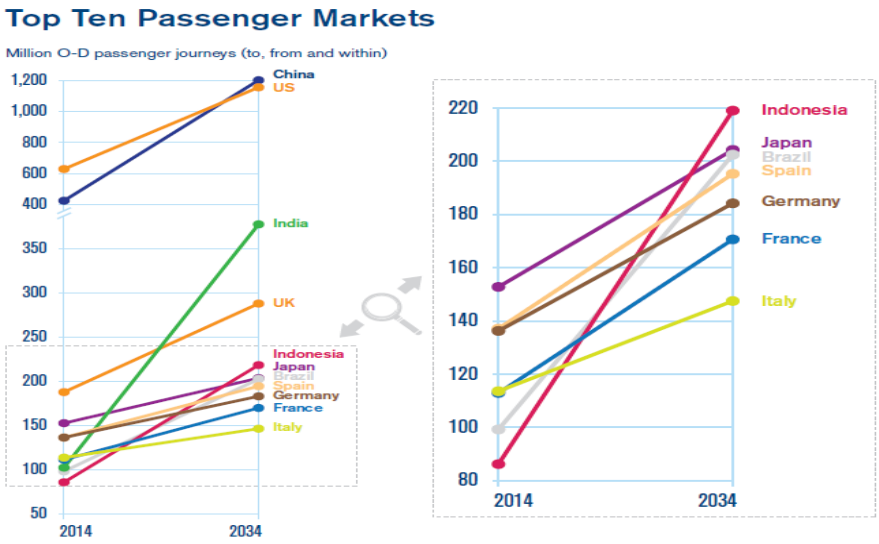

Figure 3.1-Top Ten International Passenger Markets in the World

Source: IATA

According to assumptions of Temel Kotil, who is chief executive officer of Turkish Airlines, USA and Europe are developed markets but Asia market will complete its development. Market share of Asia in aviation industry is increasing whereas share of North America is diminishingly increasing day by day because of axis shifting in aviation market. This situation is a big advantage for Turkish Airlines which is near to Asia market.

When considered the global domestic markets, China, which has annual 5.6 percent growth for domestic airline market, will be had the largest domestic market in 2034 (Figure 3.2). It will be obtained 1 billion passengers in domestic market. USA, which will has 822 million passengers totally, will grow up 3.2 percent annually. If this estimation actualize, China will be displaced USA in terms of domestic market in airline industry. India, that will has 215 million passengers totally with annually 6.9 percent growth, will be third in the domestic airline market (IATA, 2015).

Brazil is going to get 226 million passengers totally with annually 5.4 percent

growth. Indonesia, that is the fifth largest domestic market in 2034, will has 191 million passengers in total. In that year, Japan and Australia will be sixth and seventh respectively in the world. Turkey, which is host of Turkish Airlines, will be the eighth largest domestic market with 80 million total domestic passengers with 5.3 percent annual growth (IATA, 2015).

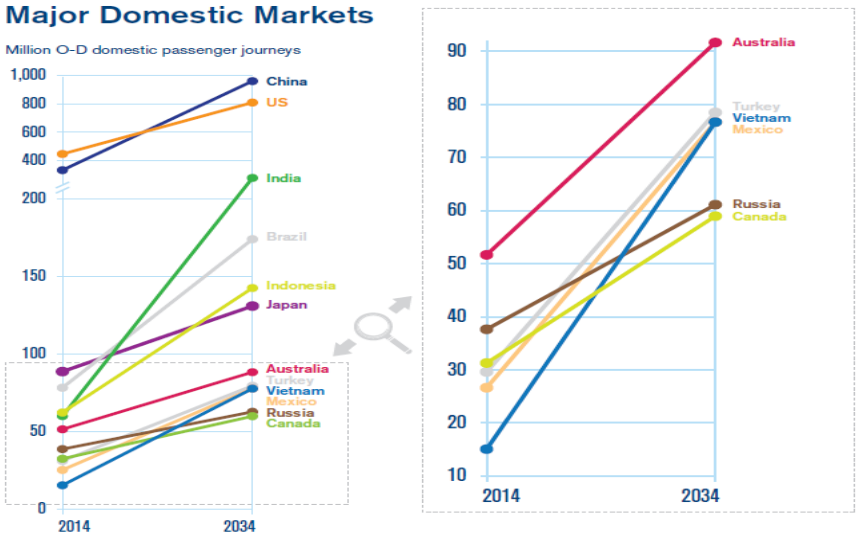

Figure 3.2-Major Domestic Markets in the World

Source: IATA

When considered the Turkish domestic market, thirteen airline companies are active in the market. Three of these companies are in cargo industry. These thirteen companies have 422 airplanes totally in 2015. Six airline companies in domestic market fly to 53 destinations from 7 points in Turkey and fly to 273 destinations in 113 countries in abroad. The most of international flights are achieved by Turkish Airlines. International flights of other airlines are nonscheduled and rising in summer months.

Main players in domestic market are AnadoluJet which is sub-brand of Turkish Airlines, SunExpress, BoraJet, Atlasglobal, Onur Air and Pegasus Airlines. Other companies except Turkish Airlines aim to minimize costs and want to offer cheap prices because of cost and ticket prices are so important for competition.

People can fly to every city that has an airport with low prices thanks to low-cost airlines. Improvements in domestic market and low prices show a steady increase in

the number of domestic passengers. Figure 3.3 shows that passenger traffic will increase in long term and the amount of cargo will increase in over time. According to Turkish Statistical Institute, passenger traffic in domestic market increased 12.8 percent annually and 196 percent at total in last 10 years. Growth of low cost airline companies and improvements in aviation industry played important roles in Turkey (Turkish Statistical Institute, 2015).

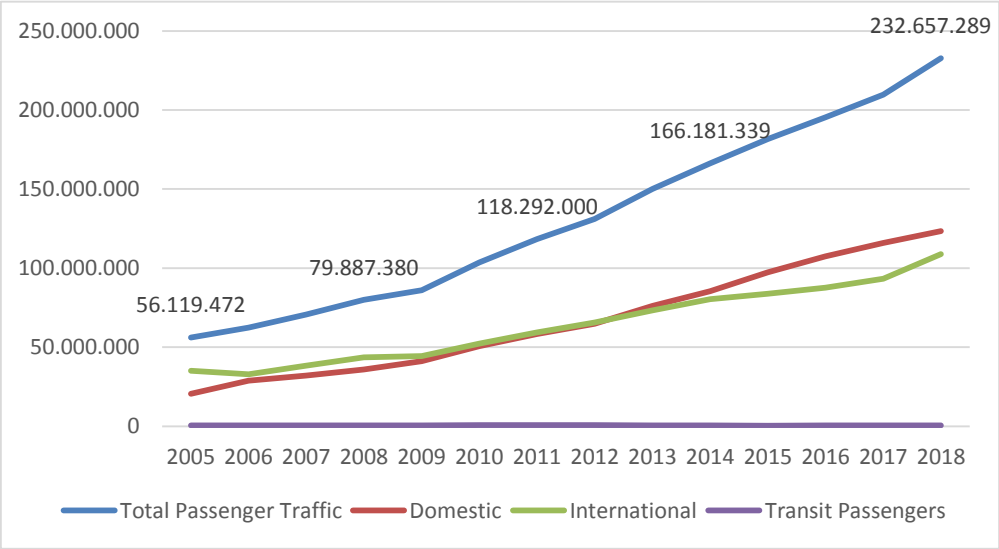

Figure 3.3-Passenger Traffic in Turkey

Source: Turkish Statistical Institute

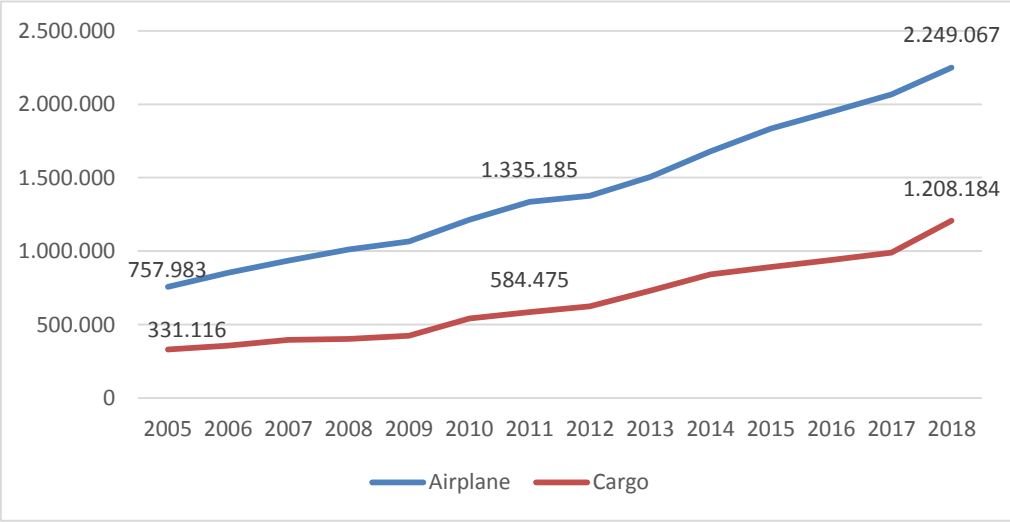

Figure 3.4-Airplane and Cargo Traffic in Turkey

Source: Turkish Statistical Institute

Figure 3.4 shows that airplane and cargo traffic in Turkey will develop. Airplane traffic grew 9.2 percent per year, 122 percent at total. At the same time, cargo traffic

raised up 10.9 percent annually, 154 percent at total in last 10 years.

On the other hand, the majority of passengers which came to Turkey, check in from İstanbul. Therefore two airports in İstanbul do not have enough capacity anymore due to improvements of carried passengers and developments in aviation sector. Especially Atatürk Airport that is hub of Turkish Airlines, does not have enough slot allocation. Sabiha Gökçen Airport, that is other airport in İstanbul, needs second runway. Third airport, which started construction, must commence to service before anticipated date. Otherwise, Turkish Airlines and other airline companies in domestic market have to procrastinate their future plans.

3.3. Competitors Overview

According to analysis has been done Porter et al (1980), each company has a competitive strategy, even if all companies in industry do not compete with each other. This strategy is determined through rival analysis, company`s own position, scenarios about industry developments in the future. According to (Porter, 1985) there are three general competitive strategies which firms apply within industry; Cost Leadership, Differentiation and Focus strategy.

Cost Leadership is implemented by low cost carriers and all activities are designed to decrease costs. Company targets to offer typical product or service to customers. Thus, carrier can compete with its competitors through cost advantage (Miller & Dess, 1996).

Differentiation strategy is a competitive strategy that creates a difference in company`s all activities. Company produces products or services above the average in industry (Ülgen & Mirze, 2007). In this strategy, company uses a certain feature, which is accepted important or valuable by customer, and differentiates this product or service. In this way, company is awarded with high prices by customers. However, this differentiation does not mean that company can ignore the cost factor (Orhan & Gerede, 2013, p. 37).

Focus strategy means focusing on certain customer group, production and

distribution network or on a certain geographical market according to selected target (Hunger & Wheelen, 2007). Cost leadership and differentiation strategies aim the market in general whereas company focuses to a narrow area in a more successful way than its competitors in focus strategy. Company excludes other areas in the market in order to become more efficient and productive. This strategy can be implemented by focusing on cost leadership or by focusing on differentiation (Orhan & Gerede, 2013, p. 38).

These three strategies are alternatives to one another. It does not seem possible which company is suitable for each of these three strategies at the same time. Because each strategy requires different regulations, different capabilities and resources and different management styles (Porter M. , 1980).

Airline companies use competitive tools that are suitable for competitive strategy after selection of strategy. They try to get competitive advantage through factors of planning prices, frequency and departure time, network structure, alliances and service quality (Kaynak & Küçükemiroğlu, 1993).

Price is the most important component that determines demand in the airline industry (Doganis, 2002). Price differentiation, which is made by demand-based pricing method, is important part of competition in the industry. In this way, the airline company maximizes its quality of product or service with different prices in different segments (Hanlon, 2007).

Network structure is another important component of competition in global airline industry. It is shaped by selected airport as operational hub and company`s strategy. Hub and Spoke (H&S) is one of the important network structures. Airline takes passengers from spoke airport and carries to its hub and then collects all passengers and distributes to spoke airports. Airline gets a big network, demand increases and unit costs decreases through this system. Moreover, this system is used as a barrier against market entry for new airlines. Airline company, that uses this system, obtains power thanks to advantage of the system (Orhan & Gerede, 2013).

Another network strategy is line network strategy. This strategy is generally used by airline companies that apply low cost policy. Airline, which uses a certain line,

does not need to wait passengers for direct flights. Thus, airplane`s turnover time will reduce, frequency of aircraft utilization will increase (Şengür, 2004).

Alliances in the airline industry, which provide coordination among flight schedules, seat capacities, ticket prices and marketing activities are another important competitive tool (Stragier, 2001). Through alliances, carriers can serve in bigger markets and go in to new markets which are not easy to enter, obtains slot and has access to new airports (Gerede, 2002).

Service quality is also significative competitive tool. Airline companies consider service quality in order to overcome expectations of passengers and to have competitive advantage (Öztürk, 2009).

3.3.1. International Market

3.3.1.1. Europe

Europe market is the most important market for Turkish Airlines in terms of carried passenger, market share and destination number. According to regional passenger distribution, 32.3 percent of total revenue and 59 percent of total passengers are obtained from Europe continent. Therefore, Europe is more important market than others for Turkish Airlines which flies to 107 cities in 42 countries in Europe.

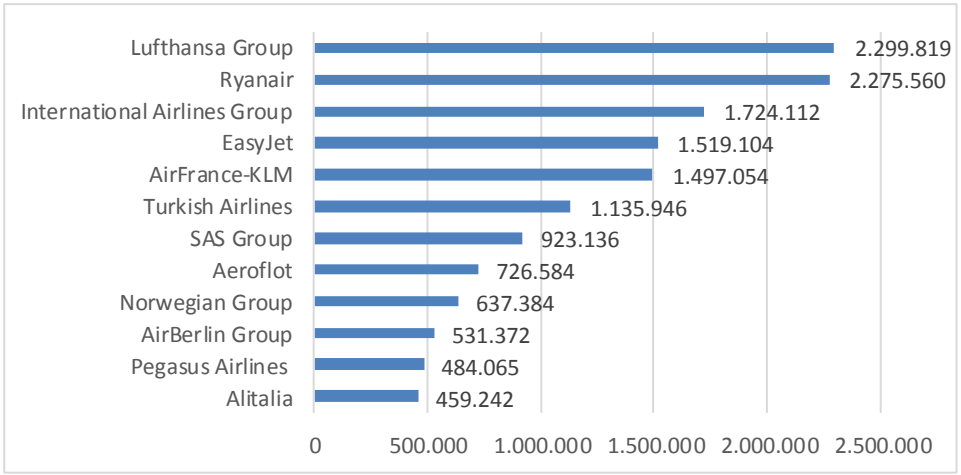

Figure 3.5-Weekly Seat Capacity of Airlines in Europe: April 2015
Source: CAPA

Figure 3.5 shows that Lufthansa Group is the leader in terms of weekly available seat capacity in Europe. Turkish Airlines ranks number six in the list. Weekly

available seat capacity of Lufthansa Group is 54 percent more than AirFrance-KLM and 33 percent more than IAG that was formed by British Airways, Iberia and Vueling Airlines. Capacity of Turkish Airlines in Europe is half of Lufthansa Group.

As a parallel to weekly available seat capacities in Europe, Lufthansa Group, which includes Lufthansa, SwissAir and Austrian Airlines, takes first place with 84.9 million carried passengers in Europe. However, number of carried passenger by Lufthansa is 62.2 million. Number of passenger carried by Turkish Airlines is 18.2 million passengers in Europe. With this number, Turkish Airlines is sixth airline in Europe in terms of carried passenger.

