

RISKS AND OPPORTUNITIES ON THE AIR TRANSPORT MARKET IN ROMANIA

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Abstract: *Passenger air transport activity has experienced an important development in recent years due to economic growth and increasing involvement of Romania in international tourism. Globally, Romania is represented in this segment by the National Company of Romanian Air Transport, Tarom. Currently, the global economic crisis has seriously affected the work of Tarom and caused changes in the short and medium term strategy, especially in a context where low cost companies operating in Romania have become direct competitors of traditional lines and hence of the national operator. Because of this, Tarom needs to implement a set of measures to enable maintaining on the competitive market of European air transport, especially in the context in which Romania became in the past years an EU Member State.*

Key words: *Tarom, airline, risks, strategy, flights*

1. INTRODUCTION

The main objective of Tarom's airline marketing strategy is to increase flights to the company's traditional destinations, but also to attract new markets. Taking into consideration the rapid changes that occur in the international air traffic, Tarom has adapted its policies according to the needs of its passengers, in particular, and to market demand, in general (Gheorghe & Ciuchete, 2010).

To identify the passengers' opinions regarding the quality of Tarom's offer, the risks it faces and the manner in which the management of the company can handle negative events, a direct research was performed among passengers who use the company's services. The results contribute to the formulation of proposals based on which, the management of the company could develop a growth strategy adapted to current economic conditions.

2. OBJECTIVES OF THE RESEARCH

In conducting the research regarding the risks and quality of the services offered by Tarom, the information was obtained directly from the company's passengers who travelled from Bucharest to European destinations between April and September 2009. The direct quantitative research aimed at recording responses to questions from a questionnaire and implied the following steps: setting the goal and objective of the research, defining the group, determining the poll unit, calculating the sample size, choosing the sampling mechanism, conducting the research (information collection, data processing, analysis and interpretation), developing conclusions.

The purpose of this survey was to study the attitude of Tarom's passengers towards the risks to which the company is exposed given the global economic crisis, but also an increasingly strong competition, due to the launch on the domestic airline market of airline companies well-known at the European level. In order to analyze Tarom's activity, data collection through the questionnaire was necessary, and a series

of issues were taken into account, such as: the place of the Tarom company (hierarchically) on the European touristic transport market; the reasons for which passengers use the services of Tarom; the distribution methods of Tarom's offer; the criteria for the selection of the airline company when taking the travelling decision; the frequency of flights to European touristic destinations; compliance with flight safety standards; the impact of the economic crisis on the travelling decision; the negative aspects of the company's offer.

The main objective of the research was to determine the most important risks that Tarom faces and the impact of the company's service offer on passengers. The achievement of the goal mentioned above involved the identification of the main reasons why passengers travel; the criteria for the selection of an airline company; the assessments regarding the quality of services.

As the number of global community is known (the number of passengers who traveled with Tarom in 2008), for establishing the sample we used the following formula:

$$n = \frac{Z^2 p(100-p)}{\Delta^2 + \frac{Z^2 p(100-p)}{N}} \quad (1)$$

where:

Z = coefficient expressing the probability that guarantees the results. To a 95% probability corresponds a Z of 1,96 (for large samples).

Δ = maximum error/limit reached

D^2 or $p(100-p)$ = dispersion

N = the volume of general population (Papuc, 2007).

Knowing that the total number of passengers transported by Tarom in 2008 was of 1,77 millions, the number of subjects corresponding to sample volume is:

$$n = \frac{2^2 \times 0,5(1-0,5)}{0,05 \times 0,05} = \frac{1}{0,0025} = 400$$

The poll was conducted on a sample of 400 passengers among those who used Tarom's services on the routes linking the capital Bucharest to Amsterdam, Barcelona, Brussels, Cairo, Geneva, London, Lyon and Paris. Only international routes were taken into account, as these passengers are considered to be more experienced and able to make comparisons between Tarom and the other competing companies (Gheorghe & Sebea, 2010).

3. MAKING MARKETING RESEARCH PLAN

To conduct the market research, the method used to collect information was the survey, and the research instrument was a questionnaire whose questions were presented to all of the respondents in the same order and with the same forms to fill in. To record the responses, the auto record technique was used, i.e. the recording of the responses by the surveyed people themselves. With regard to the general group subject to

research, it was represented by people who travel using the air means of transport, and the observation and poll unit consisted of Tarom's passengers travelling on the routes between Bucharest and European destinations.

