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RESEARCH ARTICLE

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## Customer-Based Market Positions of Domestic Airlines in Turkey

**Meltem Caber<sup>1</sup>****Abstract**

Increasing competition between legacy and low-cost domestic airlines in many countries has made it more important to understand traveler choices, perceptions, preferences, and behavioral intentions. This study aims to assess customer-based market positions of domestic airlines in Turkey. Data obtained from 202 university students were used to generate comparative market positioning maps in order to explore the position of each airline company. The results show that Turkish Airlines had better positions than other airlines in regard to several competitiveness indicators (e.g. quality, price, and favorite travel choice). This finding emphasizes the competitive advantage of legacy domestic airlines as against that of low-cost airlines.

**Keywords**

Market position • Competitiveness • Domestic aviation • Legacy and low-cost airlines • Customer

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In the Airline Competition Report (2014) published by OECD (Organisation for Economic Co-operation and Development), it was noted that passenger trips increased from 4,028 billion in 1980 to 19,125 billion in 2012. Forecasts also show that aviation and related tourism will generate over 56 million jobs worldwide, of which 8.36 million are directly linked to the aviation industry. The growth of the aviation industry and passenger traffic will lead to an increase in competition, not only between international airlines, but also between domestic commercial airlines in many countries (Chang & Yeh, 2002). The airlines industry is recognized as a resource-intensive industry (Low & Lee, 2014), with many factors such as technological and capital investments, specialist personnel, physical assets and good management being individually important for the success and competitiveness of the companies. In addition to these factors, airlines need “to acquire and retain customers in such a highly competitive market and to understand their relative positions in terms of critical elements affecting their competitive advantages” (Chang & Yeh, 2001, p. 405). Therefore, examination of customer perceptions may enable companies to identify their positive and negative elements as against those of their competitors and to enhance their service provision (Walsh, Bartikowski, & Beatty, 2014). In order to gain a competitive advantage and to distinguish themselves from the others, airline companies should give importance to alternative positioning factors (such as price, service quality, and image) which create a unique positioning in the marketplace (Schlie, 1985). With the purpose of clarifying their market positioning, companies should choose a combination of “customer requirements (as facilitated through a market orientation) together with the creation of valued uniqueness in the offer supplied to that target” (Hooley & Greenley, 2005, p. 94). This study aims to compare customer-based market positions of domestic airlines in Turkey. To achieve this objective, a survey was conducted in which university students took part. The following sections include a literature review on company competitiveness in the aviation industry, a summary of the status of the industry in Turkey, a description of research methods used, and the results obtained. The paper concludes with a discussion of the findings and study limitations.

### **Literature Review on Company Competitiveness in the Aviation Industry**

The body of knowledge on the competitiveness of aviation companies and the interest of scholars in this research topic has continued to increase since the 1990s. In one of the early studies, Hamill (1993) examined the competition strategies of leading international airlines, exploring three main strategies mostly being followed, namely the expansion of global route networks, cost control, and strategies aimed at improving service quality and securing brand loyalty. Lawton (1999) investigated the success potential of growing companies in the aviation industry. His findings concluded that customer experiences created by corporate culture and route network were more important for long-term competitiveness than low operating costs and cheap prices. In another study, Wensveen and Leick (2009) identified failures in airline

business planning (such as inability to obtain sustainable, competitive advantage, undercapitalization, and overexpansion), and examined new business models. They suggested that airline companies generate business plans superior to those of any potential competitor in order to maintain business success and sustainable growth.

Oum, Zhang, and Fu (2009), who investigated the impacts of liberalization on the world airlines industry, concluded that the expansion of low-cost carriers increased domestic market competitiveness, while existing regulations hindered the growth of these companies. Wang, Fan, Fu, and Zhou (2014) attempted to explore the productivity, yield, cost competitiveness, input prices and benchmarks of leading Chinese airlines. These authors found out that Chinese airlines generated high yields and low input prices in the domestic market, which has allowed them to increase their profitability in recent years. In a recent study, Delbari, Ng, Aziz, and Ho (2016) attempted to identify the key competitiveness indicators of legacy airlines. By using Delphi and Analytic Hierarchy Process (AHP) techniques, they obtained significantly different results on the main indicators of competitiveness.

Kilinc, Oncu, and Tasgit (2012) conducted a qualitative study to understand the competitiveness strategies of airline companies in Turkey. Interviews with four top company managers indicated that the main strategies followed by airline companies are cost leadership, customer satisfaction and service quality, employees, innovation and technological changes, respectively. In another study, Acar and Karabulak (2015) aimed to assess the competition between legacy and low-cost airlines in the Turkish domestic airline industry.

