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Customer satisfaction in the Bulgarian civil aviation market

Case study of customer satisfaction analysis of Bulgaria Air

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Declaration:

I hereby declare that I am the sole author of the thesis entitled "Customer satisfaction in the Bulgarian civil aviation market - Case study of customer satisfaction analysis of Bulgaria Air ". I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on ....

Signature

Nadezhda Rusinova

Acknowledgement

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Title of the diploma thesis:

Customer satisfaction in the Bulgarian civil aviation market - Case study of customer satisfaction analysis of Bulgaria Air

Abstract:

The objective of this master thesis is to analyse customer satisfaction with the services provided by the Bulgarian national carrier Bulgaria Air. The conducted survey aimed at measuring overall satisfaction with the airline, identifying factors which impact the satisfaction of the passengers and recognising service gaps. Quantitative marketing research was conducting using online survey. Using convenience sampling a total of 368 answers were collected. The average total overall satisfaction amounted 4.63 out of maximum 7. Greatest satisfaction was attributed to the attitude and willingness to help of the cabin crew, unproblematic baggage delivery and safety record. The analysis identified least satisfaction with frequent flyer program, meal services and overweight baggage fee.

Key words:

Customers' satisfaction, Loyalty, Aviation industry, Civil aviation, Bulgaria Air

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Introduction

Globally, in 2017, 4.1 billion passengers flew safely according to the latest annual report of the International Air Transport Association (IATA). (IATA: Annual review 2018, 2018) Moreover, as stated by IATA, the passenger traffic is forecasted to double over the next 20 years (IATA: Annual review 2017, 2017).

According to the latest report of the IATA about the future of the airline industry, the industry has seen several changes over the past 30 years, such as the increased market share of low-cost carriers (LCCs), natural disasters like volcanoes eruptions and outbreaks of infectious diseases. The IATA report forecasted that the next 30 years are likely to be more turbulent, due to a new wave of technological change and innovation, but also because of the unstable political situation (the UK's Brexit and the presidential election in the United States are just some examples of this), as well as due to new national regulations, which can influence the global industry (IATA, 2017).

Overall, in 2017, 11.478 million passengers traveling on regular and charter flights passed through all Bulgarian airports, which is an increase of 1.658 million passengers or +18.1% compared to 2016. However, only 19% (or 2.067 million) of the total passengers in 2017 were transported by Bulgarian airlines (Bulgarian Airlines Association, 2018). This is indication that the Bulgarian airlines experience enormous competition from the foreign airlines. In 2016, Wizz air had the highest market share by passengers carried at Sofia airport (29,35%), Bulgaria air was second with 26,95% and Lufthansa third with 10,97% (Bulgaria Air, 2017). This is another evidence of the fierce competition on the Bulgarian civil aviation market and the threat of the LCCs. For this thesis I decided on the topic of the overall customer satisfaction with the Bulgarian national carrier, the analysis of which might contribute to solving those problems. Further I would like to determine the decisive factors of satisfaction for the passengers and based on my analysis to recommend some improvements for the carrier's marketing strategy so that it remains competitive and improve its service performance.

Concerning the personal motivation for selecting the topic, my choice was determined by the fact that I have already done three internships connected to aviation. The first internship was carried out in 2014, at the commercial department of Fraport at Burgas airport in Bulgaria. This internship gave me the unique chance to learn about every part of the airport. Thanks to the very kind employees of Fraport who wanted us to learn and experience as much as possible, we were able to visit the air traffic control tower, check the runway for any irregularity and see the daily work of the ramp agents. This great experience motivated me to search for other opportunities connected to the aviation industry. In 2015, I participated in a six-month internship at Lufthansa Passage in Frankfurt in the Sales management for Head office. This internship gave me practical insights from the commercial business of a big full-services airline. My interest in aviation grew further, therefore I applied for a second internship at Lufthansa Group. In 2016, just after I finished my first internship there, I started a second one and worked 5 months in the team of Global Sales Strategy and Steering of Lufthansa Cargo in Frankfurt, Germany. In this way, I gained knowledge in three different sectors of the airline industry and fostered my interest for the aviation industry. Moreover, I would like to direct my future career to this field, so analysing the Bulgarian aviation market will give me additional knowledge about it and about the customers of the aviation industry.

In 2017, the organizers of "Sky Awards 2017" for Bulgaria, gave the prize for the best airline in Bulgaria to Lufthansa, for the most preferred airline in Bulgaria to Wizz Air and the national carrier Bulgaria Air received just the prize for the most preferred airline for short and medium haul flights from/to Bulgaria (Sky Awards, 2018). This is another reason for the necessity of this thesis and the need to conduct a customer satisfaction survey. By doing this, recommendations for the improvement of the current marketing strategy of Bulgaria Air can be made, which will help them to strengthen their market position, and hopefully in the next years they will be able to receive the prize for the best airline in Bulgaria according to customers.

The main goal of this master thesis is to answer the following research questions:

1) What are the key factors influencing customer satisfaction in the airline industry?

2) How the customers of Bulgaria Air perceive the company's image?
3) How the customers of Bulgaria Air perceive the value that the airline offers?
4) What aspects of Bulgaria Air were the customers most satisfied with?
5) Which are the service quality gaps perceived by the customers of Bulgaria Air?
6) What are areas for service improvements of the national carrier Bulgaria Air?
7) What is the future behavioral intention of the customers towards Bulgaria Air?

The first chapter gives a theoretical overview of the literature in regard to customer satisfaction, customer loyalty, factors influencing customer satisfaction and loyalty and customer experience. The second main chapter focuses on the market analysis. In this second chapter, the current situation, the market outlook and the challenges in the aviation industry will be described. Furthermore, this second chapter includes information about the European civil aviation market, the market outlook for Europe, statistical information about the Bulgarian civil aviation market and the future outlook. The third chapter is concentrated on providing information about the Bulgarian national carrier - Bulgaria Air. Detailed information about the history, the fleet, the financial situation and the services of the carrier is provided. The fourth main chapter is the analytical part and deals with the marketing research. In this chapter, the research goals are set, data collection and structure of the respondents are described, and the evaluation of the survey is provided. Last but not least, suggestions for improvements for the company is given and conclusion is made.

1 Theoretical part

Due to increasing competition, the progress of digital technologies like the Internet and more informed clients in the present aviation industry, it is essential for an airline survival and profitability to do more in order to satisfy and keep passengers. Therefore, the airlines should initiate and develop systematic ways to identify and measure the determinants that form customer satisfaction and loyalty (Sandada & Matibiri, 2016).

1.1 Customer satisfaction

According to Oliver (1981) satisfaction can be defined as "*a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations*". The term was described by Hansemark and Albinson (2004) as an overall customer reaction towards a service provider, or an emotional reaction to the difference between what clients expect and what they get concerning the fulfilment of some needs, goals or desire. For that reason, it is crucial to satisfy customers who these days have better access to information, are very well educated, more acquainted with the trends in technology and demand more from the products and service they want (Namukasa, 2013).

Researchers Szczepańska and Gawron (2011) pointed out that a customer's level of satisfaction with a product/service they have purchased is formed by his/her subjective estimation of the product/service, the value of the benefits they have obtained and the customer's overall interaction with the company. Other studies evaluate customer satisfaction to be one of the most notable outcomes of all marketing activities in any firm that is considered as market-oriented (Kandampully & Suhartanto, 2000).

According to Angelova and Zekiri (2011), satisfied customers are the basis of successful businesses for the reason that they result in repeat purchases, positive word of mouth and customer loyalty. Further, customer loyalty can be a consequence of high switching barriers or absence of close substitutes, while at the same time in some cases customers are convinced to continue the relationship because they are satisfied with the product or service (Dehghan & Shahin, 2011). In case of the airline industry, where exit barriers are restricted, and alternatives can be found, customer satisfaction is one of the key tools that can be used to retain existing customers and taking this into account any research on loyalty should involve a thorough analysis of customer satisfaction (Szczepańska & Gawron, 2011).

Number of empirical studies acknowledged satisfaction as a forecaster of customer loyalty (Cheng & Rashid, 2013; Wong & Sohal, 2003; Eggert & Ulaga, 2002; Gures et al., 2014). Other studies indicated that customers may still change loyalties even after demonstrating that they are satisfied with a service provider. For instance, Chandrashekaran, Rotte, Tax and Grewal (2007) drew the conclusion that satisfaction strength is a crucial driver in converting satisfaction into loyalty and claimed that strong satisfaction is translated into loyalty, whereas weakly held satisfaction causes customers to be vulnerable to betrayal or defection.

Scholars like Davis and Heineke (1998) stated that although high levels of satisfaction do not automatically convert into customer loyalty, dissatisfied customers tend to look for alternatives or decrease purchase frequency. A study paper by Jan, Abdullah and Smail (2013) pointed out that a number of studies conducted in the airline context present evidence of a positive relationship between customer satisfaction and loyalty.

1.2 Customer loyalty

Customer loyalty can be determined as "*a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand purchasing despite situational influences and marketing efforts having the potential to cause switching behavio*r" (Oliver, 1997).

Delghan and Shahin (2011) identified that customer loyalty is an important component of organizational success and profitability, owing to the fact, that consumers that demonstrate the highest levels of loyalty towards a service are more predisposed to repurchase the service more often and spend more. Further, Gomez, Arranz and Cillan (2006) suggested that loyal customers are more appealing for companies for the reason that they tend to be less price-sensitive and do not necessitate much effort to communicate with in comparison to clients with no earlier experience with the company. Every airline is appealed by the concept of retaining profitable and frequent flyers because businesses are succeeding by getting, retaining and growing customers (Kotler & Keller, 2012; Peppers & Rogers, 2005).

Researchers Delghan and Shahin (2011) pointed out the following five dimensions of loyalty from analysing the services literature: repeat purchase of a service, resistance to switching, provision of positive word-of-mouth, identifying with a service and preference for a particular service provider.

Various studies have focused on distinguishing effective methods of increasing loyalty in the service industry, which includes also the use of frequent flyer programs (FFPs) in order to honour repeat purchases as a way of gaining a greater share of consumers spending (Meyer-waarden, 2008; Lewis, 2004). A study of Park, Robertson and Cheng-Lung (2005) pointed out service quality as a key component of customer loyalty, either directly or with the help of the mediating effects of other factors such as satisfaction. Along the same line, other studies have discovered that corporate image significantly and positively influences customer loyalty (Kandampully & Hu, 2007; Kandampully & Suhartanto 2000). Researchers Han, Kwortnik and Wang (2008) conducted a study across service contexts containing airlines and hotels and from this study they drew the conclusion that the key determinants of loyalty are service quality, service fairness, customer satisfaction, commitment and trust. Nevertheless, Dolnicar, Grabler, Grun and Kulnig (2011), inferred that the drivers of behavioural airline loyalty differ for diverse market segments, consequently underlying the need for marketing managers to establish customized offerings for each segment.

1.3 Factors influencing customer satisfaction and loyalty

1.3.1 Safety perception

Safety is considered as an important factor in passenger airline choice. (Gilbert & Wong, 2003; Wessels, 2006). The decrease in the numbers of air passengers after the attacks on September 11 in the United States is another confirmation of the impact of safety on consumer behaviour (Sandada & Matibiri, 2016). Moreover, Ringle, Sarstedt, Zimmermann (2011) suggested that airline disasters are subject to immense media coverage, indicating public recognition of such events. Therefore, investigating the impact of an airline's safety perception turns out to be an important factor within the framework of establishing long term customer relationships, considering the possible destabilizing effect safety failures may have on airline choice (Sandada & Matibiri, 2016).

Regardless of the airline industry's assertion that safety "has always been the top priority" of the industry and the numerous measures being initiated to guarantee increased passenger safety (IATA, 2014), the existence of air accidents cannot be abolished completely as indicated by the three serious airline tragedies in 2014 associated with Malaysia-based airliners (Sandada & Matibiri, 2016).

It is difficult to retrieve accurate airline safety levels (Ringle et al.,2011), which is why passengers turn to substitute measures of safety as for example an airline's service quality or their impressions of an aircraft's appearance (Rhoades & Waguespack, 2000). Further studies identified safety as an important issue in airline choice (Oyewole, Sankaran & Choudhury, 2007; Gilbert & Wong, 2003). However, there were no studies on the effect of safety perception on airline image and customer loyalty. There was only one study conducted by Ringle et al (2011), in which the effect of perceived safety on customer satisfaction was examined, having the purpose of travel as a controlling variable. The study drew the conclusion that perceived safety is one of the key factors of overall customer satisfaction. It also provided evidence that there was a stronger relationship for leisure travellers than for business travellers.

1.3.2 Perceived image

Due to the complex nature of the image construct, several definitions of image can be found in the present literature (Singh, 2015). For instance, Keller (1993) described brand image as the overall sequence of perceptions about a brand the client formulates as expressed by brand association. Additionally, it was defined as the aggregation of beliefs, ideas and impressions that customers have of a place or destination (Baloglu & Brinberg, 1997). Researchers Padgett and Allen (1997) described brand image as a symbolic meaning that clients remember when they experience the specific feature of the product or a service.

When speaking about the airline industry, having a positive image in the minds of travellers can help a company to separate and differentiate from its competitors (Park et al., 2006). Usually, passengers keep in their memory the travel experience image with the image of the airline (Singh, 2015). According to Park et al (2006), whenever passengers consider air travel, an advantageous positive image of a specific airline can influence the passenger to select the airline over the others. For that reason, airline perceived image is taken into consideration as an important factor influencing airline choice. (Singh, 2015).

Earlier studies showed that corporate image can determine customer choice of a company in the cases when service attributes are demanding to investigate, and it has an influence on consumer's perception on the provided goods and services (Andreassen & Lindestad, 1998; Zeithaml, 1988). Researchers Ostrowski et al. (1993) asserted that "*positive experience over time following several good experiences will ultimately lead to positive image*" in an airline industry.

1.3.3 Perceived value

According to Zeithaml (1988) customer perceived value can be explained as the outcome of personal comparison between perceived overall benefits and the perceived sacrifices or expenditures paid by the customer. Earlier literatures have investigated that product quality and service quality act as a forecaster of customer perceived value. (Bolton & Drew, 1991; Chen & Hu, 2010; Lai et al., 2009; Zeithaml, 1988). Perceived value has been recognized as a crucial indicator of customer satisfaction and behavioural intention (McDougall & Levesque, 2000; Andreassen & Lindestad, 1998; Ryu et al., 2008, 2012). Furthermore, Park et al. (2006) concluded, that customers look for value for money in every service encounter with their service provider and this is also the case when they are making the decision to return back to the service provider.

Consequently, airlines can offer value-added services to their passengers such as frequent flyer program, providing more leg space, or offering more benefits to frequent flyers compared to occasional flyers, for the purpose of having long-term relationship with their passengers which further can help airlines in obtaining competitive advantage (Dube & Maute, 1998; Park et al., 2006). However, providing good services to passengers may not be enough to win and retain passengers due to the fact that travellers look for value in their offering as a mix of fare and service quality (Park et al., 2006).