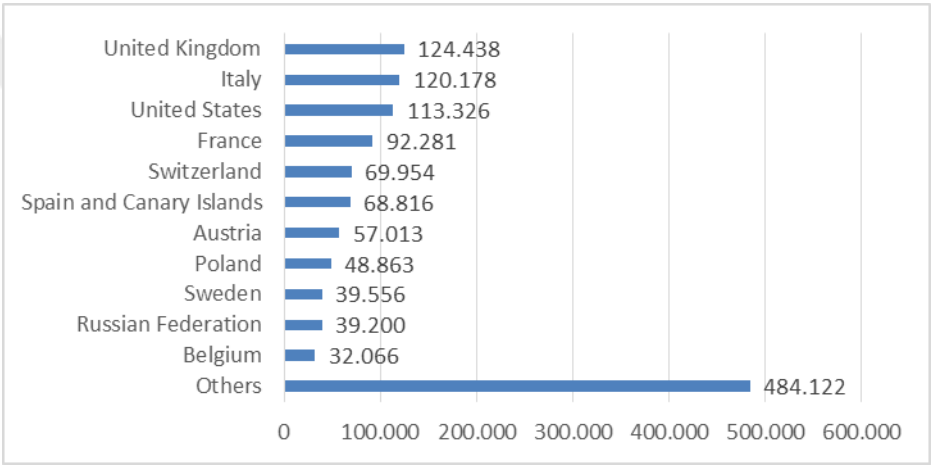

Figure 3.6-Weekly Seat Capacity of Lufthansa: April 2015

Source: CAPA

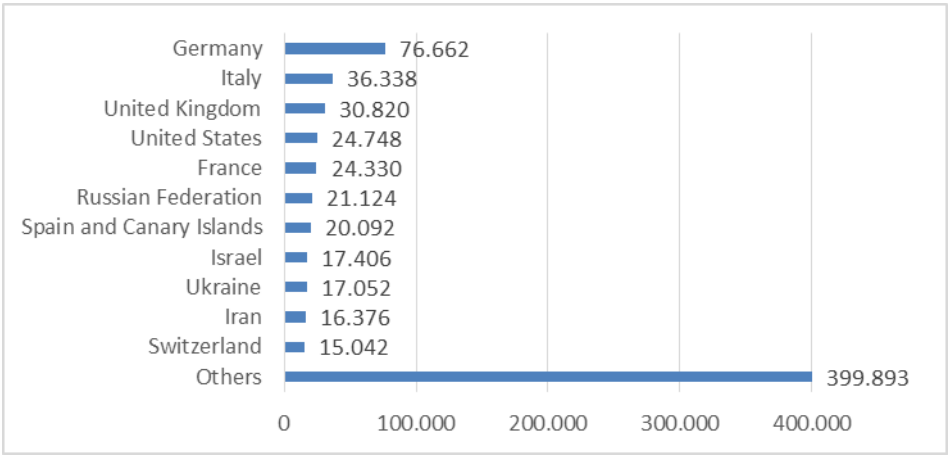

Figure 3.7-Weekly Seat Capacity of Turkish Airlines: April 2015

Source: CAPA

Germany, which is center of Lufthansa, is first market of Turkish Airlines. First four countries that Lufthansa flies, exist in first five in list of Turkish Airlines

according to figure 3.6 and figure 3.7.

There is no Turkey market in Lufthansa`s top ten market. Therefore, seat capacity of Turkish Airlines that has weekly 217 flight frequencies between Turkey and Germany, is more than seat capacity of Lufthansa that has weekly 65 flight frequencies. This means that Turkish Airlines, which fills the space of Lufthansa on flights between Turkey and Germany, has a competitive advantage on flights between two countries.

Additionally, according to analysis has been done by Skytrax which compares airlines and try to determine the best airline in terms of service quality through favorite lounges, the nicest cabin staff, the nicest airline meals and the best inflight entertainment criterias, Turkish Airlines is the best airline in Europe for 2015. Members of Lufthansa Group are the best second, third and fourth airlines respectively in Europe. Ryanair and EasyJet, which carry passenger with low prices, adopt cost leadership strategy and ignore service quality. Therefore, they are not competitors for airlines that adopt differentiation strategy and offer quality and prestige to their passengers in this classification.

Analysis have been done by CAPA and Skytrax show that the most serious competitor of Turkish Airlines among European airlines is Lufthansa in terms of weekly available seat capacity, carried passenger and service quality. Weekly seat capacities based on country also prove competition between Turkish Airlines and Lufthansa.

Available seat kilometer is an important concept in aviation industry. ASK is obtained through total distance and number of seat that is offered by airline companies in a certain period. ASK means also production amount of the airline company. When we consider ASK, it can be said that Lufthansa is more productive airline than Turkish Airlines. Superiority of Lufthansa attracts the attention on available seat kilometer and revenue passenger kilometer in Europe. On the other hand, Turkish Airlines has a very small advantage in load factor (CAPA, 2015).

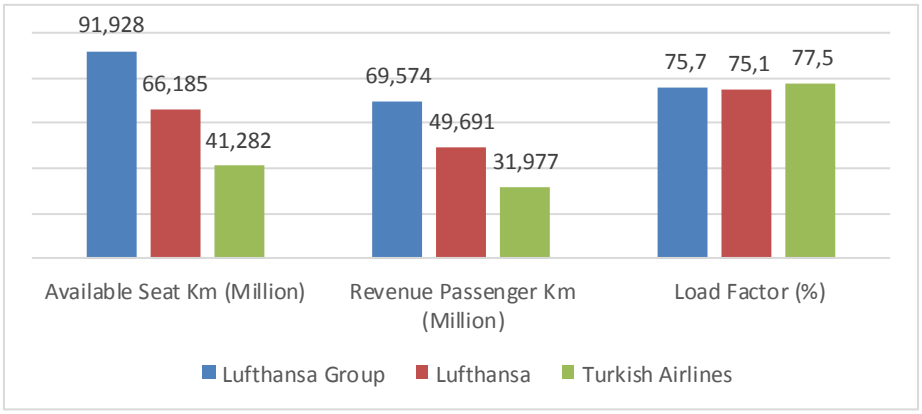

Figure 3.8-Traffic Datas of Turkish Airlines and Lufthansa

Source: Annual Reports of Turkish Airlines and Lufthansa

Lufthansa has a competitive advantage in terms of total available seat kilometer and revenue passenger kilometer compared to Turkish Airlines. Moreover, Lufthansa is more efficient airline than Turkish Airlines in terms of network structure, flight coordination, destination and wide range of frequency thanks to its Frankfurt, Munich, Brussels, Vienna and Zurich hubs (CAPA, 2015).

3.3.1.2. Asia Pacific Region

Lufthansa is the most important competitor of Turkish Airlines in Asia Pacific market. Asia-Pacific region is a region that has the highest number of air passenger. According to IATA, its passenger traffic will grow up at 6.4 percent annually between 2013 and 2033 compared with world average of 5 percent in total.

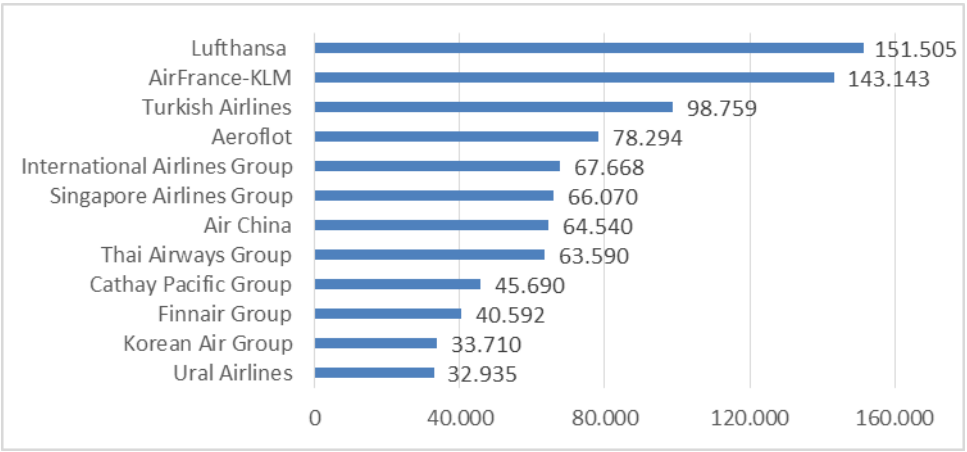

Figure 3.9-Weekly Seat Capacity between Europe and Asia Pacific: April 2015

Source: CAPA and OAG

Figure 3.9 shows that European airlines generally have more presence on flights between Europe and Asia Pacific region and they have competitive advantages on these routes. The reason of this situation is Asian airlines carry a small number of passengers in this market and have few destinations in Europe. Therefore, the numbers of passengers of European Airlines are more remarkable than Asian carriers.

As a parallel to weekly available seat capacities, Lufthansa is airline that has the largest number of passenger between Europe and Asia Pacific with 6.3 million passengers in 2015. AirFrance-KLM is second airline with 6.1 million passengers. Turkish Airlines is third airline in the list with 4.1 million carried passengers (Annual Reports of Related Airlines).

According to figure 3.10, available seat km, revenue passenger km and load factor also show that Lufthansa and AirFrance-KLM are more competitive than Turkish Airlines in this market.

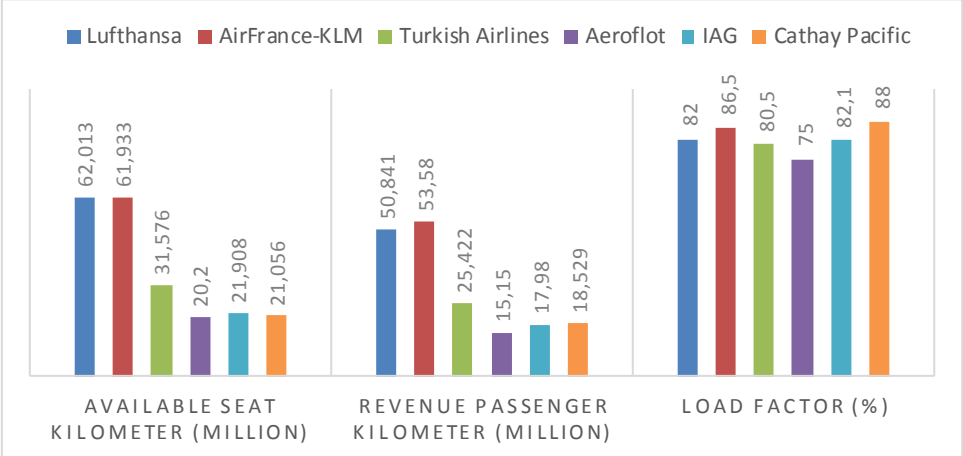

Figure 3.10-Traffic Datas of Airlines

Source: Annual Reports of Related Airlines

However, Turkish Airlines has an advantage about unit costs. According to 2015 board`s activity reports, cost per available seat kilometer of Turkish Airlines is 7.73 USc whereas Lufthansa has 8.80 USc. This means that Turkish Airlines is cost leader compared to Lufthansa.

The main reason of this cost advantage is location of İstanbul that is near to center of Europe, Middle East, Asia and North Africa. This advantage allows flight opportunity with narrow body aircrafts that have low costs. Due to cost advantage of

Turkish Airlines, Lufthansa has to undercut its price. This means that Turkish Airlines is a threat for Lufthansa both in Europe and in Asia-Pacific region.

3.3.1.3. Africa

According to 2015 board`s activity report of Turkish Airlines, eight percent of number of total passenger is obtained from Africa continent. Turkish Airlines gets 7.5 percent of total revenues from Europe-Africa market. Big flight network of Africa means a big market for Turkish Airlines. Although Africa market is a small market currently, it is a fast growing market. Turkish Airlines is the largest airline in Africa with 31 countries and 48 destinations. AirFrance-KLM is second airline with 39 destinations in Africa. Turkish Airlines operates generally in North Africa and allotted 56 percent of total seat capacity for North Africa, 20 percent for Central/West Africa, 20 percent for East Africa and 4 percent for South Africa.

Table 3.2-Main Foreign Carriers in Africa: April 2015

Rank	Airlines	Total Seats	Weekly Frequencies
1	Emirates	149,800	477
2	AirFrance	101,100	456
3	Turkish Airlines	71,334	432
4	Saudia	61,542	308
5	Qatar Airways	55,728	288
6	British Airways	49,630	203
7	Ryanair	46,872	248
8	Aigle Azur	39,528	242
9	EasyJet	36,552	218
10	KLM	35,617	111

Source: CAPA and OAG

European Airlines have a big advantage about competition in Africa due to African Airlines that fly between Europe-Africa, have a small number of destinations

in Europe. When we look at the competition in Africa, we see that AirFrance-KLM is the most serious European competitor for Turkish Airlines. However, consideration of total number of seats and frequency instead of number of destination is more realistic to compare two airlines in Africa.

Flight frequency creates an important effect which determines passenger`s purchasing behavior. When an airline has frequency advantage on any route, has also competitive advantage (Wensveen, 2007).

Although Turkish Airlines has the largest destination number in Africa, it is third airline behind Emirates and AirFrance in terms of weekly total seat number and frequency according to table 3.2.

Additionally, AirFrance`s partnerships with KLM Airlines and Kenya Airways provide very important competitive advantage with respect to seat capacity and total frequency for company. However, according to analysis of CAPA (2015), Turkish Airlines is the fast growing airline than Emirates and AirFrance-KLM in Africa market. On the other hand, partnerships signed by Turkish Airlines with 24 local airlines in Africa, means company will expand in over time.

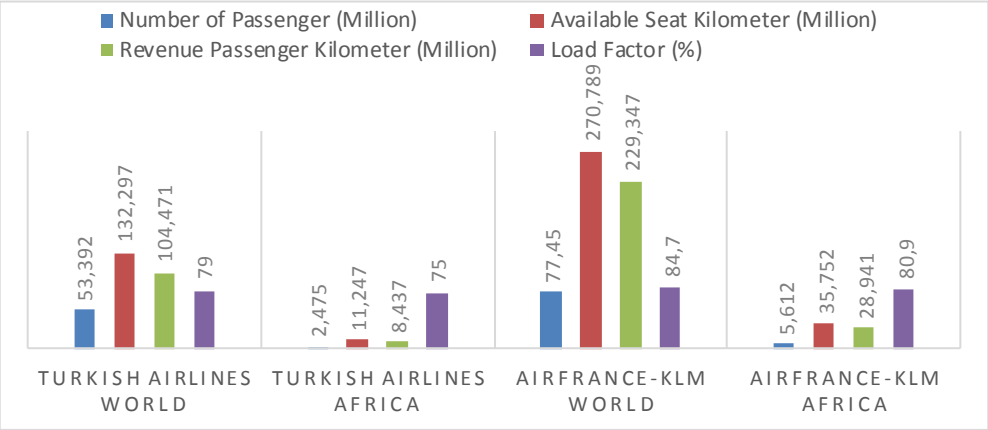

Figure 3.11-Traffic Datas of Turkish Airlines and AirFrance-KLM for Africa

Source: Traffic Datas of Related Airlines

According to 2015 traffic datas of related airlines, AirFrance-KLM is in front of Turkish Airlines in terms of carried passenger in the world with 24 million people difference. At the same time, airline is leader also in Europe-Africa market. In terms of revenue passenger kilometer, load factor and available seat kilometer which means

production amount of aviation industry, AirFrance-KLM is more competitive than Turkish Airlines.

Turkish Airlines and AirFrance-KLM, which offer quality and prestige to their passengers, focus to differentiation strategies among competitive strategies. These two airlines, that try to offer more quality services and differentiate themselves from other airlines, determine their prices through these strategies.

Price is the most important component which designates demand in all industries (Porter, 1980). Airline companies need low unit costs for low prices. Turkish Airlines, which has lower unit costs, has a competitive advantage compared to AirFrance-KLM about cost per available seat kilometer.

AirFrance-KLM has totally 12.4 US cent cask with personal cost per seat, fuel cost per seat and other costs per seat whereas Turkish Airlines has totally 7.73 US cent cask. Besides, Turkish Airlines is the best fourth airline of 2015 in the world. AirFrance and KLM are the best 15th and 28th airlines respectively. Additionally Turkish Airlines is the best airline of Europe while AirFrance is the best 5th airline in Europe. This means that Turkish Airlines is an airline which offers quality and prestige more cheaply than AirFrance.

High unit costs play very important role as a disadvantage for AirFrance-KLM. On the other hand, Turkish Airlines has an important unit cost advantage thanks to narrow body fleet structure. However, this narrow body fleet structure is a disadvantage to reach to South Africa region. Turkish Airlines, which can`t reach to South Africa with narrow body aircrafts, submits competitive advantage to AirFrance-KLM in Africa.