### **The Aviation Industry in Turkey**

The Turkey Civil Aviation Headquarters 2015 Operational Report shows that domestic passenger traffic in the country increased to 85,41 million in 2014 (a 12.2% increase) compared to 76,14 million in 2013. By serving 53% of the market in 2013, Turkish Airlines, with its co-brand Anadolu Jet, emerged as the dominant company of the industry. Other companies had market shares as follows: Pegasus Airlines 27%; Onur Air 8%; Atlas Global 6%; Sun Express 5%, and Bora Jet 1% (Figure 1). In recent years, the establishment of Anadolu Jet, and operations of Bora Jet at 14 domestic airports, significantly contributed to the growth of the aviation industry in the country.

Most of the domestic flights are operated from Istanbul-Atatürk Airport (22%); Istanbul-Sabiha Gökçen Airport (18%); Ankara-Esenboğa Airport (11%), Izmir-Adnan Menderes Airport (10%), and Antalya Airport (7%). In terms of fleet size, Turkish Airlines with its co-brand Anadolu Jet own the highest number of aircrafts (258) and boast the greatest seat capacity (50,983), followed by Sun Express and Pegasus Airlines (Table 1).

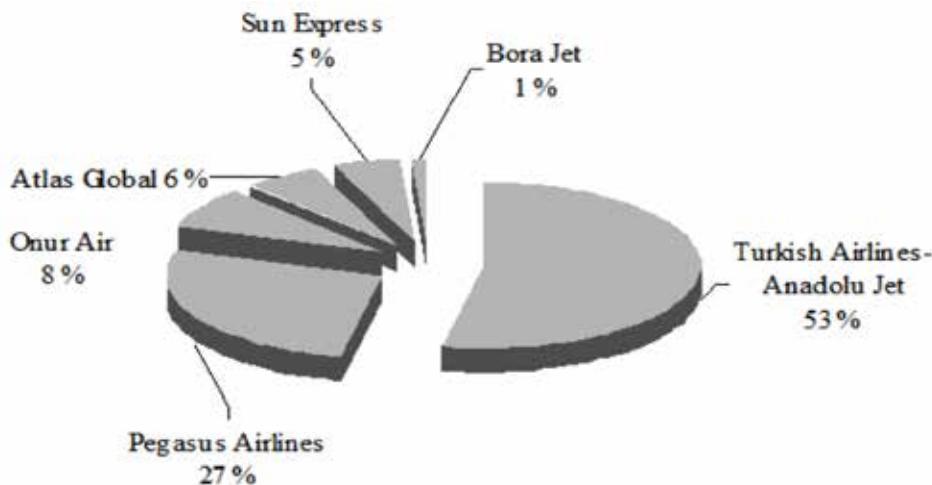


Figure 1. Market share of the companies.

Table 1  
*Passenger Carrying Domestic Airlines in Turkey* (Civil Aviation Headquarters, 2015 Operational Report)

	Nr. of Aircrafts	Seat Capacity	Total Aircrafts (incl. cargo carriers)
Turkish Airlines (including its co-brand Anadolu Jet)	258	50,983	266
Sun Express Airlines	54	10,167	54
Pegasus Airlines	58	10,827	58
Onur Air	28	7,137	28
Atlas Global	20	3,954	20
Bora Jet	14	1,341	14
Touristic (operates only international flights)	10	1,890	10
Freebird (operates only international flights)	8	1,440	8
IHY İzmir (its aircrafts rented by Pegasus)	7	1,302	7
Tailwind (operates only international flights)	7	1,218	7
<b>Total</b>	<b>464</b>	<b>90,259</b>	<b>489</b>

In this study, nine airline companies carrying passengers on domestic routes are studied, namely Turkish Airlines, Anadolu Jet, Sun Express Airlines, Pegasus Airlines, Onur Air, Atlas Global, and Bora Jet. Some of these companies organize both domestic and international flights, such as Turkish Airlines, Sun Express Airlines, and Atlas Global. However, domestic airlines which only carry cargo or only organize international flights are excluded from the content of this study.

## Method

### Sample and Measure

The survey method was chosen by the author to show the participants' profile and their evaluations. Demographics were identified by six questions, namely gender, age,

study programme, class, average number of flights per year, and airline loyalty card ownership. Criteria such as price-cost and quality (Hannigan, Hamilton, & Mudambi, 2015); frequency of travel per year, and company reputation (Widmann, 2015) have been variables used in the competitive positioning maps of airline companies. Therefore, with the purpose of assessing the customer-based market positions of the airline companies, 5 items with 7 point type semantic differential scales were used in this study, which are structured as follows: cheap/expensive for price; low/high for quality; not favorite/very favorite for favorite travel choice; not frequent/very frequent for travel frequency; and not wanted/very wanted for willingness to travel with).