1.3.4 Frequent flyer programs

Customer loyalty program can be defined as a well-coordinated membership-based marketing strategy created to give incentives to customers in order to build up continued marketing exchanges with clients and strengthen their loyalty (Gómez et al., 2006; Lacey & Sneath, 2006). Companies in travel-related industries, in particular airlines, provide customer loyalty programs (mentioned as Frequent Flyer programs – FFPs) to stimulate repeated purchasing, thus increasing customer retention rates by providing incentives for clients to buy more frequently and in bigger volumes (Lewis, 2004).

Several studies recognise the importance of FFPs in impacting airline preference and customer allegiance. (Hess, Adler & Polak, 2007; Lederman, 2007; Lewis, 2004). Further, Dolnicar et al (2011) examined research data into customer segments and made the conclusion that loyalty programs are strongly related to behavioural loyalty for business and frequent travellers, whereas there was a weak relationship for casual and leisure travellers. Furthermore, frequent flyer programs have impact on habit formation for airline passengers since they increase switching costs for clients (Carlsson & Lofgren, 2006).

Liu (2007) researched the long-term effectiveness of loyalty programs by carrying out a longitudinal study and drew the conclusion that these programs have a positive influence on purchase frequencies and transaction sizes for both light and moderate buyers, as they influence them to be more loyal.

1.3.5 Service quality

Service quality is viewed as the most important critical success factor of any service industry (Berry et al., 1994; Kannan, 2010; Singh & Sushil, 2013). According to the results of American Management Association survey of North American, Western European and Japanese managers, 78 percent of the interviewed managers think that service improvements are essential to competitive success. (Min & Min, 1996) However, it is difficult to determine and measure service quality because of its intangible and evasive nature. (Min and Min, 1996; Kannan, 2010; Min, 2010; Chow and Luk, 2005; Parasuraman et al., 1985).

According to Parasuraman et al. (1988) service quality is determined as a global judgment or position associated to what the customer actually receives from the service and the way in which the service is delivered. Park et al., (2004) defined service quality as a consumer’s overall perception of the efficiency of the company and its services, whereas Chen and Chang (2005) interpreted the term as chain of services where the whole service delivery is separated into a series of processes. Kannan (2010) explained service quality as the excellence to which a company provides services to its customers in contrast to its competitors. According to Namukasa (2013) almost all definitions of service quality depend on the circumstances and for that reason focus on meeting the client’s needs and requirements and emphasis on how well the provided service matches the client’s expectations of it.

In the context of the airline industry, service quality is originating from the numerous interactions between the passengers and airlines with employees trying to influence passengers' perceptions and the image of the airlines (Gursoy et al.,2005). Although price is used as the predominant way to attract passengers; several airlines make use of service quality to obtain a competitive edge by differentiating their products due to the fact that competitors are quite efficient in reacting to price changes (Jones & Sasser, 1995). The competitive advantage of these carriers lies in their service quality as perceived by passengers (Chang & Yeh, 2002). For that reason, guaranteeing quality service is essential for the survival of all businesses or industries concerning service offerings, including airlines (Namukasa, 2013).

According to Caruana (2002) service quality has been a topic of great interest from scholars and practitioners who believe quality of service can substantially boost profitability of a company. Cheng and Rashid (2013) stated that managing service quality indicates that a service provider has to combine the service performance with the perceived service in order to accomplish customer satisfaction. Additionally, Kotler and Keller (2012) suggested that service quality expectation is a factor in the formation of customer satisfaction. Companies achieve adequate levels of satisfaction by offering services that not only fulfil customer expectations but even exceed them (Sandada & Matibiri, 2016).

A number of empirical studies also noted the significance of service quality in impacting satisfaction and loyalty. One of these studies, conducted by Cheng and Rashid (2013), examined the effect of service quality on customer satisfaction and how customer satisfaction afterwards influences customer loyalty in the hospitality industry. Based on the study the researchers draw the conclusion that there is a positive relationship between service quality and the level of customer satisfaction, causing customer loyalty.

Park et al (2005) identified that service quality elements for the airline industry can be classified into three dimensions: “Reliability and customer service”, “Convenience and accessibility” and “Inflight service.” Furthermore, the study also revealed that there is a remarkable positive relationship between the elements “Convenience and accessibility”, “Inflight service” and airline image, and at the same time airline image subsequently affected behavioural intentions.

Other researchers Jan et al (2013) developed a validation model in order to test the same dimensions of service quality introduced by Park et al. (2005) and found out that all three service quality dimensions are important for explaining airline loyalty, especially in the airline industry in Malaysia. Along the same line, researchers Lovelock and Wirtz (2010) postulated that service quality is the key figure in satisfying customers, which is consequently a foundation for a loyal customer base.

1.3.5.1 Pre-, in- and post- flight service quality

Namukasa (2013) conducted a research on the effect of pre-, in- and after-flight service quality on passenger satisfaction. In order to give more detailed insight on the variables that effected the passenger satisfaction and loyalty in the airline industry the following conceptual framework was created (Figure 1) during the research:

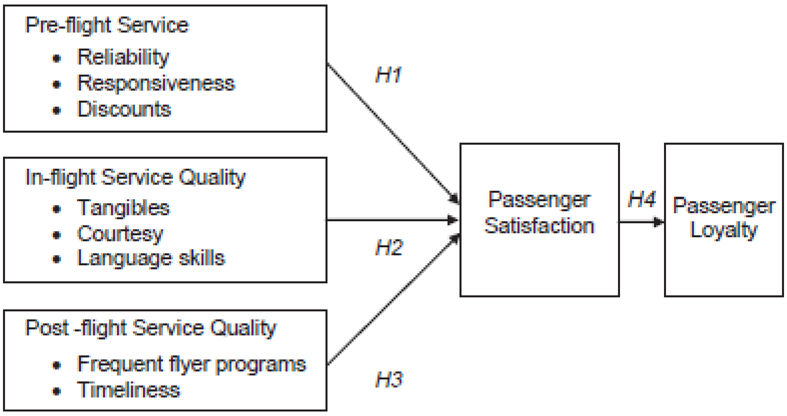


Figure 1: Conceptual framework. Source: Namukasa, 2013

Pre-flight service quality in this research included: reliability of airline web site, discount offers, responsiveness to emergency situations such as cancelled flights and baggage allowance. Regarding the in-flight service quality, the research suggested safety precaution, seat comfort, quality of food, in-flight entertainment services, language skills and courtesy of the in-flight crew as independent variables. According to the research post-flight service quality includes services like offering frequent flyer programs, promptness of baggage delivery and retrieval.

Generally, the study findings have corresponded with other studies in finding that the quality of airlines' services influences significantly the passenger satisfaction and loyalty. The result of the study revealed that the quality of pre-flight, in-flight and post-flight had a statistically significant impact on passenger satisfaction. Additionally, the results showed that passenger satisfaction as a mediating variable also had a significant impact on passenger loyalty. The researcher observed that passenger satisfaction was different from person to person due to the fact that some were more interested in off board facilities, others in onboard, some in the quality of food whereas others wanted some extra luggage. Finally, the study results suggested that airline marketers should establish different strategies to enhance service quality. The strategies which were suggested in the study included meeting passenger's desired service levels, enhancing the quality of in-flight meals, solving service problems successfully, initiating convenient reservation and ticketing systems, offering convenient schedules for passengers and decreasing the effect of service failures as these directly influence passenger satisfaction and loyalty (Namukasa, 2013).

1.3.5.2 Measurement of service quality

As the concept of service quality is essentially intangible in nature, service quality cannot be objectively measured as can for instance technical quality in manufacturing (Chow & Luk, 2005; Patterson & Johnson, 1993). Service quality is an elusive and hypothetical concept as a consequence of three features specific for services: intangibility, inseparability and heterogeneity (Patterson & Johnson, 1993). Moreover, service quality needs to be measured in order to be improved (Min & Min, 1996). Consequently, if it needs to be improved it requires reliable assessment and measurement. Nevertheless, Parasuraman et al. (1985) identified that estimating improvements in service quality is yet more challenging.

1.3.5.2.1 SERVQUAL model

One of the most important models for measuring service quality is the SERVQUAL model developed by Parasuraman et al. (1988). The development of the model was based on gap analysis. According to the model service quality can be estimated by determining the gaps between client's expectation of the service to be provided and their impression of the actual performance of the service. The SERVQUAL model is established on the basis of the five dimensions of service quality specifically: tangibility, reliability, responsiveness, assurance and empathy (Parasuraman et al., 1988).

By analysing the literature, one can find several models for measuring service quality, such as: technical and functional quality model (Grönroos, 1984), SERVQUAL Gap model (Parasuraman et al., 1985, 1988), SERVPERF model (Cronin & Taylor, 1992), attribute model (Haywood-Farmer, 1988), synthesized model of service quality (Brogowicz et al., 1990), attribute and overall affect model (Dabholkar, 1996), antecedents and mediator model (Dabholkar et al., 2000) and internal service quality model (Frost & Kumar, 2000). However, all the models above assist for the measurement of the internal service quality, but they do not take into consideration the strategies of the rivals (Singh, 2016).

If the company wants to evaluate its comparative service performance and to continuously improve its market position, then the firm need to measure service performance in correspondence to its competitors. Only few studies have been conducted to measure competitive service quality. For instance, Parasuraman et al. (1991) implemented non-comparative evaluation model by modifying the SERVQUAL model to estimate service quality in relation to rivals. The main challenge of this approach is that it necessitates the collection of various sets of data to do a competitive analysis (Chow & Luk, 2005). However, some researchers have implemented comparative evaluation model which recommended the use of analytic hierarchy process (AHP) technique for competitive service quality benchmarking (Singh, 2016). In the following subchapter the AHP model will be explained on a provided example.

1.3.5.2.2 AHP model

The AHP model was established by Saaty (1980, 1990, 2008). It decomposes a complex unstructured multi-criteria decision problem into a hierarchy composed by various levels concerning an overall objective. Each level comprises of several manageable elements, which can be further broken down into specific elements of the problem, the decision criteria's and the decision alternatives. (Saaty, 1980). The basis of AHP are three set principles: decomposition, comparative pair wise judgment and synthesis of priorities (Dey et al., 2006). Despite the fact, that AHP has mostly been applied in multi criterion decision making problems, thanks to its adaptability, practicality and its ease of use it was widely used in several areas. (Singh, 2016).

One of the studies using AHP model was conducted by Min and Min (1996). In their research they expanded the idea of competitive benchmarking to a service industry by implementing AHP methodology in the context of the Korean hotel industry. They decided in favour of AHP over SERVQUAL because the latter estimates the internal service quality of service companies, but does not measure the relative superiority/inferiority of a service companies and its service performance, whereas AHP estimates the comparative service quality of competing service firms.

Furthermore, the researchers stated that for a business comparative position is more important in comparison to any absolute measure. As well as that the findings of AHP are more applicable than the general ones from SERVQUAL. Therefore, according to Min and Min (1996), the AHP gives a direct comparison with competitors and creates a link with managers' concern by offering targets for improvement. Implementing AHP model, they conducted a competitive benchmarking for six Korean luxury hotels, using two criterions and 14 service attributes, and carried out competitive gap analysis for service improvement action plans. Furthermore, they came to the conclusion that their methodology has an application beyond the hotel industry to several service industries like health care, banks, restaurants, etc. (Min & Min,1996)

Later the method was applied in other industries. The researchers Chow and Luk (2005) applied the AHP model to estimate competitive service quality of fast food restaurants. Min (2010) implemented AHP technique for measuring the comparative performance of supermarkets in South-eastern USA.

1.3.5.2.3 AHP model in the airline industry

Regarding the airline industry, Singh (2016) conducted a study addressing competitive service quality benchmarking with the idea to in help airlines to enhance their competitiveness and to gain competitive advantage. The research presented an analytic hierarchy process – service quality (AHP – SQ) framework regarding the competitive service quality benchmarking in Indian domestic airline industry. The framework was developed to help managers in assessing their service performance compared to their rivals by using AHP and competitive gap analysis. The AHP technique is used to estimate competitive service quality performance and to evaluate service performance in comparison to competitors, and in this way to present targets for becoming an excellent and reach business, as well as competitive objectives. The AHP tool provides a ranking of companies with respect to service quality dimensions as well as standing of each service provider in regard to its competitors.

The study of Singh (2016) identified 23 service quality attributes and five dimensions after conducting extensive literature review, focus group brainstorming and collecting experts' opinions from the airline industry in India. The five dimensions of service quality presented first in the study of Parasuraman et al., (1988) are namely: tangibility, reliability, responsiveness, assurance and empathy. They were applied to the airline industry and new definitions arose.

Tangibility, which is originally defined as the appearance of physical facilities, equipment, personnel and communication material; was adapted to the airline industry and the term included the following six aspects: check in and boarding services, baggage handling services, waiting time, modern aircrafts, clean facilities, variety and choices of in-flight entertainment and in-flight meals. As next, the study defined *reliability* as the ability to perform the promised services reliably and accurately. The researchers included the following characteristics to this dimension: on-time departures/arrivals, consistent and efficient service processes. The dimension *responsiveness* is determined as the willingness to help clients and to offer prompt services. The study included the following points: keeping passengers informed about the time of service and prompt response to complaints and requests. *Assurance* was defined as the knowledge and courtesy of employees, as well as their ability to convey trust and confidence. To fit to airline context the researchers included the following details: safety aspects, safe planes and facilities and employee capabilities. Finally, *empathy* was determined as the provision of caring, individualized attention to passengers. The term included the following aspects: convenient flight schedules and understanding the specific needs of passengers.

After the identification of definitions, the focus group presented a list of 23 attributes, which were then clustered into the five dimensions of service quality. For example, for the dimension assurance there were four attributes, namely: safe planes and facilities during journey; consistently courteous staff; knowledge to answer passengers' queries and individual attention to passengers. Regarding the criteria tangibility the following six attributes were identified: neat well dressed and visually appealing staff; hassle free check in and boarding (waiting time and queue); efficient baggage handling mechanism (reasonable waiting time for baggage); modern aircrafts and clean facilities; variety and choice of in-flight entertainment facilities; variety and choices of in-flight meals (Singh, 2016).

The findings of the study by Singh (2016) showed that passengers rate assurance as the most important criteria in assessing the service quality in airline industry. Assurance service dimension also includes making air travellers feel safe during their trip, thus it is essential for an airline to offer safety. Furthermore, air travellers have classified safety, knowledge and courtesy as the most important service dimension. The results revealed that out of the four sub-criteria in the assurance dimension passengers have appointed safe planes and facilities (safety) during journey as the most important service sub-criteria. These findings correspond with the previous study of Gilbert and Wong (2003), which identified that air travellers rank assurance as the most important service dimension.