3.3.1.4. Middle East

Three big airline companies belong to Gulf Countries and Turkish Airlines transformed to companies that dominate the aviation industry in recent years. Turkish Airlines with one foot in Europe and other one in Middle East, is very near to Europe and Middle East thanks to İstanbul`s location. With this advantage, Turkish Airlines

continues to get high growth rates in industry.

According to Will Horton who is senior analyst of Center of Asia Pacific Aviation, high growth rates will be reason of competition among Gulf`s three big airlines and Turkish Airlines. Horton states that high growth rates depend on transfer traffic strategy of Turkish Airlines. İstanbul which locates on Europe-Middle East market, attracts many customers for transfer. Therefore Turkish Airlines, Emirates, Qatar Airways and Etihad are directly in competition (El Gazzar, 2015).

Number of passenger of Gulf carriers and Turkish Airlines are shaped by international transfer traffic. There is a parallelism among strategies of Turkish Airlines and Gulf carriers from that direction. Turkish Airlines has an advantage in competition with these carriers in terms of number of passengers. However, Turkish Airlines has a domestic market section and Gulf carriers do not have. Therefore, carried international passengers should be considered to compare logically. In terms of international passenger number Turkish Airlines is second airline behind Emirates.

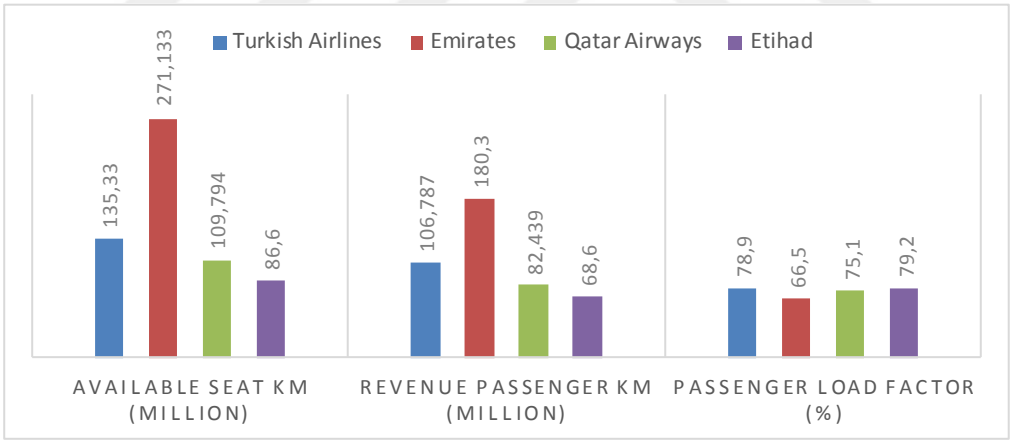

Figure 3.12-Traffic Datas of Turkish Airlines and Gulf Carriers

Source: Annual Reports of Related Airlines

ASK of Emirates is two times of Turkish Airlines in 2015. As a main reason of this situation, it can be said that Emirates makes operations in longer routes compared to Turkish Airlines.

Turkish Airlines operates with narrow body aircrafts however Gulf carriers use wide body aircrafts. Reasons of focusing to narrow body aircrafts are domestic market section of Turkish Airlines and short distance international flights thanks to location

of İstanbul.

Turkish Airlines reaches to 195 of 228 international destinations with narrow body aircrafts. In other words, Turkish Airlines uses this kind of aircrafts for 80 percent of its international flights and will continue to use narrow body aircrafts with new orders in over time.

Advantage of operations with narrow body aircrafts is lower unit costs. Turkish Airlines that has lower unit costs compared to European and Gulf competitors except low cost carriers, is very efficient airline in this topic. Price is the most important competitive tool. Lower unit costs mean lower prices. That`s why, Turkish Airlines is more competitive airline than Gulf carriers about price.

Another competitive tool is network structure. All of these four big carriers use hub and spoke system as network structure. Turkish Airlines has a big advantage thanks to aviation market of Turkey which has significant growth potential as a parallel to economic growth in Turkey. Domestic market and more destination number of Turkish Airlines are pluses of it over rival companies.

However, long haul between Europe and Asia-Pacific region is a disadvantage. Seat capacity of Turkish Airlines is very weak than three carriers in Asia-Pacific region. Narrow body aircraft fleet structure causes to disadvantage for this region.

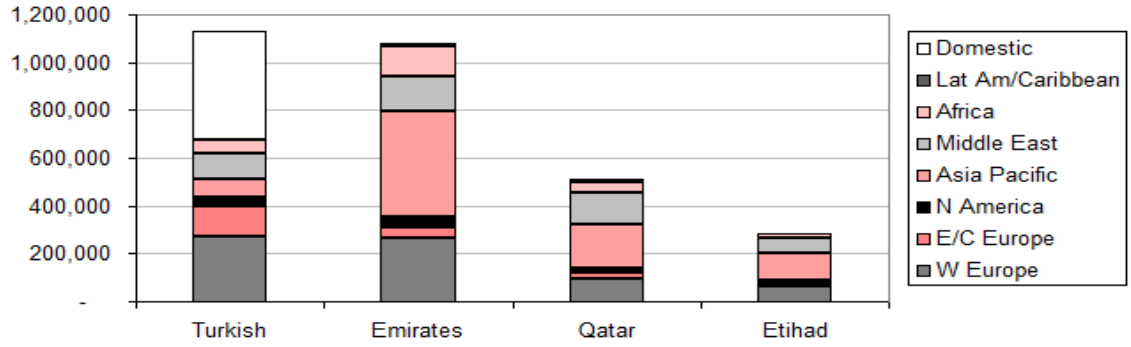

Figure 3.13-Weekly Seat Capacities of Gulf Carriers and Turkish Airlines: May 2015

Source: CAPA and OAG

Turkish Airlines has number of seat in the same level with Emirates thanks to Turkish domestic market. On the other hand, Emirates is two times of Turkish Airlines in terms of international number of seat capacity. Qatar Airways is 75 percent and

Etihad is half of Turkish Airlines.

According to flight frequencies which determine preferability among airline companies, Turkish Airlines has more frequent flights in Europe and North America but it is behind Gulf carriers in Africa, Asia-Pacific region and Middle East in terms of average number of weekly frequency numbers.

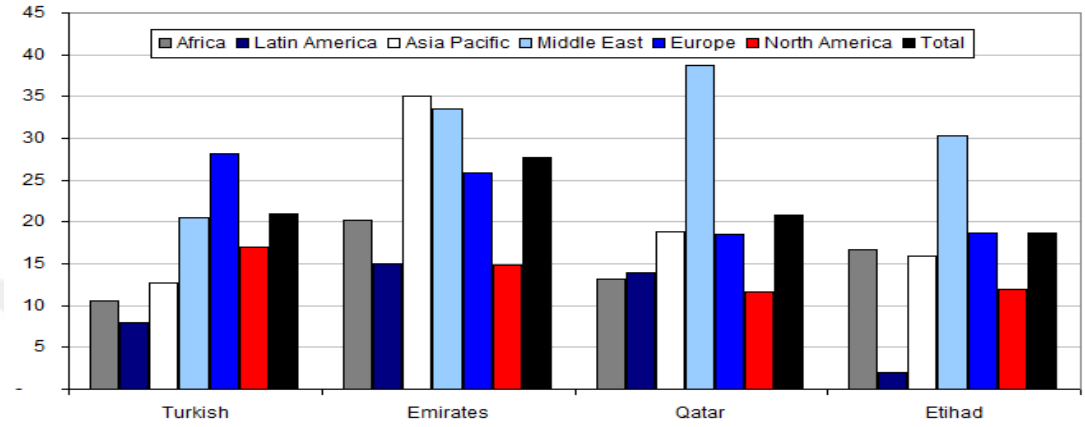

Figure 3.14-Number of International Weekly Frequencies per Destination: May 2015

Source: CAPA and OAG

There is a big competition among these four rivals in terms of service quality. According to Skytrax datas, the best airline in the world is Qatar Airways in 2015. In this ranking, fourth, fifth and sixth airline is Turkish Airlines, Emirates and Etihad respectively. In terms of regional comparison, Turkish Airlines is the best airline in Europe and Qatar, Emirates and Etihad are first three respectively in Middle East.

3.3.1.5. North America

Europe and North America have the most advanced flight networks and airline market between these two continents has the busiest flights of the world. Turkish Airlines has 3 percent share of available seat capacity on transatlantic flights and obtains 11.4 percent of its total revenue and 5 percent of its total passengers from transatlantic flights (Turkish Airlines, 2014).

According to share of transatlantic seat capacities, Delta Airlines, which has largest share of annual available seat capacity on transatlantic flights, is the leader airline. British Airways and United Airlines rank second with 10 percent, American

Airlines and Lufthansa are third airlines in this market. Turkish Airlines which has 3 percent market share for transatlantic flight market, does not seem so competitive in this market.

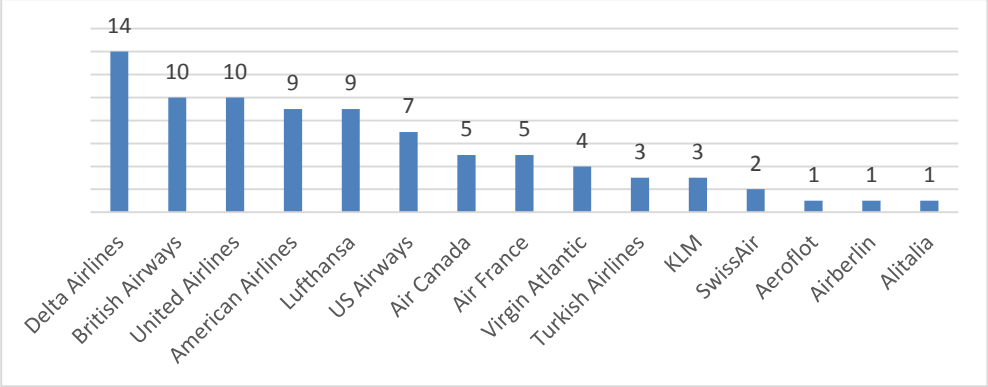

Figure 3.15-Share of Transatlantic Available Seat Capacity (%)

Source: Transatlantic Airline Fuel Efficiency Ranking

In terms of carried passenger, British Airways is in front of Delta Airlines with very small difference in 2015. Especially the biggest reason of this success for British Airways is advantage of London-New York market. London-New York city-pair is the largest city pair of the world by total available seat capacity. Only British Airways has 38 percent of total available seat capacity between London and New York. Additionally British with its partner American Airlines have a share of 49 percent of seats on this city pair, compared with share of 35 percent which belongs to Delta-Virgin Atlantic (CAPA, 2015).

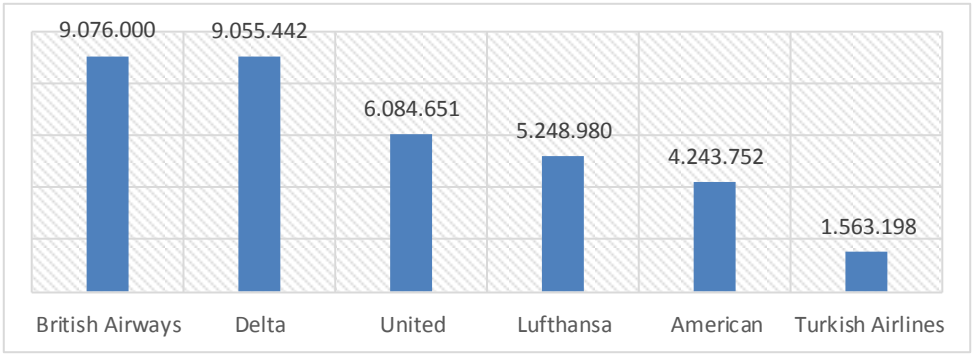

Figure 3.16-Number of Passenger between Europe and North America in 2015

Source: Traffic Datas of Related Airlines

It can be said narrow body fleet structure of Turkish Airlines and location of Turkey as a main reason to low market share and small number of carried passenger

compared with competitors. Turkish Airlines which performs 80 percent of flights with narrow body aircrafts, is not sufficiently competitive for transatlantic flights with 76 wide body aircrafts that company has. In addition to this, insufficient number of destination in North America can be said for low market share and small number of carried passenger.

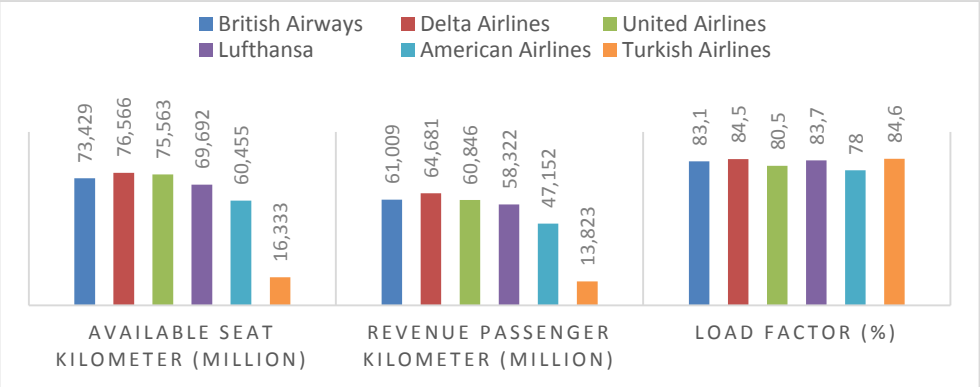

Figure 3.17-Traffic Datas of Airlines which Operate on Transatlantic Flights

Source: Annual Reports of Related Airlines

Delta Airlines which has 14 percent share of seat capacity, is the leader in available seat kilometer. United Airlines is second and British Airways is third airline by available seat kilometer. The biggest reason of competitive advantage of competitors is number of high flight frequency and more long haul flights. Turkish Airlines is only more efficient airline than rivals about load factor.

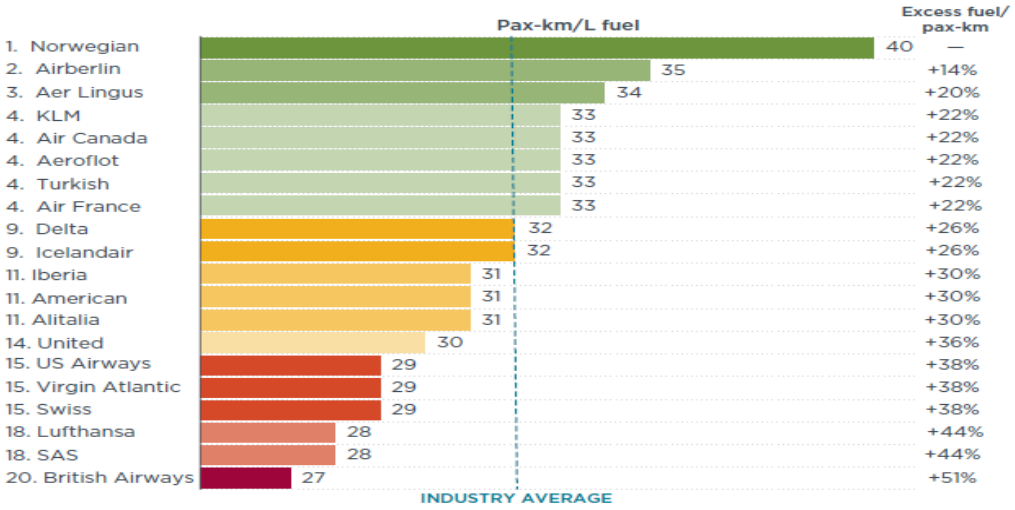

Figure 3.18-Fuel Efficiency of the Top 20 Airlines on Transatlantic Flights

Source: Transatlantic Airline Fuel Efficiency Ranking

According to transatlantic airline fuel efficiency ranking, Norwegian Air Shuttle is the most fuel-efficient airline, on average providing 40 passenger kilometers per liter of fuel on transatlantic flights. The most inefficient airline is British Airways that carries 27 passenger kilometers per liter of fuel on transatlantic flights and consumes 51 percent more fuel per passenger kilometer. Turkish Airlines is the fourth most efficient airline with 33 passenger kilometers per liter of fuel and consumes extra 22 percent fuel. The main reason of being a fuel efficient airline in terms of Turkish Airlines, is its fleet which has low average age (Kwan & Rutherford, 2015).