Those taking part in this research were all Turkish university students currently attending Akdeniz University, Tourism Faculty, in Antalya. Annual student quotas in formal education for each represented programme are: 103 for Gastronomy and Culinary Arts Programme and Tourism Management (which had four classes each), 41 for Tourism Guidance Programme (which had three classes at the time of survey), thus indicating that the population of this study consists of 947 students. As suggested by Yazıcıoglu and Erdogan (2004, p. 50), from a universe of 1000, a minimum of 88 samples may meet the significance level of 0.05 at +/- 0.10 error margin. By using convenience sampling method, Tourism Faculty students were requested to participate in the survey during their course breaks. Volunteer students were given the questionnaire and the completed forms were collected back. The survey took place

Table 2  
*Participant Demographics*

<b>Variables</b>		<b>Frequency (n = 202)</b>	<b>Percent (%)</b>
<b>Gender</b>	Male	121	59.9
	Female	81	40.1
<b>Age</b>	18-20	62	30.7
	21-23	115	56.9
	24 and older	25	12.4
<b>Programme</b>	Tourism Management	154	76.2
	Gastronomy and Culinary Arts	39	19.3
	Tourism Guidance	9	4.5
<b>Grade</b>	1st year student	25	12.4
	2nd year student	49	24.3
	3th year student	68	33.7
	4th year student	60	29.7
<b>Average Number of Airline Travels in a Year</b>	None	13	6.6
	1 time	22	11.2
	2 times	48	24,4
	3 times	12	6,1
	4 times	29	14,7
	5 times and more	78	37,0
<b>Airline Loyalty Card Ownership</b>	Yes	36	17,8
	No	166	82,2

in December 2016 and January 2017. At the end of this period, 202 fully completed forms were obtained from the participants. The rate of response was 21.3%. All the responses were transferred to excel files, and relative market positioning maps were generated by use of general arithmetic means calculated for each criterion.

## Results

### **Demographics of the Participants**

The majority of the participants are male students (59.9%), attending the Tourism Management Programme (76.2%). A considerably high percentage of the participants do not have any airline loyalty card (82.2%), and 37% of them travel by air 5 or more times per year (Table 2).

### **Loyalty Card Ownership**

Based on the information about loyalty card ownership, it is obvious that the highest share of the participants chose to be members of the Turkish Airlines' loyalty card system (38.1%), followed by Pegasus Airlines (25.7%), and Sun Express (14.9%). Anadolu Jet and Bora Jet had the lowest share in terms of the number of loyalty card owners (1.5%, for each) (Table 3).

Table 3  
*Loyalty Card Ownership (n = 202)*

	Yes (%)	No (%)
Turkish Airlines	66 (38,1)	125 (61.9)
Pegasus Airlines	52 (25,7)	149 (73.8)
Sun Express	30 (14,9)	168 (83.6)
Atlas Global	17 (8,5)	183 (91.5)
Onur Air	8 (4,0)	191 (95.5)
Anadolu Jet	3 (1,5)	195 (97.5)
Bora Jet	3 (1,5)	196 (98.0)

### **The “First Preference”-“Frequency of Travel” Relationship**

The relationship between the first preferred airline and average times of travel with a subject airline (in a year) is reflected by generating a relative market positioning map as shown in Figure 2. The general arithmetic means for the first preferred airline criteria are as follows: 1.38 for Turkish Airlines; 1.28 for Pegasus Airlines; 1.20 for Sun Express; 1.04 for Anadolu Jet; 1.08 for Atlas Global; 1.07 for Onur Air; and 1.04 for Bora Jet. The general arithmetic means for times of travel with subject airline in a year are as follows: 3.68 for Pegasus Airlines; 3.37 for Turkish Airlines; 3.24 for Sun Express; 2.36 for Atlas Global; 2.33 for Onur Air; 2.18 for Anadolu Jet; and 1.60 for Bora Jet. Although, Turkish Airlines was the first choice by general arithmetic means,

it was in second position in terms of times of travel per year. According to cross examination of both criteria, Pegasus Airlines, Turkish Airlines, and Sun Express share higher positions compared to other companies.