Passengers have assigned “reliability” service dimension as the second most important service quality dimension. This shows that airlines should put stress on reliability service dimension by enhancing on time performance (punctuality) and improving their operations (processes) by improving and offering more efficient check in process and efficient baggage handling process.

“Responsiveness” was ranked as the third most important aspect of service quality dimensions. In this dimension passengers evaluated with the highest rank the sub-criteria prompt services to passengers, followed by willingness to help passengers. Empathy was ranked fourth in the evaluation for the airline industry and here as the most crucial sub criteria passengers have assigned the convenience of the flights schedule followed by understanding specific needs of passengers. This means that airlines should put stress on integrating convenient flight schedule in their network.
The results showed that passengers rate “tangibility” as the least important criteria from the five service dimensions of the airline industry. Here, out of six sub-criteria, passengers have appointed variety and choices of in-flight meals with highest ranking, followed by hassle free check in and boarding. The final weights of the sub-criteria showed that passengers rank (safety) safe planes and facilities as the most important sub criteria with a weight of 25.7% followed by on time performance (14.9%), performing the services right, the first time (6.4%) and remedial process for delayed or missing baggage with 6.3% (Singh, 2016).

The results of this study contributed to several managerial and practical implications. To begin with, the researcher offered a framework (AHP-SQ framework) for conducting competitive benchmarking of service quality in full-service domestic airline industry in India. This framework can support airline management to recognise areas of service quality improvements, compare their strengths and weakness with their rivals and to recognise service quality gaps in regard to the benchmark airline. This can further assist top management in developing competitive strategies for enhancement of their service quality performance and consequently in achieving competitive advantage.

Furthermore, the framework assists in identifying airline's competitive position and its overall performance in comparison to its rivals. The framework also helps in distinguishing airline's service quality dimensions that can be enhanced to improve productivity and competitiveness. Finally, these findings are very important for the airline managers, because they help them to decide which service dimension criteria should have top priority and which deserves the least priority while developing their competitive strategy (Singh, 2016). Consequently, giving too much importance to wrong criteria and de-emphasis on crucial criteria may cause passengers' dissatisfaction and result in loss in revenue and market share (Kannan, 2010).

1.4 Customer Experience

Researchers Chauhan and Manhas (2014) introduced the concept of customer experience as an arising opportunity in the fast-moving highly competitive world mainly in the new outlook of experience economy. The ability to manage the customer experience turned out to be critical part of the strategy of service organizations (Klaus, 2011). Airlines started to recognise this opportunity and began to concentrate on customer experience through enhancing the air travel experience of their customers (Graham, 2001).

Customer experience has its origins from series of interactions between a customer and a company, which lead to a reaction. This experience suggested that the consumer's participation at various levels was rational, emotional, sensorial, spiritual and physical (Gentile, Spiller, and Noci, 2007). Millard (2006) defined customer experience as the difference between what the customers believe they should be given and the experience that they get. Customer experience is planned for improving relationships with customers and securing customer loyalty. Providing unique customer experiences is recognised as a key goal for service companies making efforts to initiate customer loyalty (Verhoef et al., 2009). The emotions and reactions of consumers while using a service have been identified as a significant part of customer assessment and satisfaction with service (Otto and Ritchie,1996). A study by Pine and Gilmore (1998) provoked great interest into a new management model which stresses the change from service delivery to creation of experiences.

Scholars Shaw and Ivens (2002) identified that distinguishing only on the conventional physical components such as price, delivery and lead times is no more a successful business strategy since the new differentiator is customer experience. Furthermore, Nunes and Cespedes (2003) revealed that in the past organizations mostly concentrated on the physical aspects of the product and totally forgot about the emotional and value aspects and therefore lost many consumers in the long run. In order to be successful in the competition for providing excellent customer experience, an increasing number of companies were consistently implementing the concepts and tools of total customer experience in order to initiate, increase and maintain long-lasting customer loyalty (Chauhan and Manhas, 2014).

Pine and Gilmore (1999) identified that there is a direct relationship between providing experiences and companies' potential to generate revenue. Further Schmitt (1999) recognized, that customers start developing the recognition of a firm, brand, service or product from the supplier after they receive experiences from being present at activities and being encouraged by them. Experiences that are kept in the customer's memory are seen as useful information sources as they function as internal information for decision making in the future (Hoch and Deighton, 1989). According to Pine and Gilmore (1999) in the past few years the world's economy has transformed radically from serviced based to experience based and will keep changing as our needs and the community change. In the past years, the focus of research and management practices was on quality and productivity and limited on vitally important issues like customer experience. Pine and Gilmore (1998) stated that an experience happens when an organization deliberately delivers superior services to attract different consumers in a manner that designs a memorable event. These experiences involve the consumers further, in order to make memories within them (Gilmore and Pine, 2002).

As already mentioned before, delivering high-quality products and excellent service are crucial elements in the business world today. Due to the fact that consumers are turning out to be more and more experience-oriented, airlines need to be conscious of the elements that influence customer experience. Researchers Pereigis et al. (2011) recognised and explained that diverse aspects like involvement of customers, safety and physicals artefacts are vital for the customer experience when speaking of public transport travellers. The outcome of the research indicated the significance of interactions with other consumers and the physical environment in improving customer's experience. After conducting an empirical validation of a multiple-item scale estimating customers' service experience, Klaus and Maklan (2012) found out that service experience significantly impacts customer satisfaction, loyalty and word-of-mouth intentions. In the same vein, other researchers Lemke, Clark and Wilson (2010) suggested a conceptual model about customer experience quality and discovered that there is a positive influence of customer experience on outcomes of customer relationship. Based on their study Grace and Cass (2004) discovered that service experience has notable effect on feelings, satisfaction and brand attitudes. Consequently, the outcome of the above findings is that customer experience has a direct influence on service quality, customer relationship, feelings, sales, customer satisfaction, brand attitude and behaviour intention. Moreover, business people are convinced that improving customer experience and long-term loyalty is crucial for preserving customer focus and forming customer preference.

The result of the study of Chauhan and Manhas (2014) revealed useful implications for marketing managers in the aviation industry. As a manager in any airline, it is vital to take into account the customer experience considering its positive effects on the customer loyalty. The research indicates that achieving memorable customer experience offers an opportunity for managers to establish additional value and benefits for customers. Furthermore, the study states that by concentrating on experiences, companies can obtain competitive advantage (Pine and Gilmore, 1998). The paper underlines that experiences that attract the customer by giving him/her recognition and initiate an emotional connection with him/her can result in customer loyalty. The research by Chauhan and Manhas (2014) concentrates on alternatives to improve comfort and possible marginal benefits airlines may achieve by offering more comfort to passengers and in this way attract more passengers. Further the paper highlights that airlines should focus on the safety of the passengers as it is a vitally important aspect of customer experience. Another aspect to which airline managers should pay considerable attention is expanding the skills of its employees, because they are the ones interacting directly or indirectly with the customers. Moreover, employee’s enthusiasm, passion and commitment are significant for the customer engagement and the entire experience. The results of the research also revealed that it is essential for companies to constantly innovate and enhance their offering to deal with boredom and improve their originality (Pine and Gilmore, 2000). The research also suggests that organisations should recognize and examine favourable and unfavourable service experiences and as a consequence develop a knowledge base for creating services that provide favourable service experiences because only those organisations that provide the favourable and right experience to consumers will be successful in the global marketplace (Seddon and Sant, 2007).

The study of Chauhan and Manhas (2014) concludes that customer experience is obligatory precondition for establishing strong customer loyalty and the key factor when retaining customers in a service-dominated economy. Further, the authors indicate that customers undeniably want superior experiences and increasingly more companies are responding by developing and advertising such. The researchers indicate also that the leading airlines will discover that the next battlefield with their competitors will be in providing long-lasting experiences. Therefore, Chauhan and Manhas (2014) advise businesses to design engaging experiences by incorporating functional and emotional benefits in order to achieve the full advantage of providing long-lasting customer experience. In addition to that, the researchers infer that emotional bonds between businesses and consumers are hard to imitate by competitors. The results of their study make clear that customer experience compose of multiple dimensions. Their analysis shows that experimental dimensions impact significantly overall customer experience and there are significant differences among various airlines in regard to customer experience.

2 Market analysis

2.1 Aviation industry

2.1.1 Aviation industry in 2017

According to the latest annual report of IATA (2018), in 2017, a record number of cities globally were connected by airlines, offering services to more than 20 000 city pairs. This is 1, 351 more city-pair connections in comparison to 2016 and double the services offered since 1995, when there were less than 10,000 city-pair connections worldwide. At the same time, the consumers spendings for air travel have reduced by more than half in real terms (considering the inflation) over this same period of time. This indicates that air transport nowadays provides more choice at a lower cost.

Furthermore, air transport contributed to the economic growth and prosperity by means of tourism and trade. In 2017, the spendings of international tourists traveling by air amounted $711 billion, which is almost 6% more in comparison to 2016. Moreover, the presence of more and cheaper city connections stimulated trade in goods and services and increased foreign direct investment and further crucial economic flows (IATA., Annual Review 2018, 2018). The benefits of aviation industry can be further seen in the number of direct jobs involved in the industry - 2.7 million. Aviation is also critical support for 3.5% of the economic activity worldwide (IATA, Press Release 1, 2017).

Even though more than 99% of world trade in terms of weight is transported by surface, more than 30% of world trade by value is carried by air. Estimations done by IATA indicated that the value of goods transported by air in 2017 was $5.9 trillion, corresponding to almost 7.5% of world GDP (IATA: Annual Review 2018).

The report of IATA stated also that the existence of more direct connections resulted in increased demand. Having a direct connection between cities reduced the cost of air transport by saving time for both travellers and shippers. The boost from time savings in combination with cheaper fares and stronger economies had a result of more than four billion air passengers worldwide in 2017 as never before. The accessibility of air travel resulted also in reduction of the time between trips. If the average citizen travelled by plane just once every 43 months in 2000, in 2017 the time between trips was reduced by almost half – 22 months.

Furthermore, the statistics of IATA showed a strong growth in demand for air passenger services in 2017 in combination with increase of industry-wide revenue passenger kilometres (RPKs) amounting 8.1%, which is well above the long run average of 5.5%. This growth in passengers' numbers in 2017 was not only thanks to the lower airfare but also thanks to a broad-based development and improvement in global economic conditions. There was a positive development regarding the global available seat kilometres (ASKs), which in 2017 increased by 6.7% in comparison to 2016. In 2017, the industry-wide passenger load factor reached a record height of 81.5%, which is 1 % more than in 2016 (IATA, Annual Review 2018, 2018).

According to IATAs latest report in 2017 there was further development of airline business models and industry structure. The LHLC model including both long-haul and low-cost operations continued to advance, especially in the North Atlantic market, where several legacy carriers have initiated LHLC subsidiaries. This describes the fact that low-cost carriers (LCCs) were adopting practices typical earlier for the full-service carrier (FSC) model as for example by using global distribution systems; programs for frequent flyers; as well as using of connecting or feeder traffic, which included the LHLC services of other airlines. At the same time FSCs were following many of the cost-efficiency methods introduced first by LCCs. The result of these developments of problematic distinction between FSC and LCC model was a hybrid business model. In the meantime, airlines were trying to broaden their network with the help of joint ventures, equity investments or other types of cooperation. This allowed them to obtain economies of density and to provide narrow city pair connections, which otherwise would not be possible to operate.

Last but not least, in 2017, the aviation industry witnessed a collapse of some airlines, in particular in Europe. This called attention to the transforming industry structure, which involves merger in some markets (IATA., Annual Review 2018, 2018).

2.1.2 Current Market Outlook for 2018 globally

For 2018 IATA forecasted a positive development for the expected numbers of passengers. The association predicted a 6% increase on the 4.1 billion passengers in 2017, which should result in expected 4.3 billion passengers in 2018. At the same time passenger traffic, measured as revenue passenger kilometres (RPKs), was foreseen to increase by 6.0%, which is a bit lower in comparison to 7.5% growth from 2017, but is still above the average of 5.5% for the last 10-20 years.

A positive development is expected for the capacity expansion, which can be seen by the 5.7% more available seat kilometres (ASKs). Thanks to these the average load factor is expected to reach the record of 81.4%, which can stimulate the improvement in yields by 3.0%. Following these developments, the revenues from the passenger business are foreseen to increase to $581 billion, an improvement of 9.2% on $532 billion in 2017. These robust performances of the passenger business can be contributed to the 3.1% expected strong GDP growth, which is considered as the strongest since 2010 (IATA, Press Release 1, 2017).

The global industry net profit for 2018 according to IATA is forecasted to increase and reach $38.4 billion, a development from $34.5 billion expected net profit in 2017. Further, a rise is expected also in the overall revenues, amounting to $824 billion, which is 9.4% more in comparison to 2017, when the overall revenues reached $754 billion. IATA forecasted slower growth for passenger demand, a 6.0% expected growth for 2018, in comparison to 7.5% growth in 2017.

There is an expected increase also in the average net profit per departing passenger of $8.90, which is more than $8.45 in 2017. Thanks to the positive developments of strong demand, efficiency and reduced interest payments, airlines will be able to boost net profitability in 2018 in spite of rising costs. The forecast for 2018 is that it is expected to be the fourth in a row year of steady profits with a return on invested capital amounting to 9.4%, which could exceed the average cost of capital for the industry of 7.4% (IATA, Press Release, 2017). All these data indicated that the air transport industry is booming, but one should look also at the challenges that the airlines are facing.

2.1.3 Challenges in the aviation industry in general

Although the air transport industry is performing very well, by having solid safety performance, strong passenger demand, growing employment, more routes available and airlines reaching sustainable levels of profitability, the business is challenged by rising fuel, labour and infrastructure expenses, as stated by the IATA's Director General and CEO Alexandre de Juniac.

The rising costs are expected to be the biggest challenge to profitability in 2018. The price of oil in 2018 is supposed to reach an average of $60 per barrel for Brent Crude, which is 10.7% more from the price of $54.2 per barrel in 2017. The price of jet fuel is presumed to increase even more quickly with expected $73.8/barrel, a development of 12.5% more on $65.6 in 2017. This negative increase is expected to impact faster the airlines with low levels of hedging as the one in the United States and China than the one with higher average hedging ratios as for example those in Europe. In 2018, airlines are expected to pay 20.5% of their total cost for fuel, an increase in comparison to fuel bill amounting to 18.8% of the total cost in 2017.

The next item on the cost side of air transport are labour costs. They have been strongly rising and now are expected to be a bigger expense item than fuel. IATA is forecasting 30.9% for labour costs in 2018. Furthermore, a significant acceleration is expected regarding the growth of overall unit costs, from 1.7% in 2017 to growth amounting 4.3% in 2018. This is forecasted to outpace an estimated 3.5% rise in unit revenue.