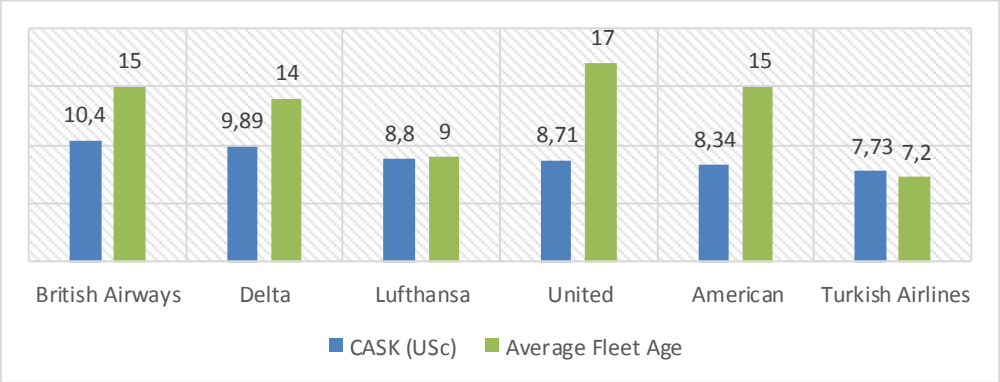

Figure 3.19-Cost per Available Seat Km and Average Fleet Ages of Airlines

Source: Annual Reports of Related Airlines

In addition to fuel efficiency, Turkish Airlines has competitive advantage compared to rivals about cost per available seat kilometer thanks to narrow body fleet structure and fuel efficiency.

On the other hand, there is a competition war among European carriers by service quality on transatlantic flights. Lufthansa, British Airways and Turkish Airlines are the best first three transatlantic airlines respectively in 2015. Just Delta Airlines from American competitors is inside of top ten in the list. It seems that European carriers are more successful than American carriers about service quality.

3.3.1.6. Latin America

Turkish Airlines tries to grow up with new destinations in Latin America market. However, it is still relatively small carrier in this market. Turkish Airlines currently flies to two destinations (Buenos Aires and Sao Paulo) four times in a week in Latin

America market. However, Turkish Airlines plans to connect Colombia, Cuba, Mexica and Venezuela to Middle East, Asia, North Africa and East Europe with new destinations (CAPA, 2013).

According to CAPA and Innovata, Turkish Airlines is an airline that has weekly 2700 available seat capacity and 26th the largest airline in this market. Turkish Airlines, which aims to provide weekly 8000 available seats with new 4 destinations (Caracas, Bogota, Havana and Mexico City), will move up to 17th place in this market, but still it will be stayed behind of European competitors like AirFrance, Iberia and KLM. However, Turkish Airlines follows different strategy than competitors in Latin America market. It targets to carry Latin American passengers to Asia, Middle East and North Africa due to its İstanbul hub locates at Eastern Europe (CAPA, 2013).

Turkish Airlines competes generally with Gulf carriers instead of European carriers in Latin America market. Emirates and Qatar Airways are more competitive than Asian, European and Latin American carriers in connections between Asia and South America. Emirates, Qatar and Etihad fly to Sao Paulo and Buenos Aires where Turkish Airlines flies, but they do not have flights to Bogota, Caracas, Havana and Mexico City. This situation can provide an advantage to Turkish Airlines. Currently 5 European carriers (AirFrance, Iberia, Lufthansa, Air Europa and TAP Portugal) fly to Caracas, 3 European carriers (AirFrance, Iberia and Lufthansa) fly to Bogota and 4 European carriers (British Airways, Iberia, KLM and Lufthansa) fly to Mexico City. Especially European carriers that fly to Bogota, Caracas, Havana and Mexico City can generate a threat for Turkish Airlines (CAPA, 2013).

Flights to Latin America need wide body aircrafts but 76 wide body aircrafts in fleet of Turkish Airlines create a disadvantage compared to rivals. That`s why, Turkish Airlines which signed codeshare agreement with Avianca for maintainability of new destinations, aims to take advantage of offline markets thanks to Avianca that is efficient in Bogota and Sao Paulo. (CAPA, 2013).

3.3.2. Domestic Market

Domestic market in Turkey obtained more liberal structure with deregulation in 2003. After deregulation, domestic market transformed from monopol structure to competitive structure. Findings show that strategies of airlines in competitive structure are shaped by network structure, service quality and prices. After deregulation a lot of new airlines entered to the market. These companies are Onur Air, Atlasglobal, Pegasus Airlines, SunExpress, Borajet and AnadoluJet.

3.3.2.1. Onur Air

Onur Air is an airline that aims medium income level, and follows low cost, low prices and low profit margin in order to get its strategic aim. Onur Air has advantageous cost structure compared to Turkish Airlines. The most effective factor that decreases costs, is cancellation of luxury services offered by traditional airlines. Customer profile of Onur Air is passengers that aim to fly with affordable prices instead of comfort and service (Orhan & Gerede, 2013).

Onur Air which uses line network structure, firstly increases number of destination and then number of frequency. Company tries to get passengers that prefer highway transportation. Therefore, it operates to points where travelling by bus takes more than eight hours. Otherwise, highway transportation can be big threat for Onur Air (Orhan & Gerede, 2013).

Onur Air, that applies cost leadership strategy of Porter, uses big aircrafts that have high seat capacity. On the other hand, it contradicts with itself because of some attributes. Company`s types of aircraft are different. This means extra costs for renovation and repair. Additionally, ticket selling through tourism agents is other component which increases the costs (Orhan & Gerede, 2013).

3.3.2.2. Atlasglobal

Atlasglobal undertakes domestic market carriage of international passengers who come to Turkey. This strategy provides an opportunity to obtain competitive

advantage against rivals. Atlasglobal, which aims to offer high level service quality, provides electronic ticket, computerized reservation system, self-check-in, specific loyalty programs thanks to technological investments (Orhan & Gerede, 2013).

Price strategy of Atlasglobal is not related with low prices. It aims to offer high service quality with differentiation strategy. Atlasglobal is single airline company which has two different class named business and economy class, among airline companies in Turkey. When we compare it with Turkish Airlines that uses same strategy, we see that Atlasglobal has more affordable prices than Turkish Airlines. We can say that customers who choose Turkish Airlines for business travels, choose Atlasglobal for holiday trips (Orhan & Gerede, 2013).

3.3.2.3. Pegasus Airlines

Pegasus Airlines entered to domestic market with cost leadership strategy. It analyzed low cost airlines like Ryanair and EasyJet from international market and adapted these analysis to Turkish domestic market. Company which uses technology in order to obtain effectiveness, productivity and low prices, carry out ticket sales on the internet. Pegasus that uses Sabiha Gökçen Airport which is less density in terms of flight traffic, aims to get advantage about low cost (Orhan & Gerede, 2013).

Pegasus Airlines has a standardized fleet structure in order to have low maintenance and repair costs. Foods and beverages are sold to passengers on board and Pegasus does not offer VIP and CIP services that cause additional costs. Additionally Pegasus, which uses aircrafts that have big seat capacity and do not have business class section, is advantageous about low unit costs. Company that follows low cost, low service quality and low price policies, targets customers that want to have cheap flight facility instead of quality and comfort (Orhan & Gerede, 2013).

3.3.2.4. SunExpress

SunExpress which was found in 1989 by Turkish Airlines and Lufthansa, is an airline based in Antalya. It uses a grid network system which connects cities to each

other. Actually, SunExpress is not a direct competitor of other airlines in domestic market. It is in direct competition in only some city pairs with other airlines.

Its competitive tool is a little different than other low cost carriers. SunExpress aims to focus service quality and create value for passengers as a low cost airline. Its strategy can be interpreted a mix of cost leadership, differentiation and focus strategies (Orhan & Gerede, 2013).

3.3.2.5. BoraJet

The strategy of Borajet is to carry passengers from small cities that big airlines do not operate, to big cities. In this way, Borajet aims to feet big airlines that operate in major cities. Borajet, which uses small aircrafts, that have less passenger capacity, has an advantage in terms of load factor. Thus, it flies with low unit costs. Other advantage of Borajet is take off from airports that have short runways and small aprons through small aircrafts. Company has a competitive advantage against large airlines which can`t use these small airports. Moreover maintenance, repair and fuel costs of small aircrafts are lower than big ones (Orhan & Gerede, 2013).

Borajet that selected Sabiha Gökçen Airport as a hub, does not want to enter to race of competition with its competitors. Company which uses grid network structure, operates to airports where it is able to fly in two hours. It does not have power of competition for flights that take more than two hours. Otherwise, Borajet can lose its competitive advantage. In general, we can say that Borajet which serves to its customers with short distance flights in specific regions, adapted focus strategy of Porter (Orhan & Gerede, 2013).

3.3.2.6. AnadoluJet

AnadoluJet is an airline that was established by Turkish Airlines in order to become efficient in domestic market and to respond to demands of customers. AnadoluJet, that uses Ankara Esenboğa Airport as a hub, has many advantages from this angle. Company tries to differentiate itself from other airlines in domestic market

with hub and spoke network system. Thanks to location of Ankara, AnadoluJet has short haul flights in terms of distance and serves to customers in the market with high flight frequencies. Moreover, H&S network structure that allows stopover opportunity with low costs, is another advantage for the company.

Additionally, AnadoluJet has short distance between seats in order to reduce costs and to carry more passengers. At the same time, it offers limited food and beverage services in airplane. Actually, AnadoluJet has necessary features for cost leadership, but does not offer low costs and prices. Therefore, we can say that company adopts focus strategy due to price, frequency and network structure (Orhan & Gerede, 2013).

3.3.2.7. Turkish Airlines

Turkish Airlines, that applied differentiation strategy before deregulation, started to seek new ways to compete with low cost carriers after deregulation. Turkish Airlines, which aimed yield increase, turned into an airline that tried to increase number of passenger. It targeted to reduce unit costs and improve production in order to raise number of passenger.

Turkish Airlines decided to follow cost reduction strategies to get competitive advantage in domestic market. However, strategies applied by Turkish Airlines in order to reduce unit costs, were different than strategies of low cost airlines. It sought new ways to reduce unit costs without compromising service quality (Orhan & Gerede, 2013).

Turkish Airlines, that purchased aircraft at low costs, increased daily utilization rate of aircrafts when the global economy were in crisis. In this way, Turkish Airlines obtained a more productive view. Additionally, it gave up its catering and technical subsidiaries in order to be more effective. In this manner each subsidiary obtained own administration and served to Turkish Airlines with low cost thanks to economies of scale. At the same time, Turkish Airlines focused to flight operations and became a more productive airline (Orhan & Gerede, 2013).

3.4. Competitive Advantages and Disadvantages of Turkish Airlines

Turkish Airlines which flies to domestic and international points in the world, is the largest airline company of Turkey. It is a quality airline that uses hub and spoke network structure. Turkish Airlines is accepted as a leader of aviation industry in Turkey. In this part of the study, advantages and disadvantages of Turkish Airlines for both of domestic and international markets will be determined with Porter`s competitive strategy.

According to Porter, there are five competitive tools to identify competition in any market. These tools include Threat of Substitute Products, Bargaining Power of Suppliers, Bargaining Power of Customers, Threat of New Entrants and Competitive Rivalry within an industry.

3.4.1. Bargaining Power of Suppliers

Products and services from outside are essential needs in order to manage airlines. Domination of the market of suppliers, number of suppliers, the product or service of supplier, the cost of changing supplier, and the power of suppliers to meet new demands should be taken into consideration by airlines. Suppliers also include companies for equipment and materials, maintenance and repair companies (Gökırmak, 2014).

According to İsmail Semerci who is business development manager of Turkish Airlines, important suppliers for Turkish Airlines are aircraft producers, aircraft charter companies, unions, catering companies, fuel companies, businesses of airports, maintenance and repair companies, and hotels.

Impacts of suppliers of jet fuel go up on aviation industry due to fuel prices. Instability in fuel prices has important impacts for airline companies which buy jet fuel. Turkish Airlines which established TurkishOpet in order to decrease the impacts of fuel prices, cooperates with Opet fuel-oil company.

Impact of aircraft suppliers like Boeing and Airbus on aircraft prices is another factor affects Turkish Airlines. Turkish Airlines depends on aircraft suppliers about price and aircraft delivery date. Additionally, aircraft charter companies also have a

critical role for Turkish Airlines (Gökırmak, 2014).

Atatürk Airport which is managed by TAV Airports Holding, is the biggest airport of Turkey and hub of Turkish Airlines. Service quality of Atatürk Airport affects directly service quality of Turkish Airlines. Therefore, Turkish Airlines established Turkish Ground Services (TGS) in order to decrease costs and problems related with check-in and sales offices and to increase service quality in Atatürk Airport. In addition to TGS, Turkish Airlines buys service from HAVAS and CELEBI companies about ground service (Gökırmak, 2014).

Labor costs are one of the biggest expenses for the airline industry. They constitute approximately 40% of total cost. Turkish Airlines were left in the crunch many times by HAVAIS which is a strong union. Attempts to strike which were organized by union were prevented many times by Turkish government.

Additionally the adverse effects of weather conditions and natural disasters cause postponement or cancel of flights. In this case, insufficient capacities of hotels in İstanbul constitutes a major problem.

3.4.2. Threats of New Entrants

Because the positions of the airlines in the aviation sector, the possibility of entering of a new powerful player to sector is low. Economies of scale, diversification of products, capital, switching costs between products, access to distribution channels, disadvantages of costs, dissuasive prices and government policies and regulations are factors that hinder market access (Gökırmak, 2014).

Potential new companies are new regional airlines, foreign airlines, and airlines which switched to passenger transportation from cargo sector. Although some small regional carriers attempt to enter the long haul markets, they can`t succeed in the long term. Only Jet Blue and Virgin Airlines in the international market have managed to remain as two new players. In Turkey, Pegasus, Atlasglobal and Onur Air have managed to create competition in some flight networks against Turkish Airlines. As a result, airlines which have high cash flow can stay in the market due to high input

costs (Gökırmak, 2014).

3.4.3. Threat of Substitute Products or Services

Threat of substitute products or services should be analyzed with competitive advantages of substitute products and substitute service diversity. There is no substitute for long haul flights in aviation industry. Airline companies are more advantageous than any transportation vehicles for long distance journeys than 500 kilometers in terms of cost, distance, speed and efficiency. However private cars, ships and trains must be compared economically for short distance journeys than 500 kilometers or 5 hours. High speed trains, intercity buses, ships, private cars, video conference, and internet access are alternatives for Turkish Airlines (Gökırmak, 2014).

For passengers traveling between İstanbul and Ankara, high speed train section is an alternative. High speed train network among Ankara-İstanbul, Ankara-Eskişehir and Ankara-Konya lowered transportation time and demand of intercity buses and airplanes.

Service quality of the intercity buses and terminals is increasing day by day. 2+1 seater buses offer service for passengers in recent years. At the same time, these buses offer internet, film, music, television and game services thanks to screens behind passenger seat.

Video conferences are a technology which provides high quality audio and sight service. They eliminate journey requirements for business meetings and provide time, labor and cost savings.

Internet access uncovers opportunities to reduce operating costs. E-mail, voice communication and mail system through internet reduce air travels for meetings.

3.4.4. Bargaining Power of Customers

The bargaining power of customers is proportional with market share of purchased product or service from an airline. The importance of product and service

standards and product features, the cost of replacing customer, backward integration possibilities of customers and knowledge level of customers affect the bargaining power of customers (Gökırmak, 2014).

Relations with customers who have high purchasing power are strategically important for airlines because of price competition in aviation industry. Some airlines demand high prices for short haul flights due to they were established in order to serve for long hauls. That`s why, customers also act strategically when they will choose the airline which they will use.

Customers who have high purchasing power in the market for Turkish Airlines are travel agencies, corporations for business travels, government and public institutions, tourist passengers, aircraft lessor companies, Turkish Armed Forces, Religious Affairs Directorate, cargo and mail companies (Gökırmak, 2014).

