

# The Importance of Price in Marketing Acceptance in the Services Sector in General, and in Air Transport Services in Particular

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*In the "society of services" services economy itself has become a controversial issue, especially about the nature and content of the services sector activities, the implications of their development, their character productive or unproductive. Countless services are defining the nature of the current economic theory majority comprising elements of intangibility, relationship customer- buyer of utilities purchased or used, to customize services to goods. In the services sector, subject to these trends, transport services providing space movement of goods or persons, affecting all facets of economic and social environment. At the organizational level, price component becomes an important role in terms of its strategic aspect and not just operational, it is actually the only element of the marketing mix components that add value to the companies. In the marketing perspective, the price should be defined as a permanent value that consumers associate the product or the service, depending on their expectations about it. Consumer expectations depend on: the perception of a "fair" price, prices paid in the past, the prices of competition and quality perception. In this paper we see how important is the price in choosing a service in general and custom on transport services - European air transport services and transoceanic. In my performed research were taken in analyzing several variables such as flight safety, loyalty programs, flight schedule, airline type, **price**, and other. Based on the results from the research we will see how this factor scores to others.*

**Keywords:** services, airline services, prices, marketing

## *The role of services in the economy*

In the current period post-transition and EU member, in Romania the social and economic dynamism is more powerful, registering multiple mutations in various fields. In all EU countries, worldwide, but especially in Romania, the services sector known an unprecedented development. One of the most comprehensive definitions of Philip Kotler is "*the service is any activity or benefit that one part can offer to another, which is generally intangible and whose result does not imply ownership of a material good*" (Kotler, 1983). In terms of marketing, most definitions emphasize the utilities, benefits, advantages and satisfactions that consumers procured using service activities.

## *Dynamics of transport services in general and the air transport services in particular*

In the post-war period air transport of passengers and cargo worldwide has grown rapidly. The plane is no longer a luxury or a means of transport prohibitive, increasingly being preferred for fast transport, to the proper organization and ongoing traffic, for increased comfort and safety of flights. The plane can provide rhythmic supply of places inaccessible by other means of transport, the use of light and cheap packaging, eliminating storage costs of goods before and after transport and to avoid transshipment excessive causing damage to goods. Today, more and more products are suitable for transport by plane, starting from those of the perishability is manifested in hours (sera, vaccines) and continuing with regular perishable goods (fresh fruit and vegetables, berries, fresh meat, cheese), with urgent transport products (spare parts, technical documentation, post). In general, air transport is used for a wide range of goods, especially goods with high unit value and low weight or volume. In the last two decades have increasingly intensified concerns aircraft manufacturers to increase transport capacity aircraft. On average, every five years there was a new generation of aircraft, with a capacity of two times higher than those of the previous generation. Today, a Boeing 747 aircraft can carry about 500 passengers or more than 115 tonnes of cargo. Technical progress is the most important factor underlying the development of air transport services. Achievements for creating new materials, lighter and more durable, the introduction of improved processes and the electronic computer techniques, in recent years have enabled a strong development of aircraft fleet in the world. Thus, in addition to increasing the capacity of aircraft, increased flight distances permanently and the speed and efficiency of aircrafts.

## *Definition and role of price in marketing vision*

A complex definition is given by Ph. Kotler, "he considered the price, amount of money perceived for a product or service, or the sum of values that consumers give for the advantages of the possession or use of the product or service purchased (Kotler & Armstrong, 2004)". From the marketing perspective, the price should be defined as a permanent value that consumers associate the product, depending on their expectations about it.

Consumer expectations depend on: the perception of a "fair" price, prices paid in the past, the prices of competition and quality perception. "In defining price shall be monitored in constant touch with the product, in the absence which the price would be just an abstract variable, without object. Thus, for tenderer, product should be regarded as an assembly of utilities, lenses or perceptual curtains, which can be provided to the consumer, the price being the expression of satisfaction resulting from consumption/use (Vranceanu, 2006)". The speed at which the price may change in response to competitive pressure

is very high. As a result we can say that marketing has the widest perspective about the price because it consider also internal issues of cost and external pressures as a result of market demand event. For most of the consumers, the price of a product or service is the most important of which is interested in being a quality indicator and a barrier to purchase that product. All entrepreneurs must learn to adapt to the price sensitivity of consumers. Overall a real strategy of price must combine the action of two factors; on the one hand the feedback received from consumers through various marketing research carried out on the market in several stages and the opposite parts of the constituents of price, costs and other expenses, maybe even intuition and experience of the managers involved:

- the total cost of the product or service;
- present and future projections on both sides of the market, supply and demand;
- - anticipating competitors' pricing strategies and creating a competitive organizational behavior; - anticipating sales volume and financial impact on the unit cost of production volume; -the current image of the company and consumer expectations for quality and price of products and services;
- normal variations, predictable or seasonal on the market;
- knowledge of consumer sensitivity to price;
- psychological factors that influence consumer perception on price and / or quality;
- substitutable products and services and consumer substitution conditions;
- credit terms and discounts offered;
- producer desired image to create it in the minds of consumers.

As we see in the factors listed above in the pricing, entrepreneurs must take into account both aspects, because are important in the formation of price; certain tangible components the nature of costs, desired level of profit or turnover, but also intangible components represented by the image which it is desired to have on the market, consumer behavior and sensitivity.

Relations with other components of the mix, place the item price or fixed in position or in the factor. The price level, which will depend on adherence of products or services to market, their accessibility to the consumer, can be considered the dominant criterion of pricing, which has led some experts to consider price as a one-dimensional variable.

### *Modalities to attract customers in the field of air transport services by price component*

Air transport services is a typical example of activities where there is a high ratio of fixed costs to variable costs. The main costs of air transport services are related to the fleet, labor costs and fuel costs.

In order to increase profitability, airlines companies may choose to reduce costs, to increase the number of tickets sold, or both. Given the high percentage

of fixed costs to variable costs that characterize air transport services, reducing total cost becomes a difficult task. Fuel costs are the least controllable and reduce fleet costs, directly related to the potential to use aircrafts, ultimately means giving up a part of the market share. Therefore, cost reduction is mainly due to labor costs (salaries, per diems, bonuses, expenses for preparing and training, etc.).

To increase the number of tickets sold, airlines carried Discounts, quickly followed by competition - leading over time to a gradual reduction of sector revenues, while the cost structure has not changed. Also, increasing the number of tickets sold can be achieved by extending the range of pricing, which led to a wide range of practice and strategies of prices in air transport services. On account absolute reduction of tariffs, as well as tariff range expansion, air transport has become increasingly cheap, allowing access to air transport audiences with a very elastic demand price.

### *Ranking factors of choice for a airline company*

The research aimed at studying the implications of consumer behavior on the price of air transport services, with many objectives including to identify the main criteria for selecting an airline (traditional or low-cost) to purchase a ticket; identify the most important criterion for the choice of airline (traditional or low-cost) to purchase a ticket; Researcher statistical community was made up of people aged over 18 who have traveled at least once by plane. Therefore, the observation unit and survey unit were the air transport service consumer. The method of collecting the information was the direct research, survey type, using structured interview technique. Information collection instrument was a questionnaire. For this study we established a probability of guaranteeing research results of 95%, resulting an coefficient associated t value of 1.96. The value considered for p was 0.5, and the margin of error was  $\pm 3.54\%$ .

$$\text{Therefore, } n = \frac{1,96^2 * 0,5 * 0,5}{0,0354^2} = 766 \text{ respondents.}$$

Sampling method consisted in non proportional stratified random sampling. Layers were formed according to demographic variables, the most important being considered gender, age and income level. After collection, tabulation and interpretation of data were obtained further information.

The main criteria considered by a person traveling by plane were: *the ticket price*, company reputation, safety, loyalty programs, schedules, punctuality, quality of service on board, destination airport. Research has revealed that *price is the most important* criterion for the choice of the airline company 83.03% of respondents, followed by 62.27% flight safety, quality services on aircraft with 38.51%, with 34.33% destination airport, with 31.59% flight schedule, company reputation with 31.2%, 28.07% punctuality of flights and loyalty programs with 5.74%. These results refute the hypothesis initially set on the hierarchy, such

as flight safety as the most important factor in choosing an airline company and flight.

The most important criterion in choosing a traditional airlines and low cost was *the price* with 44.52% of the respondents, which confirms the initial set. The second major criterion was considered flight safety with 34.6%. This shows that most people want to travel with the lowest price possible and maximum or larger flight safety. The importance of other factors was: quality services on board with 4.57%, 4.18% reputation airline, destination airport with 3.92%, 3.39% flight schedule, flight punctuality 3, 13% and 0.91% loyalty programs.

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