According to IATA's Director General and CEO Alexandre de Juniac the air transport industry is confronted by longer-term challenges. A great number of them are dependent on the governments. Governments are the ones that could implement global standards on security, set a level of taxation, deliver smarter regulations or construct cost-efficient infrastructure to serve growing demand (IATA, Press Releases, 2017).

2.2 European civil aviation market

In 2016, there was a noteworthy strategic development in Europe seen in the quick rise of the LCLH (low cost, long-haul) business model. The low-cost airline Norwegian extended its long-haul operations by establishing bases in Paris and Barcelona, used for services to North America. In 2016, Norwegian was also the first airline to introduce low-cost services from London to Singapore. In response, the network airlines added LCLH operations in their low-cost subsidiaries. For example, the subsidiary of Lufthansa – Eurowings extended its operations from LCC to LCLH, Level from the International Airlines Group started operations in 2016 and Air France-KLM's subsidiary Boost (later renamed Joon) started in 2017. The primary destination for LCLH services additions to and from Europe was the North Atlantic, with more than 250 peak operations per week.

The strategic evolution of the European airlines continued by launching new routes, ventures, and business models other than LCLH. In 2016, LCCs expanded their short-haul markets by offering over 48% of intra-Europe capacity. During this time, the largest LCCs – Ryanair and EasyJet, continued their invasion into both Germany and France – countries where earlier there was relatively low LCC penetration. In search for additional growth LCCs were willing to advance beyond the traditional LCC model. The codeshare agreements between Ryanair and Air Europa and between TUI and KLM were given as examples for the transformation of the definition of LCC and inclusive tour operator. Further, these agreements were also indication that there cannot be clear separation between different business models when there is competitive marketplace.

In response to the competition with LCCs in short-haul markets, network airlines were more and more using their short-haul mainline operations to transport long-haul passengers via their hubs on connecting flights. Moreover, in order to compete more successfully with the LCCs, the network carriers were transferring increasing number of short-haul, point-to-point flying to their LCC subsidiaries.

Another challenge for the network carriers in Europe came from rivalry in some long-haul markets with large Middle East airlines. The carriers from the Middle East have gained crucial share by offering one-stop service from Europe to destinations as Australia, Southeast Asia and India, where these carriers benefit from better geographic location. (Boeing: Current market outlook 2017-2036, 2017)

2.2.1.1 Market Outlook for European civil aviation

According to IATA's latest forecast, airlines in Europe are foreseen to deliver a net profit of $11.5 billion in 2018, much higher in comparison to $9.8 billion in 2017. European airlines stated 5.5% increase in capacity following the expectation of 6.0% growth in demand for 2018, which is another evidence for a strengthening of the performance of the region.

European airlines profited from a noticeable recuperation of the economy in home markets, which includes also Russia, as well as from a recovery from the terrorism events of 2016, but also, they benefitted from the consolidation after the collapse of some regional airlines. The outcome of these events can be seen in the achievement of the highest average passenger load factor for Europe in 2017 so far – 84.3%. Even though new market entry is increasing already the severe competition, the performance of European airline is benefiting from strong transatlantic demand (IATA: Press Releases, 2017).

Despite a healthy growth, considering the 6% expected demand for air travel in Europe in 2018, European airlines are confronted by some significant challenges. This was indicated by the latest insolvency among European carriers. When comparing to carriers in North America there is a clear split in profitability. For every passenger the airlines in North America are expected to receive $16.67, whereas carriers in Europe are forecasted to collect $9.99 per passenger. Furthermore, European airlines are facing several operational challenges. When operating in Europe, airlines are confronted with high costs and regulatory difficulties. There is often not enough infrastructure capacity and there are high fees for using airports, which have increased twofold all over Europe in the last decade (IATA: Press Releases 3, 2018). Last but not least, the uncertainty around Brexit makes earlier decisions for airlines to develop and promote their flying programs necessary. (IATA: Press Releases, 2017)

2.3 Civil aviation market in Bulgaria

According to statistics from the Bulgarian Airlines Associations, overall, in 2017, 11.4 million passengers traveling on regular and charter flights passed through all Bulgarian airports. From the overall passengers 56.5% (or 6.4 million) were transported via Sofia airport, 42.7% (in sum) via the seaside airports - Varna and Burgas airport and 0.8% via Plovdiv airport.

The total number of passengers transported via international routes from Bulgaria in 2017 amounted to 10.8 million, which is 18.1% (or 1.6 million.) more passengers in comparison to 2016 when the passengers amounted to 9.1 million. Sofia airport reported 29.1% growth, and Varna and Burgas airport together announced 6% growth. Passengers transported via regular flights amounted to 75.3% (8.1 million) of the total passengers, which was 30.4% more passengers in comparison to 2016. Consequently, the rest 24.7% (2.6 million) of passengers were transported via charter flights, which is 9.1% less passengers in comparison to 2016. The Bulgarian Airlines Associations reported that this decrease in the share of charter passengers as well as their absolute number was due to the tendency of transfer of passengers of charter to scheduled international services. (Bulgarian Airlines Association, Statistics, 2018).

The statistics for 2017 showed a negative development for the number of passengers transported by Bulgarian airlines. Only 2.06 million of the total passengers in 2017 were transported by Bulgarian carriers. This was a decline of 4.3% in comparison to 2016, when the travellers amounted to 2.1 million. The share of the Bulgarian airlines of the total passengers transported in 2017 was only 19%, which is a decrease of 4.5% from 2016. The total number of passengers transported from foreign carriers in 2017 was 8.770 million, which represented 25% growth in comparison to 2016 – 7.04 million. This helped the foreign airlines to increase their share by 4.5% and reached 81% of the total for 2017. (Bulgarian Airlines Association, Statistics 2017, 2018). Looking at the statistics one can recognise that the foreign airlines manged not only to attract passengers from the Bulgarian airlines but also to attract new travellers.

The situation at the biggest airport in Bulgaria – Sofia airport – according to the statistics looked positive for the Bulgarian airport, but negative for the operating Bulgarian carriers. As already mentioned, in 2017, there was a rise in number of passengers – 1.3 million (+29.1%), reaching 6.2 million passengers travelling via Sofia airport. From this number only 0.91 million were transported by Bulgarian airlines. In terms of percentage from the total share, the number of passengers carried by Bulgarian airlines represented only 13.3% from the total. The foreign carriers had a growth of 37.7% and reached 86.7% of the total share of passengers using Sofia airport. In regards to scheduled international flights from/to Sofia airport, there was a 29.1% growth in the total number of passengers transported. Here the share of the Bulgarian carriers was even lower – 12.7%, which was 5.7% lower than in 2016 (Bulgarian Airlines Association, Statistics, 2018).

2.4 Future outlook of the Bulgarian aviation market

In 2018, IATA and BULATSA, the Bulgarian Air Navigation Service Provider have made an agreement to form and execute a Bulgarian National Airspace Strategy. This initiative is focused on providing benefits to the travelling community and at the same time to contribute to the national economic growth and the competitiveness of the aviation sector in Bulgaria.

The forecast for air transport in Bulgaria predicted that the passenger demand will double over the next 20 years. According to IATA, in order to service this demand and in the same time to secure safety, manage costs, CO2 emissions and delays, Bulgaria needs to make further modernization of its airspace and Air Traffic Management (ATM) network. If Bulgaria is successful in this modernization of the airspace, significant benefits are expected by 2035. Implementing this initiative could result in an extra €628 million in annual GDP and 11,300 jobs annually.

This initiative between BULATSA and IATA is part of the Single European Sky (SES) initiative. The main points of the National Airspace Strategy include leadership and a collaborative stakeholder approach, airspace management, and technical modernization of the ATM system. In more details, the strategy will cover improvement of coordination, airspace optimization at region level as well as between regions, expanding capacity while securing safety levels, improved punctuality of flights and better distribution of information across the European air transportation network.

According to the IATA's Director and CEO Alexandre de Juniac, this initiative will help Bulgaria to hold an even more valuable position in the European airspace considering that East-West traffic is expected to increase in the forthcoming years. IATA's CEO shared expectations that Bulgaria as a fast-growing economy will encounter sudden increase in passenger numbers. Providing that there is an optimized airspace to manage the increased traffic will be a great advantage for Bulgaria, but also for the Bulgarian and European passengers (IATA, Press Releases 2, 2018).

3 Bulgaria Air

Bulgaria Air is the national carrier of the Republic of Bulgaria. The main company operational activities include international and domestic aviation transport of passengers, cargo, luggage and mail using own and leasing airplanes. Bulgaria Air is involved also in leasing of aircrafts (with or without crew), technical maintenance of aircrafts and engineering, sale and reservation of tickets, production engineering and intermediary activities, training and qualification of staff, home and foreign trade. (Bulgaria Air: Annual Report 2017, 2018) The operational activities of Bulgaria Air imply that the airline is acting as a full-service airline.

3.1 History of Bulgaria Air

The flag carrier was founded in 2002 as a successor of Balkan Bulgarian Airlines. Bulgaria Air company was formed as a national flag carrier in November 2002 and started operating on the 4th of December 2002. For a very short period in the beginning of its operation the company was operating by the name “Balkan Air Tour”, but in 2003 the name was changed to “Bulgaria Air”. After the privatization of Bulgaria Air in 2007, the company became part of Chimimport Inc. (Bulgaria Air, Media Presentation, 2017).

3.2 About the company

Bulgaria Air’s head office is located at Sofia airport. The company operations are supported by 330 employees. The home base of Bulgaria Air is Sofia Airport, but it also operates from Varna and Burgas airport (Bulgaria Air, Media Presentation, 2017).

<u>Main activities</u>

The main activities of Bulgaria Air company are aimed at:

- Performing of regular international flights to over 20 destinations in Europe and the Middle East
- Conducting regular domestic flights from Sofia, Varna and Burgas;

- Transportation of tourists on request of tour operators to different destinations in Europe, Middle East and North Africa. The company offers also "ad-hoc" charters - single charter flights for corporate and private clients;
- Leasing of aircrafts - "wet" and "dry" aircraft lease to other airlines in Europe and the Middle East.

Mission

The mission of Bulgaria Air as a national carrier is associated with the provision of high quality aviation services in transportation of passengers, cargo and mail to a large number of destinations worldwide, which ensure reliability, comfort and safety (Commercial register of Bulgaria: Bulgaria Air Annual Report 2017, 2018).

The strategy of Bulgaria Air consists of five key strategic objectives, which are defined and explained in the following paragraph.

Key strategic objectives

- Maintaining the optimal price-quality ratio of the product;
- Achieving an airplane fleet with a capacity corresponding to the market niche in which the airline operates;
- Increasing company's market share in aviation service in the country and region;
- Strengthening the key role of the airline in the operations regarding aviation services.
- Creating a strong and competitive national airline capable of resisting the competitive pressure from foreign airlines in terms of already fully liberalized market.

In the following, the implemented actions of the strategy in the period of 2017 will be described. According to the latest Annual Report of Bulgaria Air, in 2017, the management of the airline continued the implementation of an optimization program aimed at achieving higher efficiency and profitability. The airline operated its flights using a modern airplane fleet. New software products were used that helped for more efficient management of the company's processes. The utilization of aviation technology of the European aerospace corporation - Airbus, allowed greater effectiveness and improvement of the service provided. In regard to its second objective, concerning the fleet of the carrier, Bulgaria Air aimed at imposing only two types of airplanes - Airbus and Embraer.

In 2017, Bulgaria Air provided regular flights from Sofia to more than 20 cities in Europe and the Middle East and offered domestic connections to the biggest cities at the coast of Bulgaria - Varna and Burgas. In order to achieve its fifth objective and to react to the continuing trend of pressure from the operating low-cost carriers such as Wizz Air, EasyJet and Ryanair, in 2017, a management strategy for expanding the business activities with increased pace and entering new markets by expanding the network of flights was put in action. In this regard, by the end of 2017, Bulgaria Air announced a start of operations on a new regular destination Sofia - Linate (Milan). The company initiated an increase in the operating frequencies of some regular destinations with the aim of attracting new customers through bargain offers for direct and transfer flights depending on the specificity of each particular market. Moreover, it is important to mention, that the company's business was highly dependent on the conditions of the international aviation market, which directly affected the frequency of the flights performed (Commercial register of Bulgaria, Bulgaria Air: Annual Report 2017, 2018).

Fleet

Bulgaria Air operated its flights on 9 modern aircrafts. In 2012 the company implemented a major safety and cost efficiency strategy, by improving and modernizing the fleet park. The company replaced the aircraft type Bae 146 and Boeing 737 with 4 brand new Embraer 190 aircrafts. Nowadays the fleet of Bulgaria Air consists of 2 aircraft types - Airbus A319, 3 aircraft type – Airbus A320 and 4 aircraft Embraer 190, which are operating under leasing agreement. More detailed information about the fleet of Bulgaria Air can be seen in Table 1 (Bulgaria Air: Media Presentation, 2017).

Table 1: Bulgaria Air Fleet details

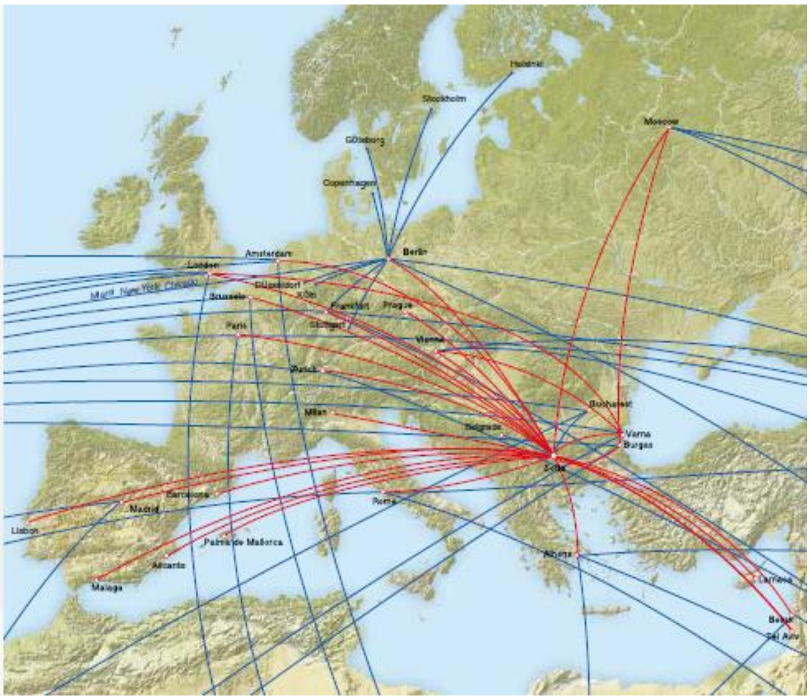
Aircraft type	Number of aircrafts	Number of seats offered	Seats by Class
Airbus A319	2 aircrafts	140 seats	8 Business/ 132 Economy
Airbus A320	3 aircrafts	180 seats	8 Business/ 156 Economy or 180 Economy
Embraer 190	4 aircrafts	108 seats	8 Business/ 100 Economy

Source: Created by the author, (Bulgaria Air - Media 2017, 2018)

<u>Services / Network</u>

The airline offered scheduled international services for 23 destinations in Europe and the Middle East and domestic services for 2 destinations – Varna and Burgas. These destinations are showed in red on the Figure 2. In blue on the Figure 2 the routes which are offered by Bulgaria Air thanks to its code-share agreements are shown.