There is a significant purchasing power of consumers in the airline industry. Economic recession that started in 2000 and the terrorist attacks of September 11, 2001 created many negative effects for customer demand. Revenue passenger kilometers (RPK) decreased significantly in the early 2000s. There was no any decline in available seat kilometer (ASK) during this period. Although airline industry tried to decrease available seats because of declining demand for airline industry, sector became failed. Therefore, load factor declined and customers had pressure opportunity to decrease ticket prices due to Turkish Airlines has more passenger seat capacity than demand. As a result of that, big travel agencies, Religious Affairs Directorate, Turkish Armed Forces and some corporations obtained price reductions (Gökırmak, 2014).

3.4.5. Competitive Rivalry

Number of competitors, sectoral development, storage costs, differentiation and transition costs, varying the amount of production capacities, different rivals, strategic interests, changes in competition, entry-exit barriers, and government policies create the main points of competition in any industry (Peksatıcı, 2010).

There is a big price war between low cost airlines and traditional full service carriers. For example Pegasus Airlines, Atlasglobal and Onur Air in domestic market, Lufthansa, AirFrance-KLM, Qatar Airways, Etihad, Emirates, British Airways, Delta and United Airlines in international market are big competitors for Turkish Airlines.

According to Porter, there are 3 ways for efficient competition. These ways are produce more cheaply, offer more different product or service and become dominant in a broad market. The low labor costs in recent years against other international companies are an advantage for Turkish Airlines. High quality catering service of Turkish Airlines is a distinctive factor. Turkish Airlines was selected the best airline in Europe since last 4 years by Skytrax (Gökırmak, 2014).

In addition to these advantages, Turkish Airlines is an airline that flies to the most countries and fourth airline which has the most destinations in the world. According to interview with business development manager İsmail Semerci, İstanbul has a serious advantage due to the layout of the world's population and the starting and ending points of travels in the world. Therefore, İstanbul provides meaningful connections with this geographical advantage.

At the same time, Turkish Airlines has the advantage of multi-point feed from multi-point and advantage of short connection time thanks to meaningful connections. Additionally, Turkish Airlines flies to many destinations with narrow body aircrafts thanks to geographical location of İstanbul and therefore, it has low cost per available seat kilometer.

Passengers of Turkish Airlines can take benefits through Star Alliance from product variety of Miles & More that is Lufthansa`s frequent flyer program. The lowest lost luggage and luggage accident rate among European carriers and provided facilities to airlines in Turkey by Republic of Turkey are advantages of Turkish Airlines.

Germany is the largest country of Europe in terms of foreign trade volume. The size of the foreign trade volume automatically means that the majority of travels to the country in terms of inputs and outputs. In particular, there is a significant correlation between import-export, cargo, trade volume, number of passengers and flight number.

Turkey's foreign trade volume is relatively smaller than Germany, United Kingdom and France in Europe. This situation creates a disadvantage for Turkish Airlines.

Pegasus, Atlasglobal, Onur Air are rapidly increasing the number of markets, which they serve, and their flight squadrons. Especially Pegasus rapidly expanded its capacity to become a major competitor for Turkish Airlines. Gulf Airlines, Qatar Airways, Etihad and Emirates continue to increase their capacities for intercontinental passenger transfers. These airlines began to enter into alliances with other associations and western big airline companies (Gökırmak, 2014).

İstanbul Atatürk Airport is the biggest problem because of four restrictions for Turkish Airlines. Tower and runway constraints in terms of aircraft landing and take-off, terminal constraint because of passenger density and the number of passengers per square meter, parking problem and lack of bellows and slots are problems of Atatürk Airport for Turkish Airlines. Finally, customer dissatisfactions because of these problems can generate a disadvantage for Turkish Airlines.

4. Marketing Strategy of Turkish Airlines and its Problems

4.1. Target Market

A marketing strategy explains target market and marketing mixture. In other words, it is a big picture of what a firm will do in the market. Target market is a fairly homogeneous (similar) customer group who wants to get a product or service which is offered by a company in order to focus to marketing efforts. Additionally, target market is not a mass marketing which assumes that everyone is the same and it considers everyone to be a potential customer. Target market is a marketing oriented strategy that assumes everyone is different and everyone needs different products. Another concept explained by marketing strategy is marketing mixture. Marketing mixture is manageable variables used by a company to satisfy customers and occurs from price, promotion, place and product (Perreault, Cannon, & McCarthy, 2011).

Generally, it is thought that airline companies use flight classes in order to determine target market. Such as economy class, business class or comfort class. However, this shows customers` willingness to pay for additional services and their price sensitivities. This approach does not show an indication in terms of needs of customers in aviation industry. There are 5 different segments which show customers` purchase approaches and their needs in airline industry. These are we`re off again, loyal to loyalty, urgent travel, business travel and budget conscious (Fripp, 2012).

Market segmentation provides an opportunity to Turkish Airlines to focus its resources in market where its competitive advantage is at the highest. According to this, Turkish Airlines focused to three target market among these five target segments.

First target market is corporate business air travelers. Generally, this segment consist of passengers who are loyal to an airline and price insensitive. As indicated by its name, many business passengers prefer business class for their travels and this segment has a big proportion for Turkish Airlines.

Second target market is passengers who use airline frequently for business, holiday or visiting family. In other words, it means loyal to loyalty. The main reasons

of this kind of passengers for strong loyalty are frequent flyer programs which offer various advantages and lower prices or less willing to consider alternative airlines. This group is the most ideal target market for Turkish Airlines.

Third target market is individual passengers who want to have luxury and comfort travel and do not have price sensitivity. Generally, this group consist of retired passengers who have money and time. They are loyal passengers to a few airlines and do not research airline brand due to they have travel experience.

4.2. Marketing Mixture

There are lots of used ways to satisfy target market. Product can has many features or company can make arrangements related with brand, customer services and warranty before and after sales. Various advertisements can be used by company. Price of product can be changed or some discounts may be offered to customers. It is possible to satisfy the needs of target market with many possible variables. Marketing mix degrades all possible variables to 4 basic variables (Perreault, Cannon, & McCarthy, 2011).

The concept of the marketing mix means all activities applied by business management to combine 4Ps. Due to there are many sections related with product characteristics, advertisements, prices, distribution methods and other marketing variables, each company has to determine a marketing mixture in order to achieve organizational goals. The marketing mix has many aspects. However, elements of the marketing mix is handled in four basic categories. This four basic category generates controllable variables of marketing and is referred as 4P of marketing concept.

Marketing mix elements, or in other words the elements of 4P are under the control of managers and this mixture establishes a framework for the marketing strategies. Each element of marketing mixture should be taken into consideration to develop a successful marketing strategy and decisions related with developing of sub-strategies should be identified for each element. Therefore, marketing mixture of Turkish Airlines was examined to understand marketing strategy in this chapter.

4.2.1. Product

Product concept express all provided offerings for customers by companies or non-profit organizations. This offering can be physical product, a service or mixtures of both of them (Perreault, Cannon, & McCarthy, 2011). Product in airline industry is more than an offered seat on a route. Actually product in airline industry should not be seen as a physical item. Generally product in airline industry includes safety, cosiness, availability of destinations, flight frequency, ticketing and baggage handling factors. Additionally, product concept can be extended if airline company offers possibility of car rental and service of hotel reservation.

The products offered by Turkish Airlines are excellent in terms of satisfaction of needs and desires of passengers. Airline tries to offer senior services to all customers with 301 aircrafts which it has. According to interview with İsmail Semerci who is business development manager of Turkish Airlines, the company provides tickets at reasonable prices to passengers who want to fly from one destination to another. Flight schedule of Turkish Airlines is second product. Turkish Airlines has the opportunity to transport passengers directly or with short transfer time thanks to İstanbul`s location advantage. Additionally, aircraft fleet with a low average age, worldwide brand awareness, high seat distance on aircraft, the best business class meal, the best premium economy seats, hot and cold beverages on board and the best inflight entertainments for passengers are another products of Turkish Airlines.

In addition to these products, Miles & Smiles program, which provides facility of lounge, miles scores and upgrade, is the most important product of Turkish Airlines. In the scope of Miles & Smiles program, Turkish Airlines aims to offer additional services to customers through signed agreements with Dedeman, Swissotel and Hilton Hotels. Thanks to advantages of this loyalty program, passengers can eat meal, listen music, watch a movie from collection or read magazines and newspapers that given by staffs in airport lounges (Ekici, 2012).

Airline companies differentiate their inflight and ground services as a product due to intensive competition in the industry. Therefore, Turkish Airlines also tries to differentiate its services in terms of space, seat and comfort. It provides sightseeing

cards and chauffeur services for customers. In order to satisfy needs and desires of different types of passengers, company offers three different flight classes (Georgiev, 2011).

Passengers belong to business and comfort classes spend quality time thanks to lounges in the most important airports in the world. Place of business class among three different classes is different for Turkish Airlines. Although business class travel is not a new product, Turkish Airlines differentiates its class based on price in order to compete against rivals. In this way, Turkish Airlines became one of the most preferred airlines in the world with increasing product innovation, quality and lower prices.

When we look at the offered services, it can be said that Turkish Airlines offers quality services. Company was selected the best airline in Europe and the best fourth airline in the world in 2015. Skytrax which compares airlines in terms of service quality, proves that Turkish Airlines is an excellent airline.

4.2.2. Place

Marketing strategy aims to distribute product properly. Correct distribution channels are necessary for direct or indirect sales. Therefore, place has an important role for marketing strategy. Place in airline industry is a marketing activity related with quality of services and easy access to reservation and ticketing services of airlines for passengers. Airlines delivers services either directly or indirectly to customers (Ekici, 2012).

Direct distribution channels of Turkish Airlines include ticket sales and reservation offices, call centers, website and general distribution system. Additionally, advanced mobile applications through developments in technology in recent years should be added to direct distribution channels. Indirect distribution channels of Turkish Airlines are sales offices and travel agencies of other airlines.

Travel agents are one of the most important distribution channels in terms of sales for Turkish Airlines. Travel agents of Turkish Airlines offer services for passengers who want to buy ticket, make reservation or get knowledge about flight.

They provide also an advantage in terms of brand awareness for airline.

Alliances in the industry is also considered as a distribution channel. Airline companies need global alliances in order to provide uninterrupted and global flight network and to differentiate their services from other airlines. For example, Turkish Airlines has achieved wider flight network, opportunity to use airports of airlines in alliance and special price campaigns thanks to the protocol agreement with Star Alliance (Ekici, 2012).

In order to obtain target market, Turkish Airlines offers services of reservation and direct sales and informs passengers about flights and campaigns through its website. Website allows these operations to be made of inexpensive and efficient manner and Turkish Airlines becomes an airline that has a large consumer base.

In addition to website, Turkish Airlines has direct relations with travel departments of companies in order to attract attention of corporations. To do this, Turkish Airlines has a team which communicates with these departments. Thanks to direct sales to corporations, Turkish Airlines is in advantageous position about product differentiation. Besides, company aims to grow up its market share through offered product recommendations to corporations which uses rival airlines.

General distribution systems not only Turkish Airlines but also whole transportation sector and tourism industry are crucial distribution channels. Amadeus, Galileo, Sabre and Abacus are electronic reservation distribution systems for tourism industry. Travel agencies and airline companies perform their pricing services, reservations and ticket sales through these systems. Turkish Airlines is in collaboration with Amadeus service provider. Thanks to Amadeus, Turkish Airlines performs ticket sales and reservations for transportation and accommodation fast and safely. System provides opportunity to reach to many passengers. Turkish Airlines obtains recognition advantage in the international market thanks to this system. Centralization of bookings, company control, time and cost savings are the most important benefits of Amadeus for Turkish Airlines. In addition to these, numerous options and compare facilities, guaranteed reservations and making travel plans are benefits of Amadeus for customers (Yüksek, 2013).

4.2.3. Price

Although price is considered relatively by passengers, it is an indispensable competition element to ensure customer value. Customers, who do not have any flight experience before, predict service quality or value through price. Therefore, pricing emerges as a critical factor.

According to interview with İsmail Semerci who is business development manager of Turkish Airlines, there is a dynamic pricing structure in aviation industry. Load factors, sales curves related with flights, cost structure, distribution channels, competition with rivals and number of seats offered by competitors determine price of seat in aviation industry.

In addition to these, Turkish Airlines applies different pricing strategies according to flight season, holidays, costs, destination and positions of other airlines in the market. Price elasticity of demand is also important factor for pricing. For example, business travelers, first class passengers and groups, that take a journey for prestige, are insensitive to price. On the other hand, passengers, who travel for tourist purposes, are very sensitive to price (Ekici, 2012).

Labor costs that provide competitive advantage are low in Turkey. However, labor force pool grew up in terms of pilot and cabin team in Turkey. This new development will constitute a new problem for Turkish Airlines to protect personnel cost advantage in the future. Therefore, company administration focuses to personnel efficiency.

Management of fuel costs is another critical success factor to offer lower ticket prices for airlines. In order to protect itself from fuel cost risk, Turkish Airlines established a jet fuel supply company in 2009 with Opet that is a local fuel-oil retailer.

Main pricing strategy of Turkish Airlines is price leadership. It aims to offer services more cheaply than goods and services which offered by competitors with this pricing strategy. However, low prices do not mean low service quality for Turkish Airlines. By this mean, passengers obtain high quality flight opportunity with lower prices. Pricing strategy of Turkish Airlines is consistent with other components of marketing mixture. Promotions, which used by airline, affect prices. That`s why,

Turkish Airlines tries to disuse high costly extensive market campaigns such as TV adverts in order to keep prices low for product introduction.

Table 4.1-The Comparison of Pricing of the Airlines between Jan 25 and Feb 01, 2016

Airlines	Economy Fares	Business Fares	Turkish Airlines Economy %	Turkish Airlines Business %
Turkish Airlines	165$	1017$	% 42,9	% 1,86
Lufthansa	289$	998$	Cheaper	Expensive
Turkish Airlines	278$	1999$	% 3,13	% 47,02
AirFrance	287$	1059$	Cheaper	Expensive
Turkish Airlines	311$	724$	% 30,73	% 9,27
British Airways	449$	798$	Cheaper	Cheaper
Turkish Airlines	596$	3247$	% 18,91	% 33,96
Emirates	735$	2144$	Cheaper	Expensive
Turkish Airlines	315$	1469$	% 58,98	% 5,99
Qatar Airways	768$	1381$	Cheaper	Expensive
Turkish Airlines	1003$	4238$	% 48,45	% 42,85
Delta Airlines	1946$	7416$	Cheaper	Cheaper
Turkish Airlines	672$	2839$	% 24,23	% 2,27
United Airlines	887$	2905$	Cheaper	Cheaper

Source: Websites of Related Airlines

Additionally to promotions, distribution channels and cost per available seat kilometer also affect pricing. Thanks to location advantage of İstanbul, Turkish Airlines flies to many destinations with narrow body fleet. Besides, low average age of fleet has an impact on low costs. All of these are advantages of Turkish Airlines over its competitors to get price advantage.

Table 4.1 shows round trip prices belong to flights among İstanbul Atatürk Airport and hub of each airline. According to table, we can say that Turkish Airlines generally flies with lower prices. Low labor costs, successful management of fuel costs and correct pricing strategies are major reasons of the low prices for Turkish Airlines.

4.2.4. Promotion

Marketing departments of companies uses promotions as a tool to increase their profits and market shares. Schlegelmilch defines promotions as a paid advertisement

(Keegan & Schlegelmilch, 2001). On the other hand, according to (Dunn & Barban, 1978) promotions are communication way between companies and customers. Promotions which inform target market about products and services of Turkish Airlines, contribute to brand image of airline.

Airline companies use advertisements in order to introduce their products and services. Advertisements are divided to two main groups. Local advertisements are more cultural, sincere and special for each country. However to prepare specific advertisement for each country is more costly. Global advertisements are more suitable about cost due to they use same strategies and concepts in different markets. Nevertheless global advertisements are disadvantageous about adaptation to different cultures. On the other hand although they have disadvantage, global ones can improve relations with customers in short-term and help to airlines in long-term about brand awareness (Keegan & Schlegelmilch, 2001).

Turkish Airlines use both of local and global advertisements for promotion. Many corporate airlines use themes like safety, quality, approval of various authorities, and comfort through advertisements to communicate with customers. For example, British Airways emphasizes safety and security with its slogan which is more attentive and very careful for you. On the other hand, Turkish Airlines emphasizes comfortable and quality services on high standards with extensive flight network.