The conduct of the questionnaire aimed at: identifying all characteristics included in the objectives and the poll program; logic formulation and sequence of questions according to the funnel principle, from general to specific questions, with a high level of difficulty; proper sizing and general aesthetic.

4. THE RESEARCH RESULTS

In the synthesis of the processing and correlation of responses to the main questions, some conclusions may be drawn, which can be used by Tarom as benchmarks to improve the business, in general, and management, in particular:

✓ Tarom ranks first in Romanian consumers' preferences, followed by Lufthansa, Air France and KLM, airline companies whose tradition and performance are recognized at European level.

✓ As distribution methods, the travel agency still represents the main channel, but the Internet is not to be omitted, as it has gained more and more terrain due to the advantages it offers.

✓ The main risks influencing the decision to travel by air transport are related to natural conditions, the oil price which causes an increase of tariffs and the emergence of low-cost companies which offer similar solutions at more competitive costs.

✓ Tarom stands out through its modern fleet, as its crew is one of the youngest at European level, a fact noticed by the passengers, too.

✓ Tarom has advantages as regards the number and significance of the European destinations to which it flies, and another advantage of the company is the chance of soon becoming a full member of the Sky Team alliance, which will allow it to continue to diversify its routes map at international level.

✓ The queues from check-in and boarding, the superficial involvement of the employees in solving problems, luggage recovery problems are among the negative characteristics of Tarom.

5. SOLUTIONS TO IMPROVE THE ACTIVITY OF TAROM

Overall, the results of this research show that the company's activity can be improved by adopting certain measures which will allow it to climb on the ladder of the European airline companies, especially given the fact that the Romanian air transport market is continuously growing (Laws et al., 2007). Among the actions to be taken in this respect are:

(1) Resumption of flights to the United States and China – although specialists in aviation do not believe that the resumption of flights to the United States is beneficial to Tarom because the company does not have the financial power to also support flights in low season, Delta Air Lines, the only airline operating direct flights between Bucharest and New York, faces overbooking in summer. Delta Air Lines is in advance beside Tarom because, helped by its domestic flights, has a large collection pool of passengers - the entire U.S. space. In addition, the two Airbus A310-325, the only from the Tarom fleet which could flight to U.S., may need a refueling stopover if they are loaded to maximum capacity. However, air transport demand in Romania is higher than when the Tarom decided to stop the transatlantic flights, so it is recommended that initially, the introduction of flights to major tourist destinations in America and Asia to be only for summer, especially given that the most European airlines offer direct flights between the big European capitals and North America.

(2) Introducing First Class service – even if the number of Tarom passengers who choose Business class is inferior to that of people choosing Economy, which is the case of any other line company, the introduction of First class might attract a privileged sector of consumers which until present, have been forced to resort to the services of other companies flying to similar destinations.

(3) Launching a promotion campaign of joining benefits of Sky Team – Tarom joining Sky Team alliance represents a major progress for the company, the advantages transpose in routes extinction, the possibility to accumulate fidelity points even if the journey is done with another airline member of the same alliance, the promotion to international level of the service offered etc.

(4) Resolving problems created by the cluster of airports and the poor personnel trainings – In present, the high level of training of human resource represents a basic requirement of any organization activity from travel transport domain. Even if Tarom has a training center for employees, the frequency and qualitative level of courses should be improved permanently, also introducing some courses aimed at improving the relationship employee – customer, chapter in which several negative aspects were recorded after the research. At the same time, it can be said that airports in Romania were considered and designed to withstand a fairly limited passenger flow, which is no longer consistent with current requirements. Therefore, investments are needed both in aviation infrastructure and in the latest technology necessary to carry out air traffic control, check-in operations, boarding, etc.

6. CONCLUSIONS

Even if during the period comprised between 2004 and 2007 the operational activity of Tarom increased in a sustainable manner, 2008 was the start of a new period of downfall because of the global economic crisis. Nevertheless, the company already has in progress a plan which should at least maintain the company at a steady level. The reduction of the aircraft's weight, the decrease in fuel consumption, the reduction of the tickets prices for international flights, promotional offers for domestic flights, a new promotion campaign, the revival of Tarom Tours, a travel division that can bring important additional income, in conjunction with the official joining of Sky Team should bring Tarom's business on an upward trend again, especially as Romanian passengers rank the domestic company the first in the hierarchy of the airline companies operating from Romania.

One of the most important limitation of Tarom's management aims at reducing risk simultaneously with improving the company's image among the customers through higher quality services and diversification thereof. In this context, the results of field research offer valuable information regarding the steps to be taken to meet tourists' expectations and improve the business.

7. REFERENCES

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