Figure 2: Bulgaria Air Network



Source: Bulgaria Air: Media Presentation, 2017

The national carrier provided also non-scheduled services, as for example charter flights to over 80 destinations in Europe and Africa. During the summer season Bulgaria Air offered charter flights from Varna and Burgas to Russia, Israel, Kuwait, Germany, Netherlands, France, Czech Republic, Poland and more (Bulgaria Air: Media Presentation, 2017)

In the following the development of some economic indicators will be explained and analysed.

Current Financial situation of Bulgaria Air

In 2017, Bulgaria Air realized a loss of BGN 6.5 million, which is a small improvement in comparison to 2016 – when the company realised a loss of BGN 6.9 million.

The main factors influencing the negative performance of the airline’s business during the period considered are as follows:

- The continuing impact of the competitors of Bulgaria Air as well as the increase in their capacity. This was seen mainly in the activities of the airline Ryanair, which from the end of 2016 began competing almost all routes of Bulgaria Air from Sofia. As a result of Ryanair's expansion, the other low-cost carrier Wizz Air is also planning new routes and frequencies, including in the market for domestic flights to Varna.
- Poor weather conditions at Moscow Airport during the active season (summer of 2017), resulted in a delay in subsequent flights and in payment of passenger’s compensation due to denied boarding, cancellation or long delay of flights.
- During the reporting period the price of fuel grew at a faster pace (by18%) compared to the USD / BGN exchange rate decrease (by 2%).

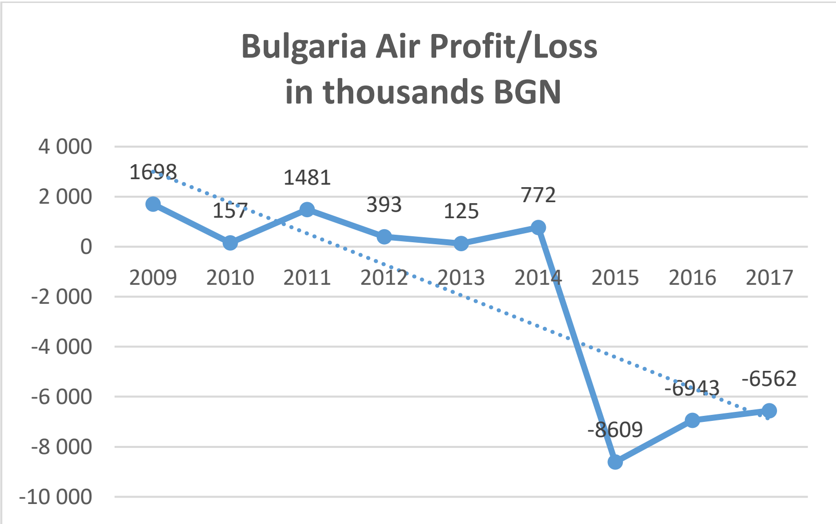
The development of the financial situation of Bulgaria Air can be seen in Table n. 2 and visualised on Graph n. 1. As shown in Graph n.1 - 2017 was the third consecutive year in which the career suffered a loss (Commercial register of Bulgaria, Bulgaria Air: Annual Reports: 2010- 2017, 2018).

Table 2: Financial situation of Bulgaria Air 2009-2017

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017
Profit/Loss in thousands BGN	1 698	157	1 481	393	125	772	-8 609	-6 943	-6 562

Source: Created by the author based on (Bulgaria Air, Annual Reports: 2010- 2017, 2018)

Graph 1: Financial situation of Bulgaria Air 2009-2017



Source: Created by the author, based on (Bulgaria Air, Annual Reports: 2010, 2011,2012, 2013, 2014, 2015,2016, 2017) Commercial register of Bulgaria, 2018)

The major drop in 2015 can be explained with the following events. There was a major drop in the revenues from the International charter flights. In 2014, the carrier generated BGN 70.7 million from international charter flights, whereas in 2015 the revenues from this business reached only BGN 45.2 million in 2015 (See Table 4). This was due to the following two events. Firstly, during financial year 2015, the carrier operated with one airplane less in comparison to 2014. Secondly, two aircrafts type Airbus A320 have been leased on a “wet” lease for a period of 1 year starting from March 2015. These events necessitated a redistribution of the fleet. The charter activities of the airline in 2015 were operated with two aircrafts type Boeing, each 148 seats, in comparison to the year before, when these flights were operated with three aircrafts Airbus A320, each 180 seats, which resulted in reduction of the number of flights. The carrier operated 78 flights less than in 2014 and this was followed by reduction in the number of passengers transported.

Furthermore, in 2015 there was a decrease by 29% of the expenses for fuel, but there was an increase in the expenses for external services for rent and maintenance of the leased airplanes due to rise of the exchange rate of the dollar. There was also a rise in the expenses for crew due to the necessity of hiring new crew for the newly utilized Boeing airplanes. Even though there was a decrease of 9.8% of the expenses in comparison to 2014 the revenues generated in 2015 did not increase enough to compensate the expenses of the national carrier and therefore Bulgaria Air realised loss in 2015 (Bulgaria Air, Annual Reports: 2010- 2017, 2018).

In 2016, the company faced another decrease of revenues from operating activities, but this time it was from its most profitable segment – International scheduled flights. These revenues amounted to BGN 179.8 million in 2016, in comparison to 2015, when they reached BGN 194.4 million. This was mainly due to the aggressive entering of the market by LCCs. The flights operated by the national carrier were with 90 flights less than in the previous year. This was again due to restructuring of the market by the LCCs. The reduction of the number of flights operated was done to reduce the loss from operating in the low season during winter months. This resulted in reduction of the number of the passenger carried, which were 25 thousand less than in the previous year. In 2016, the carrier managed to reduce its expenses by 10.1%. This was mainly due to reduction of the fuel price in 2016, but also due to decrease in expenses for external services (expenses for leasing of aircrafts) and reduction in the discharges for amortisation. Even though there was a decrease in total expenses for operations of the national carrier, the expenses were higher than the revenues from operational activities which resulted in loss for the carrier in 2016.

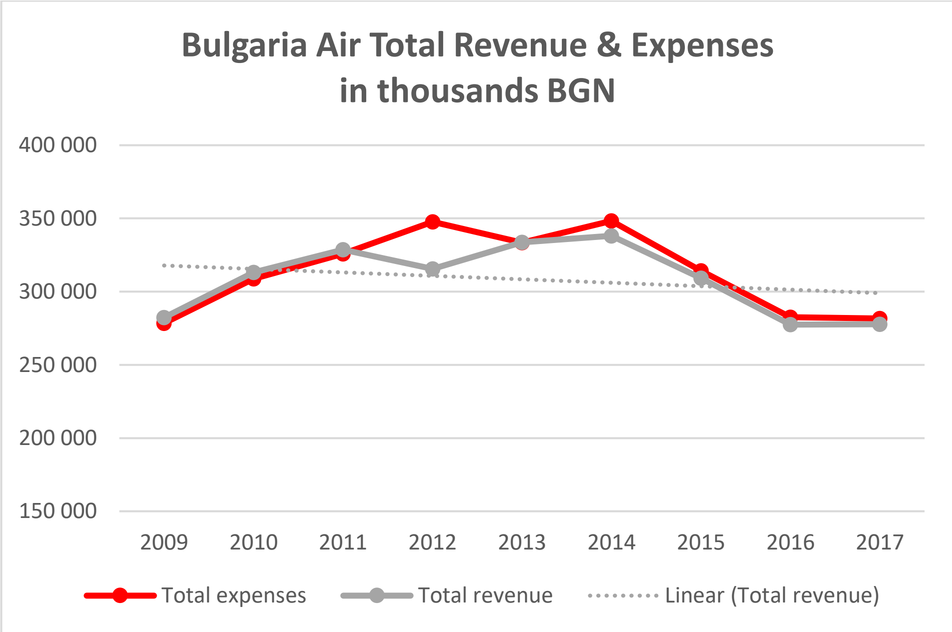
When making a deeper analysis of the financial statements of the company, and more specifically by comparing the total revenues and total expenses from operating activities, one can recognise that in the last six years (2012-2017) with exception to 2013 the carrier could not cover the expenses with revenues from the operating activities (See Table n.3 and Graph n.2). This development suggests that Bulgaria Air was not efficient enough in its operations. But one should not forget that in this period the national carrier was facing high competition from Low Cost Carriers like Ryanair, Wizz Air and Easy Jet, which made a necessity for implementation of more flexible pricing policy.

Table 3: Total expenses and revenues of operating activities of Bulgaria Air 2009-2017

Year (in ths. BGN)	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Expenses	278 456	308 689	325 717	347 575	333 477	348 305	314 136	282 471	281 655
Total Revenue	282 248	313 085	328 600	315 554	333 775	338 132	309 291	277 482	277 646
Difference	3 792	4396	2 883	-32 021	298	-10 173	-4 845	-4 989	-4 009

Source: Created by the author based on (Bulgaria Air, Annual Reports: 2010 - 2017)

Graph 2: Total revenues and expenses from operating activities of Bulgaria Air 2009-2017



Source: Created by the author, based on (Bulgaria Air, Annual Reports: 2010 - 2017) (Commercial register of Bulgaria, 2018)

In the following, the structure of the revenues will be visualised and analysed. Table n. 4. gives a detailed overview of the numbers. Thanks to graph n. 3 one can recognise that there was no big difference in the structure of the operating revenues during the period of 2009 to 2017.

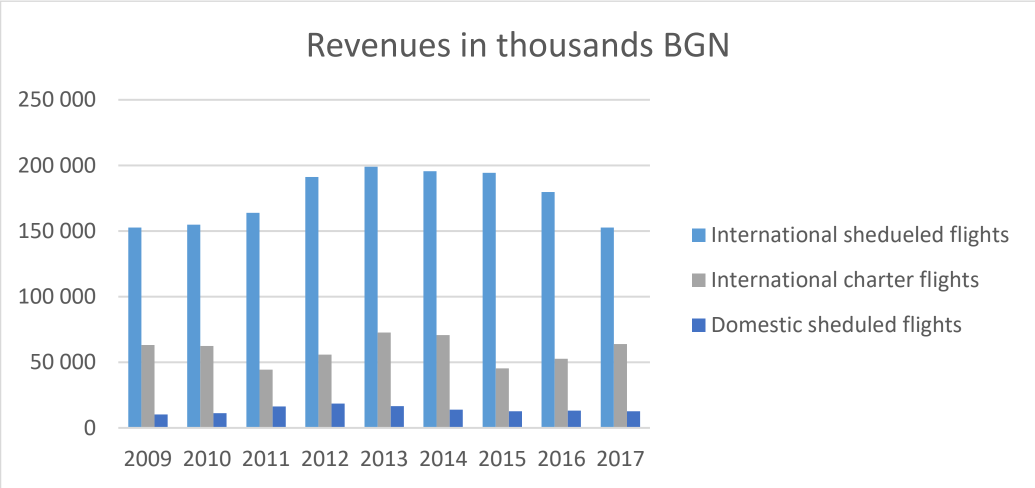
Table 4: Revenues from operated flights of Bulgaria Air 2009-2017

Revenue in thousands BGN	2009	2010	2011	2012	2013	2014	2015	2016	2017
International scheduled flights	152 668	154 882	163 819	191 315	198 969	195 676	194 429	179 843	152 748
International charter flights	63 190	62 431	44 503	55 958	72 675	70 777	45 277	52 801	63 894
Domestic scheduled flights	10 156	11 272	16 374	18 487	16 674	14 012	12 573	13 266	12 720
Total revenue from flights	226 014	228 585	224 696	265 760	288 318	280 465	252 279	245 910	229 362

Source: Created by the author based on (Bulgaria Air, Annual Reports: 2010 - 2017)

As shown on Graph n.3, the majority of the revenues were generated by operation of international scheduled flights. In 2017, for instance, the revenues of the international scheduled flights amounted to 67% of the total operational revenues, followed by 28% generated by international charter flights and only 5% by domestic scheduled flights.

Graph 3: Revenues from operated flights of Bulgaria Air 2009-2017



Source: Created by the author, based on (Bulgaria Air, Annual Reports: 2010-2017) (Commercial register of Bulgaria, 2018)

A negative tendency is evident for the share of international scheduled flights, which decreased in 2016 and in 2017. In 2017, the decrease was due to the aggressive invasion of the Low-Cost Carriers, which created a highly competitive environment for the operations of the Bulgarian national carrier.

The top five destinations which contributed to the revenues of the international scheduled flights were:

- Sofia- Amsterdam- Sofia BGN 17.1 million
- Sofia – Paris – Sofia BGN 15.5 million
- Sofia- Brussels – Sofia BGN 12.5 million
- Sofia – London – Sofia BGN 10 million
- Sofia – Tel Aviv – Sofia BGN 9.7 million

In response to the fierce competition of the LCCs, in 2017, the management initiated changes in the operations, which included reduction of flights on some destinations and decrease in the offered capacity to specific destinations. This led to exemption from execution of some airplanes, which were used for charter flights and leasing. Thanks to these actions an increase of 21% in the revenues from the charter flights was generated. From these revenues, the highest share was generated from flights to Russia, which amounted to 55% of the total income (BGN 35.1 million), followed by charter flights to Israel, which amounted to 18% or BGN 11.7 million.

Domestic flights generated income on the routes Sofia-Varna, Sofia-Varna-Burgas and Sofia-Burgas. Despite the entrance of the LCC Wizz Air on the domestic aviation market, the sales of the national carrier during 2017 suffered an inessential decrease of 4% and amounted to BGN 12.7 million.

As next, the revenues from other activities, not including operation of flights will be described. In 2017 the revenues from non-operational activities increased significantly in comparison to 2016 (BGN 33.3 million) and amounted to BGN 48.2 million. The biggest share of it – 26% or BGN 12.5 million were earnings from wet leasing of aircrafts to foreign careers. This was an increase of 35% from the previous year, which was in unison with the policy of the management for utilization of the fleet all year round, including the time outside the high summer season.