At the same time, airlines use worldwide famous stars for company promotions. Lionel Messi, Kobe Bryant, Didier Drogba and Kevin Costner were brand ambassadors of Turkish Airlines in the past. The main reason of Turkish Airlines to selecting worldwide famous stars was to create an impression of global airline in the world. By this means airline obtained brand awareness about company name and services on potential foreign customers.

In addition to corporate advertisements, airlines take advantage of sponsorship agreements for brand awareness. They support many projects in the field of education, health, culture and art with sponsorships. For example, Turkish Airlines supports many local and global football clubs like Galatasaray, Barcelona, Manchester United, Marseille and Borussia Dortmund. In this way, THY aims to obtain brand awareness

in the global market. At the same time, Turkish Airlines which is sponsor of Turkey national basketball team supports also tennis, golf and many other sport activities.

According to İsmail Semerci, promotional activities are activities performed to obtain loyal customers. Therefore, Frequent Flyer Programs are the most important intensively and effectively used promotional effort for airline companies. Program created by American Airline in 1983 is still being used (Wright & Lovelock, 2002). In the scope of Miles & Smiles program, Turkish Airlines offers opportunity to collect mileage points and many privileges like award ticket and flight class upgrade.

TV advertisements are the biggest tool of airlines to reach target market but they are too costly. Newspapers enable to reach target and non-target market however they are not long term advertisements. Magazines are more suitable for long term. Internet advertisements which enable to inform customers about product, services and campaigns with low costs, are another section to obtain target market. Turkish Airlines uses a combination of all promotion sections (tv advertisements, magazines, newspapers and internet) in order to decrease possibility of failure risk (Keegan & Schlegelmilch, 2001).

Efficient advertisement campaigns help the airline to obtain high selling rates and market share. Consequently, message, slogan, music or logo in advertisements should be simple and understandable (Keegan & Schlegelmilch, 2001). When we examine promotions implemented by Turkish Airlines, we can say that promotions are remarkable and creative. The differentiation of services offered by Turkish Airlines, is expressed clearly in promotion campaigns. Additionally language, music or slogan used in advertisements do not need any adaptation for foreign markets.

4.3. Intended Strategies

4.3.1. Market Penetration

Market penetration is an operation applied by a firm in order to increase sales of existing products in existing market. These operations try to strengthen relationships with existing customers, increase proportion of buying for customer or attract

customers of rival firms. Just promotion activities may not be sufficient to get these goals (Perreault, Cannon, & McCarthy, 2011).

Turkish Airlines uses a marketing funnel to perform in a successful manner. This funnel is a system which follows buying decisions of customers and stages of these decisions. Additionally, funnel shows what the company needs in each stage in order to affect customers and to get loyal customers. According to assumption of funnel, firstly customer becomes aware of product or service, thinks to buy and prefers it and then customer buys product or service. Finally, customer becomes loyal to brand and advocates benefits of product or service to family or friends (Johnson, 2010).

According to interview with business development manager of Turkish Airlines, each company should has a strong brand awareness in the market to implement a successful market penetration strategy. If an airline is not known by customers in the market, offered low prices and campaigns do not express a meaning. Therefore, social media, advertisements and sponsorship activities are applied by Turkish Airlines for awareness.

Activities related with price and flight schedule come forward after brand awareness. Partnerships with travel agents and service providers (Amadeus) provide important advantages. Turkish Airlines sells its products on the internet, opens new stores and cuts prices for short term. Many companies try to have loyal customers to consolidate market penetration. Therefore Frequent Flyer Programs are used by airlines for this goal. Similarly, airlines analyze customer needs to determine cross selling opportunities. For example, when an airline passenger buys a ticket, some sections are offered by airline for passenger. Such as car rental or hotel options.

Turkish Airlines provides different inflight services to customers in order to expand its impact on the market and increase number of passengers. For example, traditional Turkish cuisine with Turkish hospitality is offered by the company for catering service in aircraft.

Although Turkish Airlines flies with high quality flight service, offers reduced fares for passengers thanks to competitive pricing strategy that has lower cost per available seat kilometer. At the same time, Turkish Airlines applies promotion

activities for various family travel packages to penetrate market.

In addition to reduced fares, Turkish Airlines gains market share through renovation of fleet and modernization of brand image as a whole. It announces its brand to whole world thanks to advertising campaigns conducted by the world-famous stars. Moreover, Turkish Airlines targets to improve its frequent flyers with Miles & Smiles program which provides various advantages at negotiated airlines, hotels, car rental companies, technology stores, insurance companies, health centers, tourism agents, fuel oil and telecommunication companies.

4.3.2. Market Development

Market development is a growth strategy which aims to offer existing product or service to different market in order to attract new customers and increase sales. To apply this strategy, companies can export their products to new geographical markets, use new distribution channels with new product dimensions and packaging approaches, apply different pricing policy to attract different target market in new market. Businesses can apply a different marketing mixture to understand how to do new reposition of products or services (Synman & Kruger, 2004).

Business development manager İsmail Semerci said that there are dominant factors which determine market. According to him, if business travels have a big share in the market, airline company must have very strong corporate marketing department. If holiday travels have a big share in the market, airline company must have partnerships with travel agents. That`s why, different strategies are applied in each market by local managers due to market development varies from market to market.

Market development is more risky than market penetration due to the targeting growth in new markets. Therefore, Turkish Airlines uses SWOT and PEST or CAGE Distance Framework in order to identify opportunities and threats in new market. As a market development strategy at first times, Turkish Airlines reaches to destinations through partners of codeshare and partnerships in Star Alliance. When the flights reach to certain size or volume, Turkish Airlines starts to fly to these destinations.

Additionally increase in the number of passenger and growth in aircraft fleet need the new markets which Turkish Airlines seeks to sell its products or services. Network planning department in Turkish Airlines determines new destinations in the world through market datas, statistics, market size, competitors in the market, population density in the new market, the annual number of passenger in airport, travelling rates of per capita gross domestic product. Administration of the company announces Turkish Airlines` new routes, holiday packages and other promotions to current and new target markets through tv advertisements, press conventions, travel agents, tour operators and airline personals. Turkish Airlines is planning to expand its destinations with cities like Manila, Taipei, San Francisco, Porto, Bari, Bogota, Havana, Karakas, Panama and Krakow in 2016.

In addition to this the Turkish Airlines aims to expand its flight frequencies and destinations as a mission for Turkey`s tourism and its growth. It promotes Turkey in each new destination. Turkish Airlines encourages shopping festivals that attract more tourists to Turkey which offers many facilities.

4.3.3. Product Development

Product development means a growth strategy where company targets to introduce new product in existing market. This strategy requires detailed foresights for research and development, innovation and passenger`s needs (Sweeney, 1994). That`s why, product development of Turkish Airlines involves technological developments and investments. Such as investments to Miles & Smiles program, to lounges in airports and to seats of aircrafts.

Complementary services such as car rental, hotel booking, especially mapping of routes for foreign tourists raised service quality. Additionally, introduction of internet technology in aircrafts with integration of smart phones and computers created an important value in term of service quality for airline industry. That`s why Turkish Airlines also followed developing technology and firstly used the most advanced technology in aircrafts.

Communication systems in aircraft are major advantages of Turkish Airlines. Airline provides television service and high quality wireless internet in aircrafts for intercontinental flights through Global Communication Suite System (GCS) developed by Panasonic Avionics Corporation. Turkish Airlines became the first airline using this system in the world on Sept 23, 2011. Planet GCS system is offered by Boeing 777-300ER and Airbus A330-300 aircrafts which is owner of Turkish Airlines (Turkish Airlines, 2012).

During trial phase, free wireless internet service for the use of passengers was offered by Turkish Airlines. Currently, all passengers through the use of credit cards take benefit from internet with user name and password given by the cabin crew during the flight. Passengers can reach to newscast, their Miles & Smiles accounts thanks to planet portal in aircraft or they can use their phones and computers.

4.3.4. Diversification

Diversification means moving into totally different lines of business perhaps entirely unfamiliar products, markets, or even levels in the production, marketing system. Products and customers that are very different from firm`s current base may look attractive to the optimists but these opportunities are usually hard to evaluate. That`s why diversification usually involves the biggest risk (Perreault, Cannon, & McCarthy, 2011).

Firms generally use market penetration or product development in order to increase their profits. Market development, which includes opportunity to move products or services into the new markets, has more risks than market penetration and product development. However, diversification is the most risky strategy. Any company can increase its market share, sales and profitability through a well-directed diversification strategy. Otherwise, each company can be failed easily.

According to interview with İsmail Semerci, Turkish low cost carriers entered to Turkish domestic market after the success of European low cost carriers and deregulation of airline market in Turkey. Success of Onur Air, Atlasglobal and

Pegasus started to generate a threat for Turkish Airlines in later years. In order to protect itself against threats and to obtain share from low cost airline market, Turkish Airlines established AnadoluJet which offers opportunity of flight with low cost.

AnadoluJet which use Ankara Esenboğa Airport as hub, has high flight frequency due to location of its hub and short haul flights in terms of distance. In order to reduce costs, AnadoluJet has short distance between seats and offers limited food and beverage service in airplane. Company which carries passengers with 2 Embraer 190, 3 Embraer 195 and 24 Boeing 737-800, arranges flights to many small and big cities in Turkey (AnadoluJet, 2016).

4.4. Marketing Problems

When Turkish Airlines is considered as a system, marketing subsystem will be affected from other subsystems, and problems of other systems will be arisen as marketing problems. For this reason, marketing problems of Turkish Airlines and other problems, that affect marketing strategies, will be handled together in this part.

4.4.1. Customer Relationship Management (CRM) Problem

Airline industry, has always been familiar with information technology since SABRE (Semi-Automated Business Research Environment) which is the first computerized reservation system developed by American Airlines and IBM in the late 1950s. There are many different valuable information in a passenger's booking process. Through data mining, which is done by information collection, can be done accurate estimations about future prices of air tickets or especially marketing strategies which would be applied.

There are available many different datas in each reservation record which is called PNR (Passenger Name Record) in order to use for CRM (Customer Relationship Management). CRM application analyzes and interprets many database information which can`t be processed with conventional software and many different techniques.

According to "At the Big Data Crossroads: turning towards a smarter travel experience" written by Thomas H. Davenport who is visiting professor at Harvard Business School, information stacks, complex and unstructured data sets are very important information sources to reshape the airline industry. Therefore, CRM program is an opportunity to identify more efficient marketing strategies through information stacks about passengers.

British Airways has a CRM program which is called "Know Me". According to case study conducted by Thomas H. Davenport about CRM program which is used by British Airways, company aims to recognize passengers to respond faster to the demands and needs of passengers. Thus, British Airways can go a step beyond its competitors (Davenport, 2013).

British Airways in this context;

- Aims to recognize the most loyal passengers in order to provide special advantages. In this way, passengers can feel themselves valued
- Aims to identify disruptions in the services in order to respond to problems with the fastest way
- Aims to analyzes and interprets datas related with passengers in order to offer new sections or suggestions to passengers

In addition to British Airways, scanner program Hipmunk which shows many components (flight, hotel, room, train, car rental) related with travel industry, Kayak which is travel search site, Marriott which provides suitable hotels for passengers with approximately 3400 member hotels in 68 countries and Munich Airport that wants to obtain more information about passenger behaviors, use CRM technologies (Davenport, 2013).

In interview with Turkish Airlines business development manager İsmail Semerci, manager said that the biggest problem for marketing department of Turkish Airlines is passenger surveillance system. Product or service and price are determined by demands and needs of passengers in the airline industry. However, Turkish Airlines, which does not have any CRM technology, has lack of knowledge about flight

purposes of passengers. That`s why, the success rate of implemented marketing campaigns in order to reach target market is very low for Turkish Airlines. Company faces serious problems about right product offer to passengers, sales of products and obtaining loyal customer and recognition of members who are not members of frequent flyer program Miles & Smiles.

4.4.2. Capacity and Density Problems at Atatürk Airport

When creating aircraft fleet in terms of flight range, considering potential flight points, it must be bought narrow and wide body aircrafts in the appropriate proportion. In the absence of wide body aircrafts in the fleet, airline will give up long-haul flights or use third airports that can be made refueling in order to fly to long hauls. This situation will substantially increase the cost of the flight, and reduce competitiveness of airline company in the market. In the same way, large number of wide body aircrafts which dominate fleet, will be a factor which increases the cost of short haul flights. When determining the fleet of Turkish Airlines, company has to take into account potential destinations, location of its hub and capacity of parking area of its hub (Turşucu, 1995).

Turkish Airlines is an airline which has possibility of reaching to 50 countries within 3 hours with narrow body aircrafts thanks to location of İstanbul. 40 percent of world international flight traffic is within 3 hours from İstanbul. In other words, Turkish Airlines can reach to Middle East, Middle Asia, North and East Africa and all Europe with narrow body aircrafts. 80 percent of fleet has narrow body fleet structure due to this location advantage (Turkish Airlines, 2015).

However, insufficient parking capacity in Atatürk Airport is the biggest reason that prevents growth of fleet of Turkish Airlines. When Turkish Airlines creates aircraft fleet, the company faces problems of slot allocation and parking area because of insufficient capacity of Atatürk Airport. When Turkish Airlines wants to strengthen its fleet with new aircrafts, insufficient capacity of hub prevents new acquisitions.

According to interview with business development manager of Turkish Airlines,

airline does not have the desired economic growth in real terms because of capacity problem of hub. Turkish Airlines, which does not have sufficient wide body aircraft, therefore does not have competition power in especially Latin America and South Africa. Although company has many destinations in other areas, does not have large number of flight frequency. In addition to these problems, Turkish Airlines has low brand awareness in Latin America because of it does not have enough competition power.

On the other hand, terminal density in Atatürk Airport is another problem for Turkish Airlines. Going from one point to another point in Atatürk Airport causes waste of time for transfer passengers. Waste of time due to density of Atatürk Airport causes delayed flights for Turkish Airlines. According to explanations of former chairman of the board and chairman of the executive committee, Turkish Airlines has suffered a loss of 110 million dollars because of realized delayed flights in 2011.

4.4.3. Organizational Problems

Airline companies have to obtain high load factor in terms of cargo or passenger in order to survive and continue to profitability in long term. To ensure this, in addition to signed codeshare agreements and alliances, airlines need an organization created by the marketing staff (Turşucu, 1995).

However, lack of institutions which offers training for aviation sector does not satisfy the demand of trained personnel. The lack of sufficient trained personnel in the airline industry of Turkey decelerates quality of service to come to desired level.

According to interview with İsmail Semerci who is business development manager, organizational problems of Turkish Airlines can be summarized as follows.

1. Number of staff and lack of trained personnel prevent to form units in the organization chart of Turkish Airlines. Therefore, some departments perform their duties in other departments of Turkish Airlines. This means to become inadequate in terms of the goals and objectives of the organization. For example, sales and marketing departments continue to

work together.

2. Turkish Airlines needs cabin crew and especially equipped personnel or team in technical field as a parallel to economical growth. Airline needs 25 or 30 staff members for each purchased aircraft. Continued employment and training activities are required in order to avoid the problem of lack of staff.
3. Approval of completed work by senior management causes to delay of the workflow in organizational structure.
4. Sustainable growth obtainment in airline industry depends on long term plans. Employees should not be changed frequently because these plans will result in 10 or 15 years. However, 51 percent of Turkish Airlines, which is a state owned airline company, belongs to state. Senior managers of Turkish Airlines are replaced by state with each change of government. That`s why, long-term plans are postponed by Turkish Airlines.

5. Marketing Recommendations

5.1. SWOT Analysis

Examinations of the organizational structure according to some criterias are important tools of modern business administration. These examinations show current state of organization. SWOT Analysis, that is one of these techniques, evaluates institutional functioning of the company, competition power, company`s position in the sector and the presence of external threats on the market.

There are two important benefits of SWOT Analysis for corporations. First benefit is to show what is the current position of the company with strengths and weaknesses. Second benefit is an analysis that shows what the company will do against possible opportunities and threats. In this sense, SWOT Analysis, including 2-ways (both internal and external) and 4 coverages is an analysis technique.

Strengths, weaknesses, opportunities and threats that affect the marketing strategy of the Turkish Airlines will be determined in this part of the study.