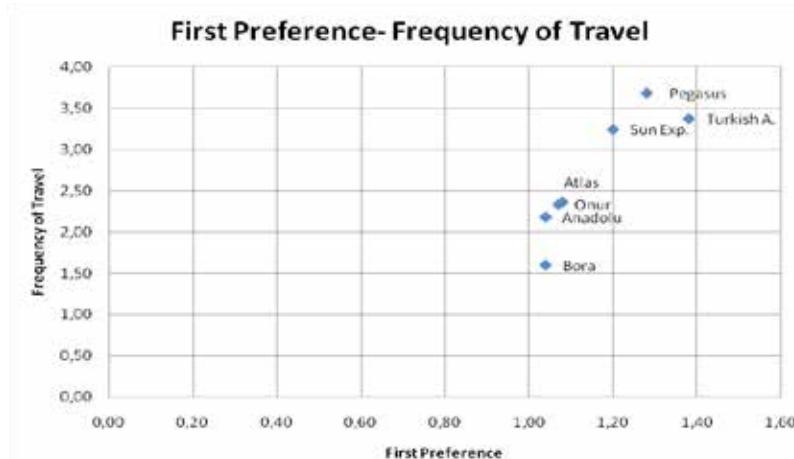


Figure 2. Market positioning map for “first preference”-“frequency of travel”.

### The “Quality Level”-“Price Level” Relationship

In Figure 3, a relative market positioning map showing the quality-price level relationship is presented. The general arithmetic means pertaining to quality level of the airline companies are: Turkish Airlines (6.65); Pegasus Airlines (4.25); Anadolu Jet (4.06); Atlas Global (4.03); Sun Express (3.94); Onur Air (3.44), and Bora Jet (3.31). The general arithmetic means for price level are: Turkish Airlines (6.02);



Figure 3. Market positioning map for “quality level”-“price level”.

Atlas Global (3.65); Anadolu Jet (3.50); Pegasus Airlines (3.18); Onur Air (3.12); Bora Jet (3.02), and Sun Express (2.90). The map indicates that Turkish Airlines have the highest general arithmetic means both for price and quality levels. Its position on the map is far further than other domestic airlines based on these criteria. At the same time, there is a clear competitiveness among the remaining companies, as they are very closely positioned to each other on the map.

### The “Price Level”-“Favorite Airline” Relationship

According to general arithmetic means of price level and favorite airlines, Turkish Airlines is, once more, far more ahead of other domestic airlines (Figure 4). This company is located at the highest point of both the price level and the favorite airline matrix. This finding shows that Turkish Airlines is perceived to be an upper-priced airline, which is also the favorite in the marketplace. The general arithmetic means for price level are: 6.02 for Turkish Airlines; 3.65 for Atlas Global; 3.50 for Anadolu Jet; 3.18 for Pegasus Airlines; 3.12 for Onur Air; 3.02 for Bora Jet; and 2.90 for Sun Express. For the favorite airline, the general arithmetic means are: 5.70 for Turkish Airlines; 4.58 for Pegasus Airlines; 4.02 for Sun Express; 3.41 for Atlas Global; 3.32 for Anadolu Jet; 3.04 for Onur Air; and 2.43 for Bora Jet. Although the remaining domestic airlines are perceived to be at almost the same price level, Pegasus Airlines and Sun Express are greater favorites than the other airlines.

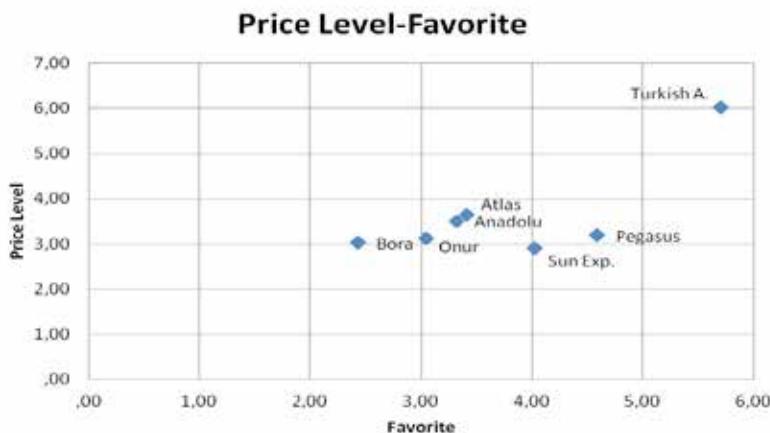


Figure 4. Market positioning map for “price level”-“favorite” airline.