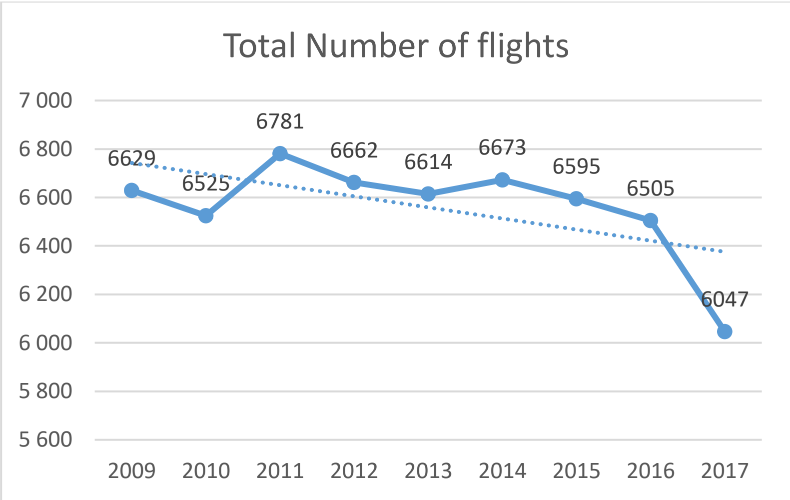
Statistics

In the following the development of some key performance indicators for the aviation industry will be analysed.

When comparing the official statistics provided by the Annual reports of Bulgaria Air from 2009 and 2017, one can recognise mainly negative development of the different indicators in the last 3 years.

In 2017, the national carrier performed 6 047 flights in total on both scheduled and charter routes, which was 458 flights less than in 2016. The reduction of the number of flights performed was a result of the restructuring of the market due to the fierce competition of LCCs. Moreover, the reduction of the flights was a consequence of the new strategy of combining flights to different destination with the aim of utilization of the capacity of the fleet and preservation of the passenger traffic on the respective destinations. The negative tendency in reducing the number of flights can be examined with the help of Graph n. 4 (Commercial register of Bulgaria. Bulgaria Air: Annual reports 2009 - 2017).

Graph 4: Total number of flights performed by Bulgaria Air 2009-2017



Source: Created by the author, based on (Bulgaria Air, Annual Reports: 2010 - 2017) (Commercial register of Bulgaria, 2018)

When looking at the number of passengers transported in 2017, one can recognise that the decrease in the operated flights had a very low impact on the number of travellers carried by the company. Bulgaria Air transported 1 244 569 passengers in 2017, which was only 1 781 less travellers than in 2016, when the number amounted 1 246 350 passengers (See Table n.5) (Bulgaria Air, Annual reports 2009 - 2017).

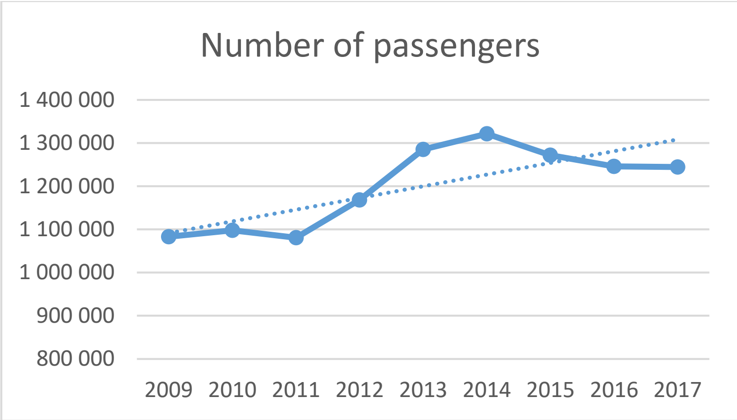
Table 5: Total number of passengers transported by Bulgaria Air 2009-2017

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of passengers	1 083 429	1 097 594	1 080 773	1 167 959	1 285 237	1 321 382	1 271 610	1 246 350	1 244 569

Source: Created by the author based on (Bulgaria Air, Annual Reports: 2010 - 2017)

With the help of Graph n. 5 the development of the passengers in graphical form was presented.

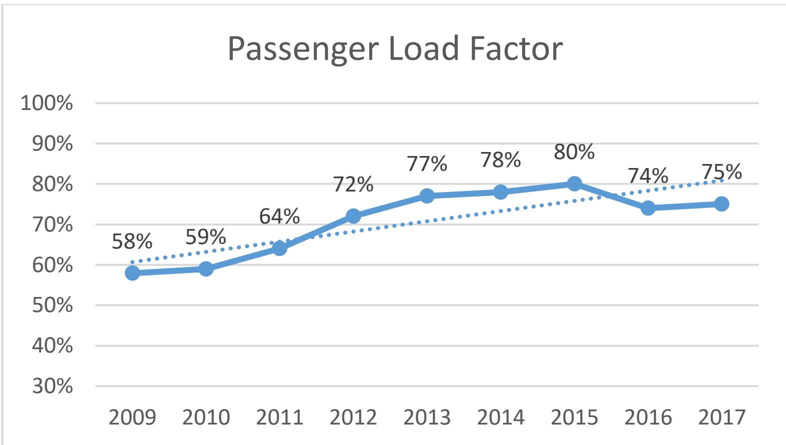
Graph 5:Total number of passengers transported by Bulgaria Air 2009-2017



Source: Created by the author, based on (Bulgaria Air, Annual Reports: 2010-2017) (Commercial register of Bulgaria, 2018)

In the last section, the Passenger Load Factor (PLF) will be examined. This indicator is used to quantify the capacity utilization of public transport service like the service provided by an airline. The development of PLF displayed on Graph n. 6 implies that the strategy of combining flights and utilizing capacity have an effective impact on the PLF of the flights operated by Bulgaria Air. Since 2009 there was a positive development in the PLF, with a one-time drop in 2016, which could be explained with the reduction of the number of airplanes used by the career in 2015.

Graph 6: Passenger load factor of Bulgaria Air 2009-2017



Source: Created by the author, based on (Bulgaria Air, Annual Reports: 2010 - 2017) (Commercial register of Bulgaria, 2018)

3.3 Tariffs

As a full-service carrier Bulgaria Air offers two classes in the plane – Business and Economy. Depending on the destination and time of reservation in advance, Bulgaria Air offers their passengers from 2 to 6 different tariffs including different types of services packages. The six different types of tariffs are as following:

- Economy class - Hand baggage only
- Economy class - Promotional
- Economy class – Saver
- Economy class – Semi-Flexible
- Economy class – Flexible
- Business class – Executive

Figure 3 shows the detailed description of what is included in the different fares offered by the national carrier Bulgaria Air. They are 9 different categories of services which can be included in the tariff of Economy class. Some of these categories are offering meal, option for changing the date, cancellation before and cancellation after departure, included hand baggage or hand and checked baggage. Thanks to this overview one can recognise that Bulgaria Air implemented some tariffs types which are very similar to the model of the LCCs. For example, the national carrier offered a tariff of Economy class with Hand Baggage Only. In comparison to LCCs for this tariff Bulgaria Air offers a snack as part of the service. (Bulgaria Air, 2018)

Figure 3: Bulgaria Air Fares Comparison

	Economy class HAND BAGGAGE ONLY	Economy Class PROMOTIONAL	Economy Class SAVER	Economy Class SEMI-FLEXIBLE	Economy Class FLEXIBLE	Business Class EXECUTIVE
Meal	✔ Snack	✔ Snack	✔ Snack	✔ Snack	✔ Snack	✔ Menu
Change of Date	✔Permitted at a charge of EUR 50 Some exceptions may apply	✔Permitted at a charge of EUR 50 Some exceptions may apply	✔Permitted at a charge of EUR 50 Some exceptions may apply	✔Permitted from EUR 50 to free of charge Some exceptions may apply	✔Permitted from EUR 50 to free of charge Some exceptions may apply	✔Permitted free of charge Some exceptions may apply
Cancellation (before departure)	✖ Not permitted Some exceptions may apply	✖ Not permitted Some exceptions may apply	✖ Not permitted Some exceptions may apply	✔ Permitted at a charge of EUR 50 Some exceptions may apply	✔ Permitted at a charge of EUR 50 Some exceptions may apply	✔ Free of charge Some exceptions may apply
Cancellation (after departure)	✖ Not permitted	✖ Not permitted	✖ Not permitted	✖ Not permitted	✔ Permitted	✔ Permitted
Earn Miles	✔	✔	✔	✔	✔	✔
Child discount	✖ Not permitted	✖ Not permitted	✖ Not permitted	✔ 33%	✔ 33%	✔ 33%
Infant discount	✔ 90%	✖ Not permitted	✔ 90%	✔ 90%	✔ 90%	✔ 90%
Checked baggage	✖ No free bag allowance	✔ 1 piece - up to 23 kg	✔ 1 piece - up to 23 kg	✔ 1 piece - up to 23 kg	✔ 1 piece - up to 23 kg	✔ 2 pieces - up to 23 kg
Hand baggage	✔ 1 piece up to 10 kg and dimensions - 55x40x23 cm max	✔ 1 piece up to 10 kg and dimensions - 55x40x23 cm max	✔ 1 piece up to 10 kg and dimensions - 55x40x23 cm max	✔ 1 piece up to 10 kg and dimensions - 55x40x23 cm max	✔ 1 piece up to 10 kg and dimensions - 55x40x23 cm max	✔ 1 piece up to 10 kg and dimensions - 55x40x23 cm max
	More details	More details	More details	More details	More details	More details

Source: Bulgaria Air, 2018

3.4 Bulgaria Air loyalty program

The airline offers a loyalty program for frequent flyers called FLY MORE. The passengers of Bulgaria Air can exchange their collected points for different prizes, wide range of services and privileges. Some of these are: free tickets for Bulgaria Air flights, entitlement to 1-piece extra baggage up to 23 kg, privilege for confirming booking, privilege at the airport check-in, upgrade to business-class travel when purchasing an economy class ticket, vouchers for the business lounge at different airports, discounts when renting a car or voucher for birthday discount.

The FLY MORE programme offers three membership levels – Basic level, Silver Standard Card and Gold Privilege Card. The Basic Level card is the first level, from which the passenger can start collecting points. In this level the customer is given a temporary card with identification code. At the Silver Standard Card level the customer obtains a permanent membership card. Holders of Silver Card may use their bonus points in exchange for bonus tickets and other additional services. The prerequisite in order to receive a Gold Privilege Card of Bulgaria Air is the acquisition of 30 000 points within 18 months. The privilege of being a gold member is earning more points on each flight and enjoying a number of benefits such as entitlement to free carriage of extra luggage or vouchers for the business lounge in more than 15 airports worldwide. Some of offered lounges are located at the airport of Amsterdam, Barcelona, Paris, Vienna, Zurich, Moscow, Tel Aviv and more (Bulgaria Air, About Fly more, 2018).

3.5 SWOT analysis

In this subchapter the idea of SWOT analysis will be presented and used for the analysis of the Bulgarian national carrier. The concept of SWOT analysis includes four elements split into two types of groups. The first group includes strengths and weaknesses, which illustrate the internal part of the company and can be influenced by marketing activities. The second group incorporates opportunities and threats, which are external factors and cannot be influenced by the company's activities.

After analysing Bulgaria Air company using information from the official website, presentations and published annual reports for the last eight years a SWOT Analysis was conducted.

STRENGTHS

To start with, as a national career Bulgaria Air has a high recognition on the Bulgarian market. This is very important for the customers when making a choice which carrier to use when there is a big variety of carriers. Furthermore, providing high security is a top priority for the passengers. Bulgaria Air can be proud of its safety record. In 2015, the airline earned 7 stars, which is the maximum safety rating an airline can get (Bulgaria Air, News, 2016). Another strength of Bulgaria Air is the flexible price policy they offer to their customers. The carrier provides a choice of six different fares with different services included to its clients. Furthermore, the national carrier operates with a modern fleet which is important for the safety but also for the overall experience of the travellers. Finally, the crew of the national carrier is considered by the auditors of the airline as highly qualified (Bulgaria Air, Annual Report 2017, 2018). This is essential for the experience, but also for the safety of the passengers.

WEAKNESSES

The main weakness of Bulgaria Air are the high fixed expenses. These expenses include expenditures for fuel, salaries of crew, other expenses for maintenance and lease of aircrafts. Another weakness of the national carrier, which is relevant for all airlines, is that the revenues are seasonal. As High seasons are considered the summer period between 15 June – 31 of August and the period around Christmas and New Year celebrations, which is around 15 December – 6th of January. Furthermore, airlines in general and Bulgaria Air as well have a high dependency on suppliers. For example, aircrafts and engines are supplied by only few companies which make them set very high prices. Additionally, airports have a strong power as they are local monopolists. Airport services, as another supplier of the airlines, are also provided by few firms and this gives them a strong power as airlines cannot switch easily from one provider to another (IATA., 2013). Another drawback of the carrier is the absence of mobile application, which customers can use to easily book flights and check the status of their flights. Bulgaria Air offers only reservation via their website or via a call center. Last but not least, the carrier does not utilize all social media services to promote its special offers. The national carrier uses only their official website and official Facebook page, but does not use Instagram, which nowadays is commonly used by several airlines both by full-service airlines like Lufthansa, British Airways or KLM and by low cost carriers like Wizz Air, Ryanair and EasyJet.

OPPORTUNITIES

As mentioned before, there is a positive outlook on the expected number of passengers in the Bulgarian civil aviation market. Bulgaria Air should use this opportunity to invest in attracting new customers. As the carrier have only 25 destinations operated by scheduled flights, there is an opportunity to add new destinations to the portfolio. Another space for expansion of the market share of the national carrier represents increasing frequencies of flights to some destinations depending on customer demand. Moreover, Bulgaria Air can expand its network and attract more customers by adding new code-share agreements to its portfolio. In this way the carrier can offer destinations which are not in its network and provide more choice for the passengers.

THREATS

As mentioned earlier, airlines are operating in highly competitive environment. The main competitor of Bulgaria Air – the LCCs, are broadening their network by adding new destinations. There is a risk of worsening of the macroeconomic environment, as for instance the situation with Brexit. Additionally, Bulgaria Air is threatened by currency risk. The company has obligations which can be in different currency related to the operation services of the company, as for example for fees for landing, leasing fees, maintenance costs for engines and spare parts. In case there is a volatility of foreign currency or of the fuel price the financial situation of the company will be significantly impacted. Finally, any new change in regulations can be a potential threat, as the implementation of a regulation can be related with investing extra not forecasted money for ensuring compliance.

The whole list of each part of the SWOT Analysis of Bulgaria Air can be reviewed using Table n.6.