5.1.1. Strengths

A. Geography : Hub and Home Market

Turkey is one of the countries have high population in Europe. However airline industry in Turkey is underpenetrated compared to other European countries. Therefore, Turkey has a significant growth potential in terms of airline industry. Compound average growth rate of passenger numbers in domestic and international market show that Turkey develops in airline industry.

Additionally, Turkey with dynamic economy, wide geographic area offers an important support for development of Turkish Airlines. Turkish Airlines which has direct flight possibility to 50 countries in 3 hours from Turkey among Asia, Europe, Middle East and Africa, is in advantageous position against competitors. Turkish Airlines with this advantage, use narrow body aircrafts for 80 percent of its flights. In other words, Turkish Airlines can reach to 183 of 214 international destinations with

narrow body aircrafts (CAPA, 2014).

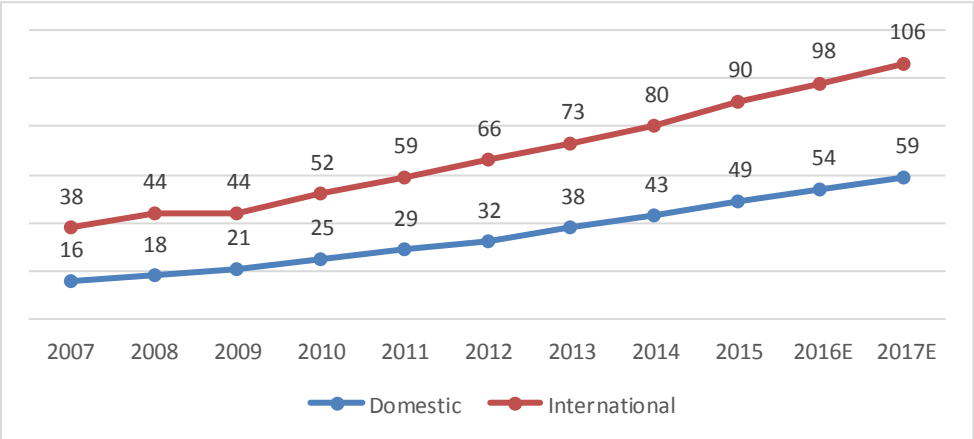

Figure 5.1-Air Passenger Numbers of Turkey (Million)

Source: Turkish Statistical Institute

B. Powerful European Network

Turkish Airlines, which maintains its work with a goal of having a modern and youngest fleet of Europe, is an airline that flies to the most countries in the world and has the fourth largest network in the world. According to regional revenue distribution and regional passenger distribution, Turkish Airlines obtains 32.3 percent of its revenues and 59 percent of its passengers from Europe. 107 of 284 destinations, which belongs to Turkish Airlines, are in Europe.

C. Strong Traffic Growth

Turkish Airlines continue to its flights with strong growth rates. According to revenue passenger kilometer datas, Turkish Airlines which is above the world average has a significant share in world airline traffic. Turkish Airlines as a rising star of European aviation industry attracts the attention of rivals with developments both of size and profitability. According to analysis has been done Center of Asia Pacific Aviation et al (2014), the largest share in annual growth of European aviation sector belongs to Turkish Airlines with 425 percent in 2009 global crisis.

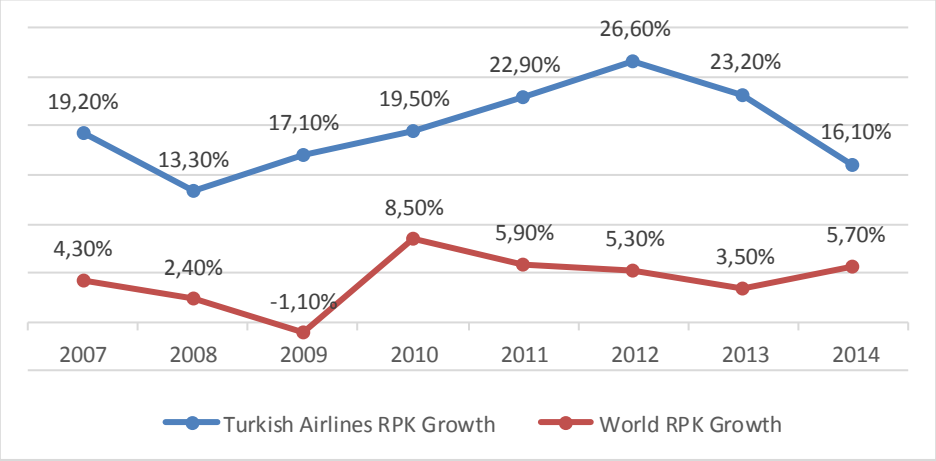

Figure 5.2-RPK Growth of Turkish Airlines and World Averages

Source: CAPA

D. Lower Cost Structure than Full Service Carriers

Turkish Airlines, which has a lucrative income-expense profile about cost advantage, is ahead of rivals compared with them. It is more effective airline than its rivals in terms of cost per available seat kilometer thanks to narrow body fleet structure with low average age. This advantage is the most important tool of Turkish Airlines to become the biggest airline in Europe.

E. Strong Brand Name

Turkish Airlines was selected the best airline in South Europe and Europe since last 4 years by Skytrax. Additionally, it won awards of the best business class lounge dining and the best business class onboard catering. Turkish Airlines with service quality and expanding route has a strong brand name in the world (CAPA, 2014).

F. Profitability

Turkish Airlines is among the most profitable airlines in the world. According to 2014 EBITDAR Margin (Earnings before Interest Tax, Depreciation, Rentals for Operations) it is ahead of European and global competitor airlines (CAPA, 2014).

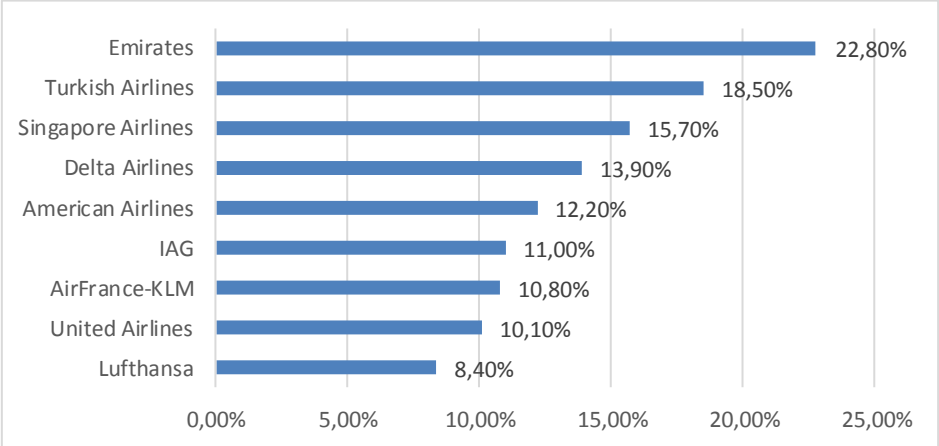

Figure 5.3-Ebitdar Margin

Source: CAPA

The biggest reasons of profitability are risk sharing solutions with profit making subsidiaries of Turkish Airlines. Such as; AnadoluJet, SunExpress, Bosnia and Herzegovina Airlines, Turkish Airlines Technic, Turkish Engine Center, Turkish Ground Services, Turkish Aviation Academy, Turkish Opet Aviation Fuels, DO&CO.

5.1.2. Weaknesses

A. Weak Network Penetration in Asia Pacific and Latin America

Position of Turkish Airlines in Asia Pacific region and Latin America is weaker than Europe in terms of traffic and frequency. Turkish Airlines can`t show too much presence in Latin America and Asia Pacific region because of its fleet structure. However, Turkish Airlines continues to do commercial agreements with important airlines in strategic markets. For this purpose, Turkish Airlines has expanded its transportation facilities to Latin America through agreement with Avianca Airlines. On the other hand, it has expanded available codeshare agreements with Singapore Airlines in Asia Pacific region.

B. Limited Capacity at Atatürk Airport

Rapid growth of Turkish Airlines generated problems of slot allocation in Atatürk Airport. Atatürk Airport, which provides 58 landing-takeoff opportunity in

each hour, does not allow to sufficient slot allocation at busy times. Therefore, Turkish Airlines focused to İstanbul Sabiha Gökçen Airport for local demands, Europe and Middle East flights. However, use of the two hubs is less efficient in terms of passenger transfer traffic (CAPA, 2014).

According to İlker Aycı who is chairman of the board and chairman of the executive committee in Turkish Airlines, even if all flights can be given to Turkish Airlines, capacity is not sufficient at Atatürk Airport. By this reason, third airport, which has facilities of 6 runways and annually 150 million passenger capacity, is required for Turkish Airlines.

5.1.3. Opportunities

A. Route Expansion in Africa

Africa has an important significance for Turkish Airlines` network. Company obtains 8 percent of total number of passenger from Africa. According to regional revenue distribution, Turkish Airlines obtains 7.5 percent of its total revenue from Africa. Continent`s big flight network means big market opportunity for Turkish Airlines (Turkish Airlines, 2014).

Although Africa market is small market, it is a fast growing market. According to analysis has been done by Boeing Current Market Outlook about revenue passenger kilometer development between 2013 and 2033, Africa is in first position with 6.7 percent. Turkish Airlines, which realizes Africa will grow in airline industry, signed codeshare agreements with 24 local airlines in Africa in order to support its destinations and grow up in Africa. Additionally, Turkish Airlines cooperates with Ethiopian Airlines and South African Airways through Star Alliance.

B. Increased Load Factor

Turkish Airlines obtained 12.7 percent growth in terms of load factor since 2009. Turkey`s foreign expansions and the process of removal of visa barriers with

countries close to Turkey resulted with an increment in passenger potential of Turkish Airlines. Operations conducted by the Turkish Civil Aviation, bilateral air transport agreements between Turkey and other countries, third airport construction in İstanbul and other macro-level investment activities increased load factor of Turkish Airlines.

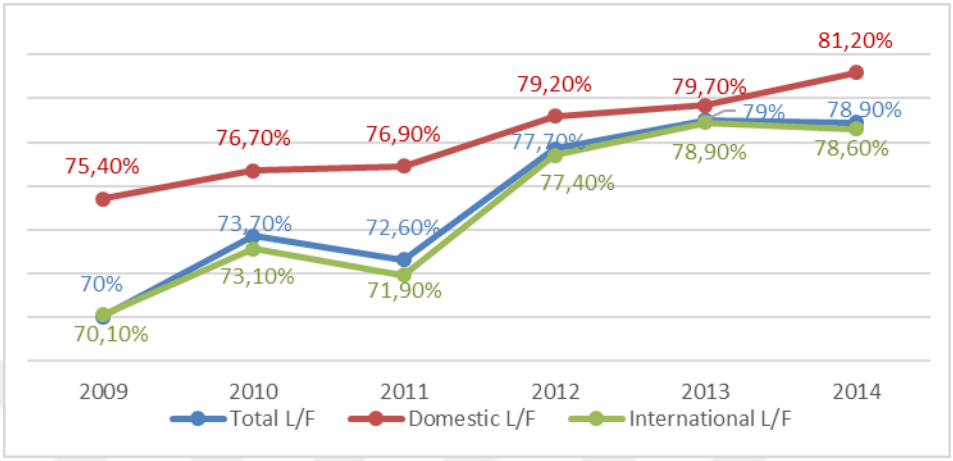

Figure 5.4-Load Factors of Turkish Airlines

Source: CAPA

C. Increased Daily Aircraft Utilization

Daily aircraft utilization hour rose as a parallel to increased load factor. Total daily aircraft utilization of Turkish Airlines in 2014 is above averages of global (8 hours) and Europe (9 hours) with 12 hours 43 minutes. With the ongoing construction of the İstanbul New Airport, numbers of passenger, flight frequencies and daily aircraft utilization will be increased (CAPA, 2014).

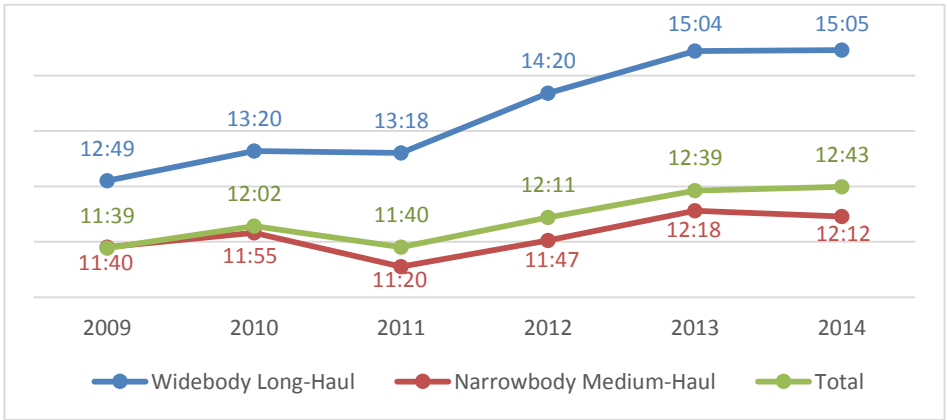

Figure 5.5-Daily Aircraft Utilization (Hour)

Source: Annual Report of Turkish Airlines

D. New İstanbul Airport

With the completion of the İstanbul New Airport construction project, which is in progress in İstanbul and is one of the greatest projects in global civil aviation, a new chapter in Turkish civil aviation will commence. Turkish Airlines, which will have a private terminal in this giant creation, aims to serve 135 million passengers with quality service by 2023. The new airport is planned to serve approximately 150 million passengers after all its stages are completed (Turkish Airlines, 2014).

E. New Aircraft Orders

Currently, Turkish Airlines serves with 207 narrow body, 74 wide body and 10 cargo aircrafts. Additionally, it aims to expand its flight frequencies and network with new orders. Turkish Airlines is also considering to buy the A380 and Boeing 747-8 in order to increase its market share for long haul flights like Asia Pacific, South Africa and Latin America (CAPA, 2014).

F. SunExpress can be Designed to Long Haul Flights with Low Costs

SunExpress which is mutual brand of Lufthansa and Turkish Airlines, is an airline that serves in Europe with low cost. According to Lufthansa, SunExpress can be used as a platform in order to compete with increased competition. By this reason, Lufthansa aims to use SunExpress for low cost long haul operations. This situation is seen as an opportunity for Turkish Airlines which is other member of partnership (CAPA, 2014).

5.1.4. Threats

A. Geopolitical Events

Geopolitical events are source of threat. Turkey`s proximity to Middle East and terrorist activities in the country means threat in terms of Turkish Airlines.

B. Increased Competition with Low Cost Carriers

The most serious issue as a threat is low cost carriers. Increase in available seat ratio of low cost carriers in Europe proves that competition grows increasingly with full service carriers.

Currently Turkish Airlines and Pegasus are airlines which get double digit rate of growth with different strategies in Turkey. Turkish Airlines takes nourishment from passenger transfer traffic while Pegasus is carrying passenger from one point to another with low cost. However, low cost competitors of Turkish Airlines also get a share from passenger transfer traffic (CAPA, 2014).

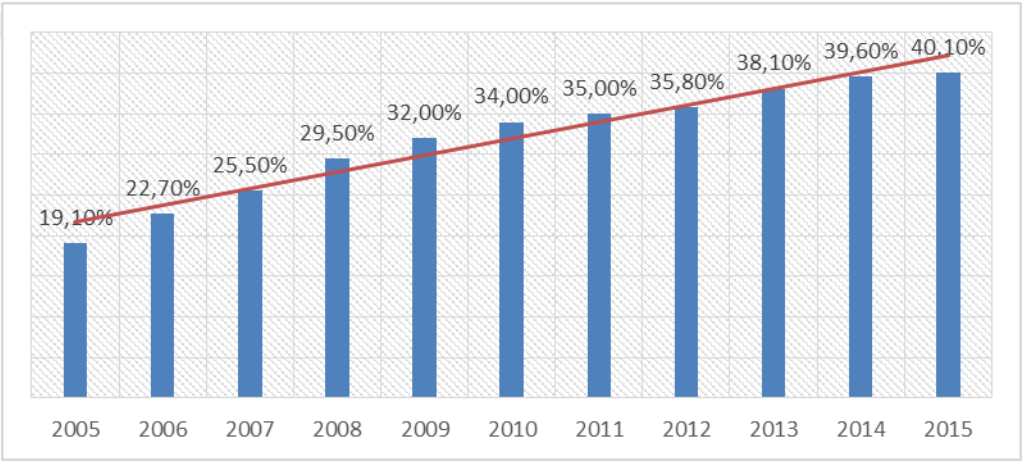

Figure 5.6-LCC Share of Total Seats

Source: CAPA

Growth of Turkish Airlines in Sabiha Gökçen Airport increase competition between two airlines. Additionally, other low cost carriers (Atlasglobal, Germanwings, Wizz Air, Transavia) which use Sabiha Gökçen Airport are shareholders of growing competition. Nevertheless to be owner of AnadoluJet and to be shareholder of SunExpress are important attempts in order to decrease disadvantages of competition.