### The “Quality Level”-“Willingness to Travel with” Relationship

The general arithmetic means for quality level are as follows: 6.65 for Turkish Airlines; 4.25 for Pegasus Airlines; 4.06 for Anadolu Jet; 4.03 for Atlas Global; 3.94

for Sun Express; 3.44 for Onur Air; and 3.31 for Bora Jet. The difference in means is considerably high between Turkish Airlines and other companies in the quality level evaluation. Accordingly, Turkish Airlines can be regarded as the quality leader of domestic airlines. The participants' general assessment on their willingness to travel with an airline company shows that Turkish Airlines is at the top of the list.

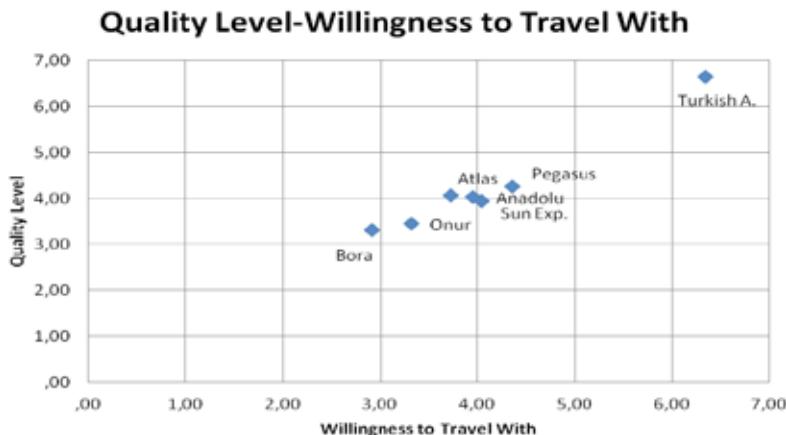


Figure 5. Market positioning map for “quality level”-“willingness to travel with”.

The general arithmetic means are as follows: 6.34 for Turkish Airlines; 4.36 for Pegasus Airlines; 4.04 for Sun Express; 3.95 for Atlas Global; 3.73 for Anadolu Jet; 3.32 for Onur Air; and 2.91 for Bora Jet. On this point, the participants share the same opinion that there are actually three types of airline companies in the market; the group leader (Turkish Airlines), middle class followers (e.g. Pegasus Airlines, Sun Express, Atlas Global, and Anadolu Jet), and the bottom liners (e.g. Onur Air and Bora Jet).

## Discussion and Conclusions

In keeping with the growth of global competition in the aviation industry, it has become more important both for practitioners and researchers to understand customer perceptions about company brands, their service qualities, price levels, and other issues. In this study, various criteria that reflect the domestic market positions of airline companies in Turkey were measured and compared using dual positioning maps. The results indicated that Turkish Airlines had the differentiating and leading positions at quality level, price level, and most favorite company, while Pegasus Airlines took the lead in first preference and times of travel within a year categories. This finding supports Acar and Karabulak's (2015) study, in which Turkish Airlines is identified as the dominant airline company affecting the development of the aviation industry in the country, while the other companies are operating as low-cost airlines. These researchers also highlighted that both Turkish Airlines and Pegasus Airlines

were growing fast in international passenger numbers compared with domestic. The close competition between Turkish Airlines and Pegasus Airlines, in particular in the domestic market, was also confirmed by the results obtained in the present study.

In addition, the current study shows the remaining airline companies (other than Turkish Airlines and Pegasus Airlines) grouped almost at the same points of the map in all criteria. In general, Bora Jet had the lowest values for many categories (such as first preference, times of travel in a year, quality level, and favorite travel choice). The findings present the competitive capabilities of the airline companies, and show the closest competitors of each. By use of such research results, airline company top managers may identify their advantages and disadvantages as perceived by their customers and attempt to improve their weaknesses.

Globally, an increasing number of legacy airline companies are showing an interest in becoming members of major alliances, such as Star, SkyTeam, and OneWorld. Thus, domestic airlines should be aware of tougher competition conditions in the world aviation industry. They should try to use the advantages of operating specific domestic routes by offering high quality services to their customers and aim to keep their market positions. Rather than competing with global and higher quality airline companies, they need to focus on domestic operations so that they maintain a good market position in terms of competitiveness.

This study's main limitation is how to measure university students' perception when analyzing domestic airline companies' market positions. In future studies, the author recommends using "real" travelers as the sample, so that reliability and validity of the results can be increased. Moreover, in the content of this study, only domestic airline companies in Turkey were examined. In other studies, researchers may compare domestic and international companies or employ additional criteria to identify market positions of the companies.

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