Table 6: SWOT Analysis of Bulgaria air company

STRENGTHS	WEAKNESSES
High recognition on the Bulgarian market	High fixed expenses
Very good safety record	Seasonality of the revenues
Flexible price policy	High dependency on suppliers (Airports and Airport services)
Modern fleet	No mobile App
Highly qualified crew	Not present on all social media to promote their services
OPPORTUNITIES	**THREATS**
Positive outlook for expected number of passengers	High competition and broadening of the market of LCCs
Expanding portfolio with new destinations	Risk from worsening of the macroeconomic environment
Increasing of frequencies of flights	Currency risk related to volatility of foreign currency and the fuel price
Making new code-share agreements	Changes in regulations

Source: Created by the author

4 Satisfaction analysis

In the following chapter, the objectives of the conducted satisfaction analysis are defined, the applied methodology and data collection are described, the structure of the questionnaire and of the respondents are defined and the results of the survey are analysed and presented in a graphical form.

4.1 Research objectives

The main goal of this research is to analyse the customer satisfaction of Bulgarian Air's passengers and to define the main factors influencing their customer satisfaction. The field research should help recognise service quality gaps and potential areas for service improvements. The conducted research will assist in discovering favourable and unfavourable experiences, what is important for the customers and what additional services can help for the enhancement of the carrier's performance and its position on the market.

Particularly, the main goal of the research is to answer the following research questions:

1. What are the key factors influencing customer satisfaction in the airline industry?
2. How the customers of Bulgaria Air perceive the company's image?
3. How the customers of Bulgaria Air perceive the value that the airline offers?
4. What aspects of Bulgaria Air were the customers most satisfied with?
5. Which are the service quality gaps perceived by the customers of Bulgaria Air?
6. What are areas for service improvements of the national carrier Bulgaria Air?
7. What is the future behavioral intention of the customers towards Bulgaria Air?

4.2 Data collection and methodology

The study is based on conducting a primary research in the form of an online survey, which uses convenience sampling relying on personal contacts as well as on online communities (LinkedIn, Yahoo, WhatsApp and different Facebook groups used by

Bulgarians living abroad). The design of the questions is based on the conceptual framework developed in the study of Alok Singh (2015), which investigates the interrelationships between the extracted variables of airline service quality, perceived image, perceived value, passenger satisfaction and their influence on the passengers' future behavioral intentions in the domestic aviation sector market in India. The study will serve as a benchmark as it provides insights about which aspects need to be considered in order to achieve passenger satisfaction.

The online survey was conducted between 19 May - 27 May 2018. A total of 369 people have started the questionnaire but due to incompleteness 1 answer was excluded from the data analysis, so the final sample size includes 368 answers. After gathering all the required data, the outcome was analyzed using the help of Excel sheet. The processing of the questionnaire was done by using Google Forms. This platform accepts only complete surveys, therefore it was not necessary to perform data cleaning.

Additionally, the author conducted a pilot study in order to ensure that the questions are clear and understandable. The questionnaire was pre-tested online by 3 respondents which were representatives of the target group of the final survey. The assessment of the pre-testers helped to improve the questionnaire. The pre-testers recommended to shorten some sections and to add the demographics at the end.

4.3 Construction of the questionnaire

The online survey had 35 compulsory questions and 1 open answer question, divided into a total of seven sections. The questions and answers were provided in Bulgarian language. For the assessment of the questions a 7 Point Likert Scale was used, where 1 refers to strongly disagree; 4 to neither agree nor disagree; 7 refers to strongly agree. The rest are intermediate between strongly agree and strongly disagree. The author used 7 and not 5 Point Likert Scale in order to guarantee a bigger choice of options for the participants and be as close to the real opinion of the participant as possible.

The first section of the questionnaire consisted of a short introduction, where the author thanked in advance for the participation, explained the aim of the survey, informed about the average time, which every participant needed to invest for answering the questions and that the survey is anonymous. At the end the author provided short information about herself. The second section included 15 obligatory questions which were used to help the author assess what the passengers of Bulgaria Air think about the service quality of the carrier. The 15 questions requested assessment of the services before, during and after the flight operated by the national carrier, which represents the whole cycle of the passenger journey related to an airline. The third section of the survey included 3 questions which assessed the perception of the customers in regard to the reputation of Bulgaria Air. In the fourth section the author asked for assessment of 3 questions regarding the value the national carrier offers to its customers. Here the participants needed to evaluate the price-quality ratio of the services provided and assess if the price of the tickets is reasonable. The fifth section was used to provide insights about the satisfaction of the customers using 4 compulsory questions. The sixth section included 4 compulsory questions, which were used to assess the behavioral intention of the passengers, and additionally one optional open question was included in case the participants wanted to give additional comments regarding Bulgaria air and its services. The last section included 4 general questions and investigated the demographics of the participants: gender, age, education, monthly income. Additionally, 2 questions were included in this section about the purpose of travelling and the frequency of travelling by plane. The positioning of these questions at the end of the survey was intended in order to avoid rejection of participation in the survey due to the need to provide personal information.

4.4 Structure of the respondents

4.4.1 Gender

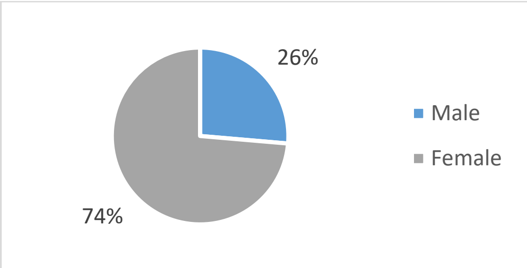
The structure of the sample surveyed by gender breakdown shows that 74% of the respondents were female and 26% male. As shown in the table below the number of women willing to participate in the survey was almost 3 times higher than the number of men.

Table 7: Gender

Gender	N	%
Male	97	26%
Female	271	74%

Source: *Created by the author using data from own survey, 2018*

Graph 7: Gender



Source: *Created by the author using data from own survey, 2018*

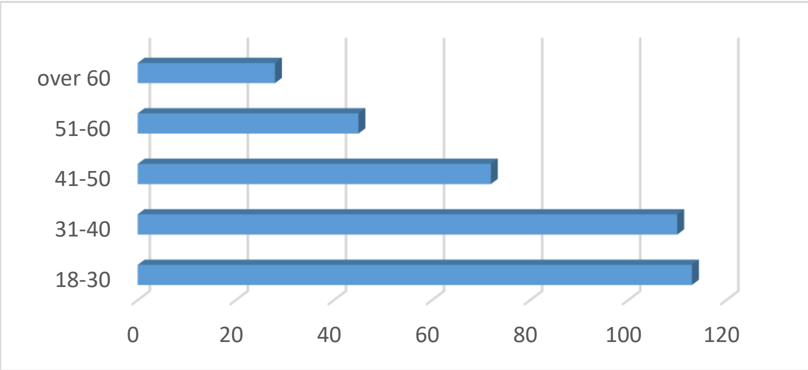
4.4.2 Age group

As far as the age is concerned, the distribution looks as follows:

- 18-30 years of age (31%)
- 31-40 years of age (30%)
- 41-50 years of age (20%)
- 51-60 years of age (12%)
- Over 60 years of age (8%)

As Graph n.8 shows, the majority of the respondents were from the first two segments – 18-30 (31%) and 31-40 (30%). These two groups together accounted for 61% of the total. The reason for this distribution could be related to the fact that these are the two main groups regularly using social networks, where the questionnaire was mainly distributed. In Graph n. 8 the age distribution is represented in number of respondents.

Graph 8: Age distribution



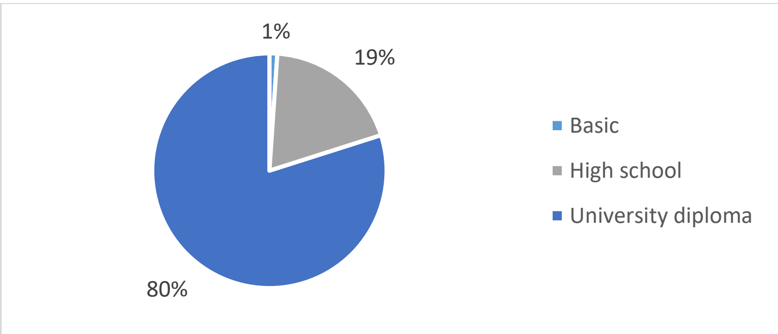
Source: *Created by the author using data from own survey, 2018*

The survey received more than 110 answers from the first two segments – 18-30 years old and 31-40 years old, followed by more than 70 answers from the age group of 41-50 years old. The responsiveness from the lass 2 segments was very low and the survey received only 73 answers from both segments.

4.4.3 Education

The overall distribution of respondents based on their education is illustrated in Graph n. 9. The largest representation in the research are the respondents who hold a university diploma - 80%, the second largest amounted for 19% and represent the respondents who have gained a high school education and only 1% of all respondents have just a basic education.

Graph 9: Education

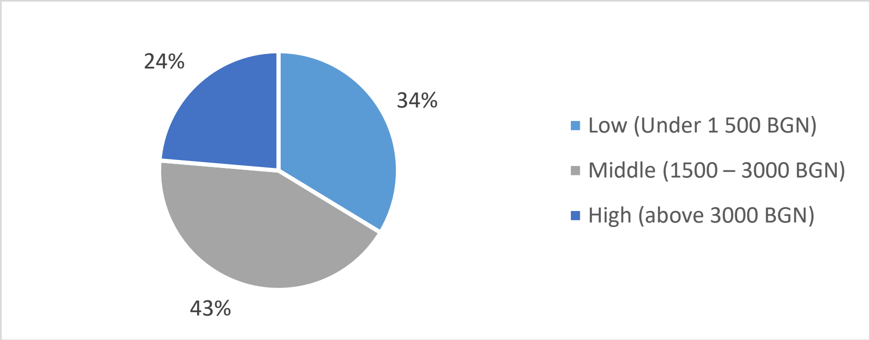


Source: *Created by the author using data from own survey, 2018*

4.4.4 Monthly income

In terms of monthly income, the major part of the respondents or 43% have a middle level income, which for Bulgaria is considered between BGN 1 500 and BGN 3 000. The second biggest group of the respondents have a low level income - 34%, which is under BGN 1 500. There were only 87 respondents who answered that they have high level monthly income of more than BGN 3 000.

Graph 10: Monthly income



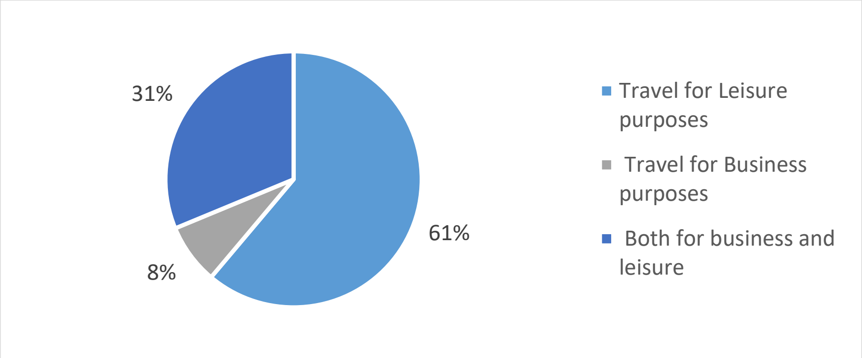
Source: *Created by the author using data from own survey, 2018*

Two additional questions were asked at the end of the survey which had the aim to analyze the travel purpose and the frequency of travelling of the respondents.

<u>Travel purpose</u>

Regarding the travel purpose, the vast majority of the respondents (61%) were traveling for leisure, 31% were traveling for both leisure and business purposes. Only 8% were traveling for business.

Graph 11: Travel purpose

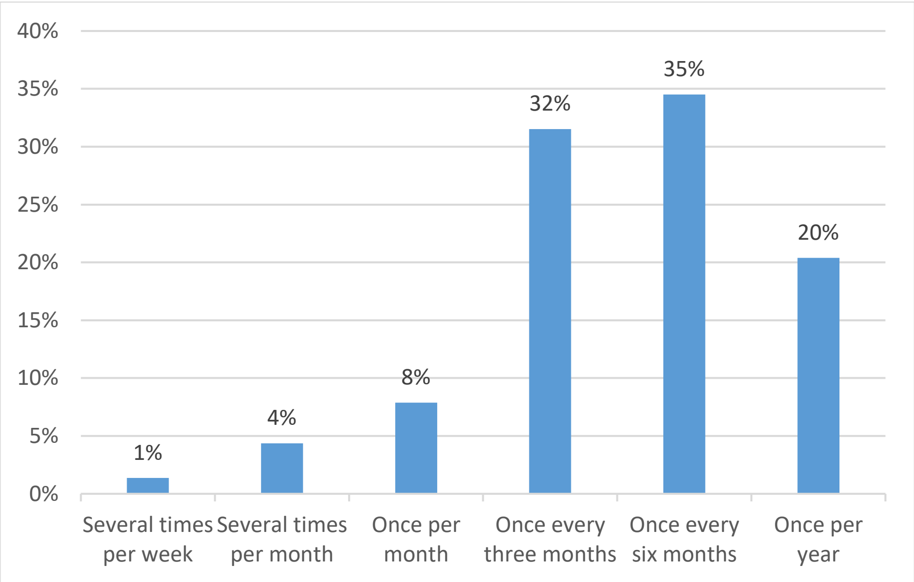


Source: Created by the author using data from own survey, 2018

<u>Frequency of travelling</u>

When asked about how often do the respondents fly, the majority, amounting 35% of the total, responded, "once every six months" and 32% responded "once every three months". The results in number of respondents per group are visually represented in Graph n. 12.

Graph 12: How often do you fly?



***Source:** Created by the author using data from own survey, 2018*

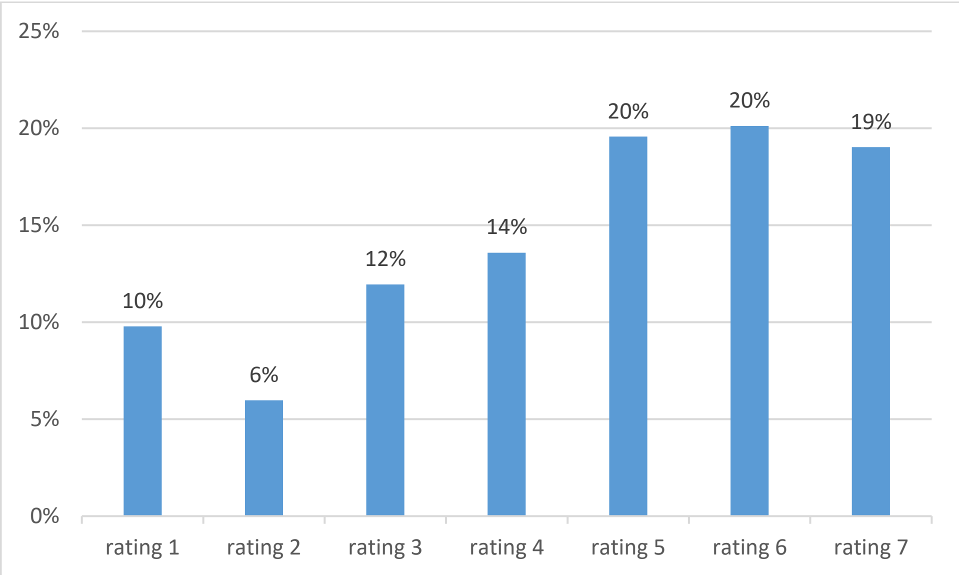
4.5 Evaluation of the questionnaire

4.5.1 Satisfaction

For better understanding of the evaluation of following sections of the questionnaire the first section to be analyzed will be the one assessing the satisfaction of the respondents in different contexts. The respondents evaluated the satisfaction attributes by assessing statements on the scale from 1 (strongly disagree) to 7 (strongly agree). In the next paragraph the assessment of the overall satisfaction will be presented.