C. Gulf Airline Competition

Turkish Airlines which gets benefit from passenger transfer traffic be exposed to intensive competition by Gulf carriers which use their hubs for global passenger transfer traffic. Gulf carriers that attract passengers who will fly to Europe from South

Asia and Australia, offer high quality service. Especially Etihad`s codeshare agreements in Europe are big threat for Turkish Airlines which has strong network in Europe (CAPA, 2014).

Eventually, as shown in the SWOT analysis, Turkish Airlines are beyond an undreamed point. Despite the global downturn in the recent years, Turkish Airlines that aims to growth, converts negative environmental conditions to opportunities. If we evaluate all these forces together, Turkish Airlines has a strong competitive position except some weaknesses in the market.

5.2. Marketing Recommendations

5.2.1. Recommendations for CRM Problem

Identification of customer needs enables the company to gain new customers. Establishing contact with a company's customers, timely data collection through different channels, using datas during a next meeting with customers are basic conditions of customer pleasure.

Customer Relationship Management may be defined as customers recognition, understand the needs of customers, develop appropriate products and services or sharing of knowledge within the organization. In other words, Customer Relationship Management (CRM) is a comprehensive form of management that allows unlimited integration in the areas of customer service, marketing and sales support. CRM provides demand creation, and monitoring, the conversion of sales potential and allows the use of information for after sales services (Ministry of National Education, 2011).

Customer relationship management in the electronic media depends on the planned implementations around the right customers. Proactive focused and consistent marketing management is the essence of protection and winning customer portfolio. Customer-oriented companies want to collect information from their relationships with the customers. So that, companies can focus on customers who have higher returns.

Products and services of Turkish Airlines face danger of self-abasement because of strong competitors and its brand needs protection in the global airline industry. Therefore, Turkish Airlines must develop a CRM technology. Through CRM program, Turkish Airlines can follow and control all activities related with customers. Thanks to this new technology, Turkish Airlines will achieve benefits from the activities listed below.

- Records related with customers (Phone, visitation, meeting, publicity etc.)
- Records of correspondences with customers (E-mail, fax, letter)
- Follow-up of activities related with customers (Calling, sending offer and brochure, advertising)
- Periodic visits to customers and periodic calling plans
- Connection records of the offers which made for customers
- Customer connection records of sales orders
- Connection records of the marketing submissions
- Display of all activities of sales representatives
- Access to customers and customer service representative, sales opportunity, projects

Employees and customers can reach all informations from necessary product and price list to interactive product configuration through listed activities above. Employees and call centers may respond to problems fast related with product and service thanks to CRM technology. All employees in marketing department can easily get all the informations which they need. In addition to these, all employees will have gained a great number of question criterias for evaluation and control mechanisms with CRM technology (Davenport, 2013).

After applying the activities of CRM technology;

- Turkish Airlines expands its opportunities in the market
- Excellent service quality is offered
- Campaigns and sales channel efficiency increase

- The company becomes preparedness to changing customer needs
- Consistent plans are provided for sales force
- Quick responses to demands of customers are given
- Turkish Airlines differentiates its products and services easily
- Cost minimization is obtained.
- Efficiency of company increases
- Customer relationship becomes profitable
- Turkish Airlines increases number of customers and number of loyal customers

5.2.2. Recommendations for Capacity and Density Problems at Atatürk Airport

With the completion of the İstanbul New Airport construction project, which is in progress in İstanbul and is one of the greatest projects in global civil aviation, a new chapter for Turkish Airlines will commence. Turkish Airlines, which will have a private terminal in this new airport, aims to serve 135 million passengers with quality service by 2023. The new airport is planned to serve approximately 200 million passengers after all its stages are completed (Turkish Airlines, 2014).

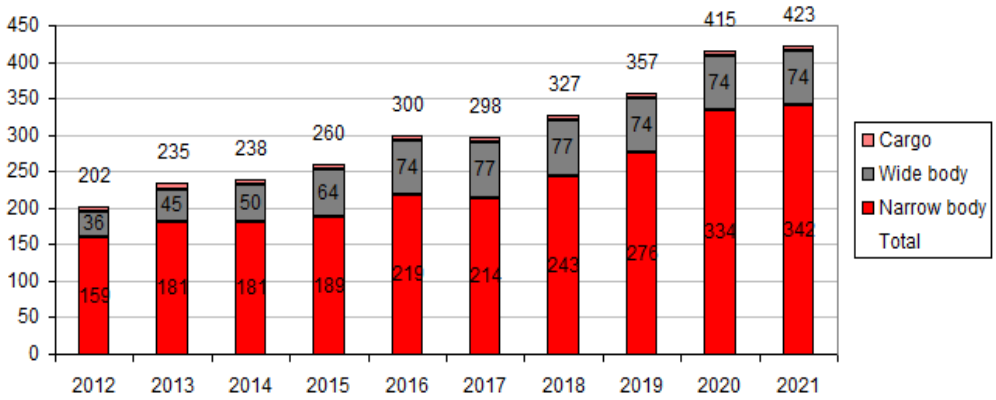

Figure 5.7-Turkish Airlines Fleet Plan

Source: CAPA

With new airport, which will have 6 runways and 271 parking areas, Turkish Airlines can increase its aircraft number easily. Figure 5.7 shows that Turkish Airlines wants to have 423 aircraft in 2021. Company aims to have 450 aircrafts by 2023 with

efficient growth strategy. Increasing number of aircraft will contribute to number of carried passengers and frequencies of flights. By this means, the desired economic growth can occur. Turkish Airlines, which has currently 1.8 % market share in the global market, aims to have 5% market share through advantages of new airport by 2023.

Thanks to new airport, Turkish Airlines, which will not have slot and parking problem, will avoid waste of time created by terminal density at Atatürk Airport. In this way, the economic damages caused by delayed flights will be prevented.

As a solution for low brand awareness in Latin America, Turkish Airlines can add new codeshare agreements in addition to signed agreements with Avianca and TAM Airlines about brand awareness. Additionally, trade agreements signed by state with Latin American countries improve the economic cooperation between Turkey and Latin American countries. Thus, the increase in the number of passengers flying between Latin America and Turkey provides an advantage in the growing Latin American market for Turkish Airlines. Moreover, making the local advertisement campaigns for Latin America by Turkish Airlines, provides an advantage in terms of brand awareness in this continent.

5.2.3. Recommendations for Organizational Problems

1. Strategy and planning are very important for organizational structure in order to have competitive advantage in airline industry. Turkish Airlines should increase its professionalism about strategy and planning to compete with competitors. In order to solve mission problem among departments, organization should be reorganized, each part of the administration department should become a separate management, new departments should be opened, efficiency of data processing should be increased, direct relations should be established with all units, coordination between departments and units must be ensured.

2. Continued employment and training activities can be applied in order to have sufficient personnel. For this purpose, Turkish Airlines can add new flight training schools in addition to Aydın Cıldır flight school. New partnerships with various universities should be added to partnership which signed with Anadolu University. Investments to simulator systems should be made in order to respond to the needs of pilots.
3. In order to accelerate the workflow, giving to the lower levels of signature authority allows the acceleration of work. Duties and responsibilities between upper and lower levels are insufficient. Today's conditions should be revised appropriately.
4. Change of senior managers by government causes problems in the implementation phase of long term projects. In order to avoid this problem, Turkish Airlines should be privatized as soon as possible or company should continue to activities with an autonomous way without intervention according to economic need and modern management techniques.

6. Conclusion

Political, economic, social and technological events in the world changed structures of communication and transport sectors and the marketing strategies of these industries. Airline companies have to understand needs and desires of customers in order to be successful in the global airline industry. To do this, airline companies need to adopt and apply customer-oriented strategies.

Due to there are customers with different cultural and socio-economic characteristics in international airline market, each airline company has to consider many factors related with suitable price, payment conditions and specific market criterias. With applied correct strategies, it can be reached to targeted market share and targeted profit. Airline companies support offered products with suitable price and distribution channels in order to grow in domestic market and to reach to international markets. In addition to these, promotion activities are applied to create a positive corporate image and brand awareness.

As a product or service, flight network, significant transfer connection provided by the flight network, flight frequencies, Miles & Smiles frequent flyer program, inflight services and affordable ticket prices are provided by Turkish Airlines. The main reason of the reasonable prices of offered products is low cost per available seat kilometer that company has. As distribution channel of Turkish Airlines, own sales and reservation offices, travel agents, website, call centers and Amadeus global distribution system can be given example. Turkish Airlines uses advertisement activities and signs sponsorship agreements under the promotion activities. Company aims to increase its popularity through sponsorship agreements which signed with Warner Bros that is the biggest movie and TV company, worldwide sport stars like Kobe Bryant, Lionel Messi and Didier Drogba, big football clubs such as Barcelona, Manchester United, Borussia Dortmund and Galatasaray.

After the implementation of promotional activities, determined prices and used distribution channels, companies have to apply growth strategies in order to increase

sales and market share. For growth, the market penetration or product development strategies for existing market are adopted. In order to growth in new markets, market development or diversification strategies are applied.

Turkish Airlines pay attention to brand awareness and frequent flyer program to penetrate market. About product development, company provides television service and high quality wireless internet in aircraft for intercontinental flights through Global Communication Suite System (GCS) developed by Panasonic Avionics Corporation. In addition to these, Turkish Airlines invests to other products.

About market development, Turkish Airlines reaches to destinations through partners of codeshare and partners in Star Alliance. When the flights reach to certain size or volume, Turkish Airlines starts to fly to these destinations. Additionally, Network planning department in Turkish Airlines determines new destinations in the world through market datas, statistics, market size, competitors in the market, population density in the new market, the annual number of passenger in airport, travelling rates of per capita gross domestic product.

As a diversification strategy, Turkish Airlines entered to low cost airline market in Turkey. In order to protect itself against threats of low cost carriers and to obtain share from low cost airline market, Turkish Airlines established AnadoluJet which offers possibility of flight with low cost.

As a result of prepared thesis, according to obtained informations through interview with business development manager of Turkish Airlines and SWOT analysis, Turkish Airlines, which is flag carrier of Turkey, is in a constant renewal and development in order to grow and increase market share. To maintain its position in this sector, where competition is intense, company will continue to boost its power and to develop strategies with its own dynamics.

Turkish Airlines, which analyzes Turkey`s tourism potential, geographical and geopolitical position and uses them as an advantage, enhances the number of destination and carried passenger day by day. Turkish Airlines, which had flown to 60 destinations in international market in 2003, flew to 284 destinations in 113 countries in 2015. Airline, which had carried 10.4 million passengers in 2003, carried 61.2

million passengers in 2015. Turkish Airlines, that is currently the best airline in Europe and the best fourth airline in the world, aims to be the best airline in the world and to carry 120 million passengers in a year with the completion of the İstanbul New Airport.

As parallel to the developments in the sector, Turkish Airlines has kept pace to variation and transformation projects. Company has developed its fleet and service standards due to increased competition. Turkish Airlines which offers quality service with a hub and spoke network structure, is an airline company that has the largest international network in Turkey. The most important milestone for international operations of Turkish Airlines is Star Alliance. Turkish Airlines that has around 100 direct destinations in abroad before 2008, obtained opportunity to reach to more than 1000 destinations in the world after Star Alliance.

According to Porter (1998), operations and growth strategies of Turkish Airlines are affected by threat of substitute products, bargaining power of suppliers, bargaining power of customers, threat of new entrants and competitive rivalry within industry.

Suppliers for Turkish Airlines are maintenance and repair companies, aircraft companies, catering companies, ground services in airports. Relations with customers who have purchasing power are strategically important. The most important ones of these customers in terms Turkish Airlines are travel agents, big corporations, public institutions, Turkish Armed Forces and the Department of Religious Affairs. New competitors entering the air transport sector may pose a threat to Turkish Airlines. Speed trains, intercity bus service, private transport, video conferencing and internet access may be given example to substitute services for Turkish Airlines. On the other hand, the most important competitors of Turkish Airlines are Pegasus, Atlasglobal and Onur Air in domestic market, Lufthansa, AirFrance-KLM, British Airways, Delta Airlines, United Airlines, Qatar Airways, Etihad and Emirates in global market.

SWOT analysis shows strengths, weaknesses, opportunities and threats of Turkish Airlines. The convenient geographical location of Turkey and İstanbul, extensive distribution network, a young fleet can be given example to strength side of Turkish Airlines. Company also has significant cost advantage over competitors for

international flights. A strong financial position, increasing market share and many subsidiaries to distribute risks are another strength sides of airline.

The rapid growth of low cost carriers is one of the major threats. Airport capacity issues bring limitations for growth potential. Geographical location of İstanbul Atatürk Airport and third airport in İstanbul are important opportunities.

Participation and intervention of the Turkish State to management decisions, prevents the profitable operations of Turkish Airlines and causes to organizational problems. Direct intervention of Turkish State in determining the destinations on domestic and international flights and economic losses caused by political factors are weaknesses of Turkish Airlines. In order to avoid this problem, Turkish Airlines should be privatized as soon as possible or company should continue to activities with an autonomous way without intervention according to economic need and modern management techniques.

Capacity and density problems of Atatürk Airport cause problems of slot allocation and tardiness. The solution to this problem is third airport which is in construction progress in İstanbul. With the use of new airport, these problems will be solved.

In addition to these problems, the lack of program about customer relationship management (CRM) complicates customer follow. Turkish Airlines has to generate a CRM program in order to increase efficiency of campaigns and sales, to become preparedness to changing customer needs, to provide consistent plans for sales, to respond quickly to customer demands and to get cost minimization.

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Appendix

In-depth Interview Questionnaire

1. What are the goals of Turkish Airlines in 2016? (Carried Passenger, Total Seat Kilometer, Aircraft Purchases etc.)
2. What are the main competitors of Turkish Airlines in Europe, Africa, North and South America, Asia-Pacific region and Middle East?
3. Is there free competition in domestic market? What do you think about the current competition in the market?
4. What are the main competitors in domestic market? What are the reasons of competition in domestic market? Do partnerships with AnadoluJet and SunExpress provide any advantage in the domestic market for Turkish Airlines?
5. What are the criterias which are used in the determination of domestic and international competitors?
6. How do you foresee the competitive environment in the near future? In your opinion, do new airline companies enter into the market in the future? Could be any change in the market shares?
7. How does Turkish Airlines differentiate itself from competitors in the domestic and the international market?
8. Could you describe basic competitive strategy of Turkish Airlines?
9. What are the advantages and disadvantages of Turkish Airlines over competitors?
10. What are the criterias to determine new destinations in international or domestic market?
11. What is the target market of company? Is there any difference in the domestic and the international market in terms of target market? Is there any different target market criteria compared to flight classes?

12. What are the products or services which offered by Turkish Airlines as a marketing mixture?
13. What are the components which affect price of offered product or service?
14. What are the promotion activities which used by Turkish Airlines?
15. What are the distribution channels which used by Turkish Airlines?
16. What are the market penetration activities (existing market-existing product) which used by Turkish Airlines in order to satisfy customers, to get sustainable growth and to strengthen position in the market?
17. What are the product development activities (existing market-new product)?
18. What are the market development activities (new market-existing product)?
19. What are the diversification activities (new market-new product)?
20. What is the main reason of low cost per available seat kilometer? or What is the strategy which applied by Turkish Airlines?
21. What are the strength and weak sides of Turkish Airlines?
22. What are the opportunities and threats in the market for Turkish Airlines?
23. What are the main problems about airline marketing in the marketing department of the company?
24. What are the main reasons of these problems?
25. What are the solutions which applied by the company in order to overcome these problems?