Overall satisfaction

Graph 13: Overall satisfaction



Source: *Created by the author based on data from own survey, 2018*

Graph n. 13 illustrates the overall satisfaction of the respondents who have flown with Bulgaria Air. 19% of the respondents rated the airline with the highest rating of 7, 20% gave a rating of 6 and 20% opt for rating 5. That is in totalalmost 60% of the respondents. Neutral evaluation 4 was given by 14%, dissatisfaction (evaluation between 1-3) was given in total by 28% of the customers of the national airline.

Average total satisfaction score of the passengers of Bulgaria Air is 4.63. From this score we can conclude that the carrier met the expectations of most of its customers, who participated in the survey.

In the following section a classification of the total satisfaction by age, gender, education and monthly income will be analysed. Average ratings divided by age groups are shown in Table n.8. Due to the small size of the age groups 51-60 and over 60, the author could not make general conclusions on these age groups. The youngest group 18-30 rated the total satisfaction mainly with rating 5 and 7 and had the highest average score of 4.85. The group age 31-40 rated their overall satisfaction mostly with 5 and 6 rating and had an average rating lower than the average satisfaction score. The lowest average assessment of 4.15 was given by the age group 41-50. As the age groups are not extensive in number of respondents one cannot apply the findings from this analysis in general.

Table 8: Overall satisfaction per age

Age	rating 1	rating 2	rating 3	rating 4	rating 5	rating 6	rating 7	Average score
18-30	9%	5%	10%	10%	24%	19%	23%	4.850
31-40	13%	5%	12%	11%	21%	20%	18%	4.545
41-50	13%	8%	14%	25%	10%	18%	13%	4.153
51-60	4%	9%	13%	16%	24%	24%	9%	4.556
over 60	4%	0%	14%	7%	14%	21%	39%	5.500

Source: *Created by the author based on data from own survey, 2018*

Gender breakdown reveals the ratings of satisfaction with the carrier divided by women and men assessments. Men rated their satisfaction more positively than women, but there was a very small difference. 61% of the men rated their experience positively with rating 5-7. In comparison only 58% of the women assessed their experience positively. The analysis should take into account that the number of women participated in the survey was three times higher than the number of men. The overall satisfaction of these groups is shown in Table n.9.

Table 9: Overall satisfaction per gender

Gender	rating 1	rating 2	rating 3	rating 4	rating 5	rating 6	rating 7	average score
Male	8%	4%	16%	9%	26%	20%	16%	4.6495
Female	10%	7%	10%	15%	17%	20%	20%	4.6310

Source: *Created by the author based on data from own survey, 2018*

The relationship between the overall satisfaction and the education of the respondents is presented in Table n.10. The largest group of respondents according to education is the one with university diploma – 79%, followed by the respondents with high school education -19%. The number of respondents with basic education was only 4, therefore the author cannot draw conclusions on this group. The respondents with university diploma rated their experience mainly positively and gave an average score of 4.65, whereas the one with high school education gave mainly score of 6 and 7, but their average score was 4.5.

Table 10: Overall satisfaction per education

Education	rating 1	rating 2	rating 3	rating 4	rating 5	rating 6	rating 7	average score
Basic	25%	0%	0%	0%	0%	0%	75%	5.500
High school	13%	7%	14%	11%	13%	20%	21%	4.500
University diploma	9%	6%	12%	14%	21%	20%	18%	4.656

Source: *Created by the author based on data from own survey, 2018*

Different assessment can be seen when analysing the breakdown of overall satisfaction by monthly income. The majority of respondents (42%) had a middle income and gave an average score of 4.54. The respondents with low income were the second biggest group and gave an average rating of 5.03. The respondents with the highest income gave the lowest average score of 4.24, which can be related to the fact that they could have had experience with more carriers and have higher expectations. The results can be seen in Table n.11.

Table 11: Overall satisfaction per monthly income

Monthly income	rating 1	rating 2	rating 3	rating 4	rating 5	rating 6	rating 7	average score
Low (Under BGN 1 500)	6%	5%	6%	14%	27%	17%	25%	5.032
Middle (BGN 1500 – 3000)	10%	6%	13%	17%	13%	21%	18%	4.541
High (above BGN 3000)	15%	7%	17%	7%	20%	23%	11%	4.241

Source: *Created by the author based on data from own survey, 2018*

As next the results of the other three statements in regard to customer satisfaction will be presented.

Table 12 Results from satisfaction statements

Satisfaction statements	Average evaluation
In comparison to other airlines, I am very satisfied with Bulgaria Air.	4.250000000
I think, I do the right thing when I decide to use Bulgaria Air.	4.432065217
My experience with Bulgaria Air exceeds my expectations.	3.817934783

Source: *Created by the author based on data from own survey, 2018*

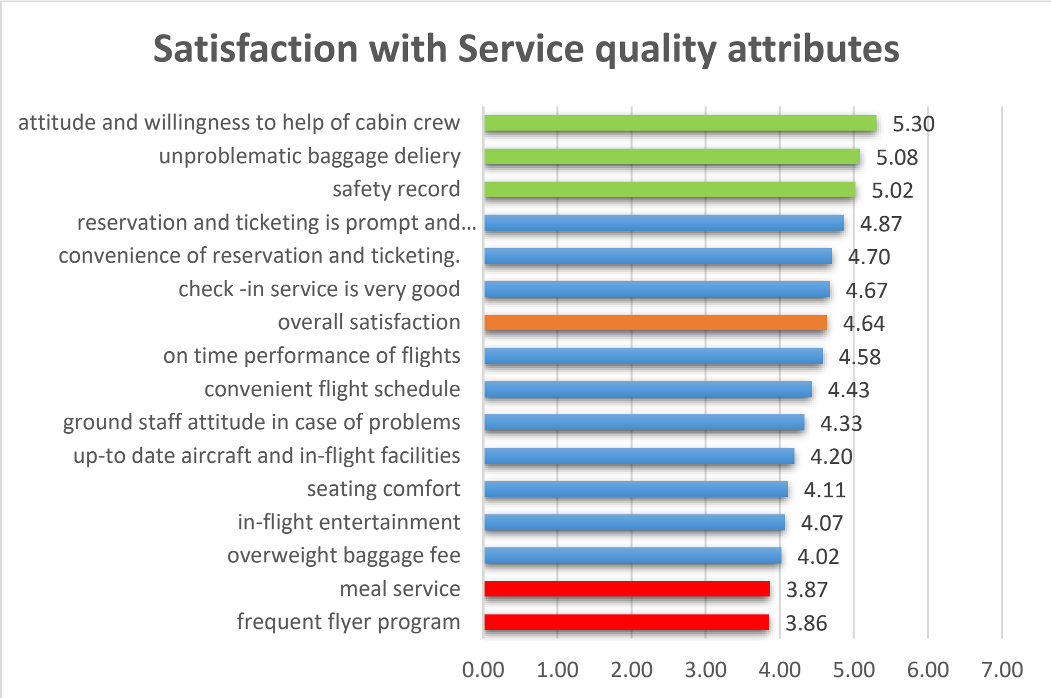
The results showed in Table n. 12 indicate that the respondents were rather neutral in their assessments. The respondents agree the most with the statement that they think they do the right thing when they decide to use the service of Bulgaria Air – 4.43. The lowest assessment received the last statement about the expectations of the passengers. The responds rather disagree that their experience with the carrier exceeds their expectations. Only 20% of the respondents gave ranking 6 or 7 for this statement.

4.5.2 Service quality

As next the section of questions related to service quality will be evaluated. The goal of this section was to reveal what the respondents think about the quality of the services offered by Bulgaria Air. As service quality has different aspects, the respondents were asked to assess 15 different criteria, which represent the pre-, in- and post-flight service quality attributes of Bulgaria Air. The respondents evaluated the service quality attributes by assessing statements on the scale from 1 (strongly disagree) to 7 (strongly agree).

The attitude and willingness to help of the cabin crew received the best average assessment (5.30), followed by unproblematic baggage delivery (5.08) and safety record (5.02). Lowest average assessment received the frequent flyer program (3.86) and the meal service (3.87). This showed where the main service gap in the service quality is. Graph n.14 represents the average assessment of the respondents for each attribute of service quality compared with the overall satisfaction.

Graph 14: Average evaluation of service quality attributes and overall satisfaction



Source: *Created by the author based on date from own survey, 2018*

After evaluating the individual attributes of service quality, it is important to take into consideration the overall satisfaction indicator. This indicator represents the overall satisfaction of the respondents with the service provided by Bulgaria Air. Average overall satisfaction score of the passengers of Bulgaria Air was 4.63. In order to evaluate the relationship between the individual service quality attributes and the overall satisfaction a correlation analysis was conducted using the help of Excel. The individual correlation coefficients were determined and presented in Table n.13.

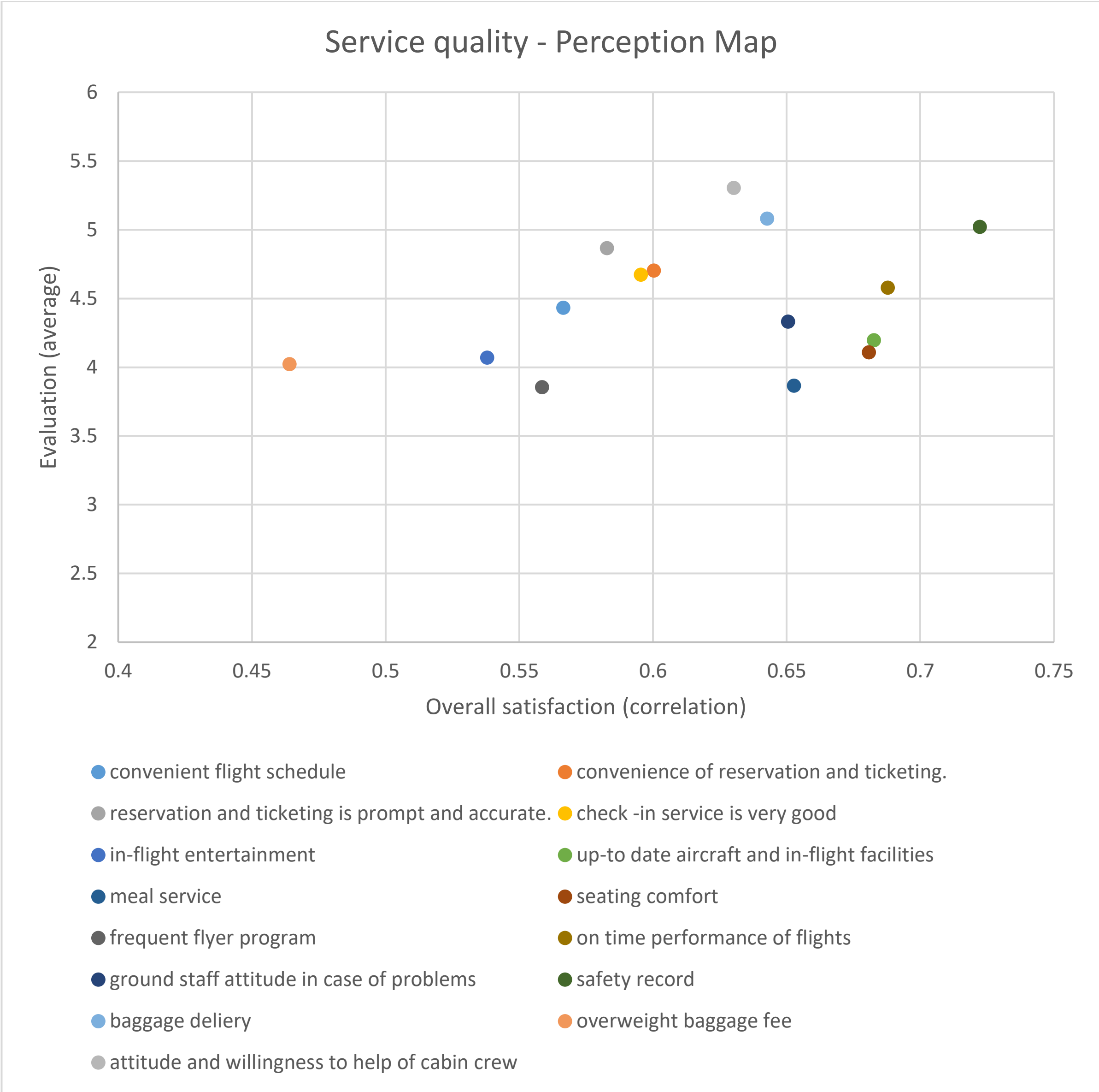
Table 13: Service quality attributes of Bulgaria Air

Service quality attributes	Correlation coefficient
safety record	0.722291455
on time performance of flights	0.687830985
up-to date aircraft and in-flight facilities	0.682600998
seating comfort	0.680760275
meal service	0.652712956
ground staff attitude in case of problems	0.650516452
unproblematic baggage delivery	0.642687482
attitude and willingness to help of cabin crew	0.63024895
convenience of reservation and ticketing.	0.600286575
check -in service is very good	0.595496642
reservation and ticketing is prompt and accurate.	0.58280227
convenient flight schedule	0.566479705
frequent flyer program	0.558535713
in-flight entertainment	0.537961364
overweight baggage fee	0.464010136

Source: *Own survey, 2018*

The result of the correlation analysis revealed that the overall satisfaction isn't directly dependent on any of the service quality attributes. Nevertheless, the analysis indicates that safety record, on time performance of flights, up-to date aircrafts and in-flight facilities and seating comfort are the most important factors for the overall satisfaction of the passengers. This result is evident from the visual representation in the form of a perceptual map in Graph n.15. The vertical axis represents the overall evaluation of the attribute calculated by averaging, whereas the horizontal axis accounts for the importance of a parameter calculated by correlation with the overall satisfaction.

Graph 15 Service quality - Perception Map



Source: *Created by the author based on data from own survey, 2018*

4.5.3 Image

This section will analyze the three questions related to image of Bulgaria Air. The aim of this section is to indicate what the respondents of the survey think about the image of Bulgaria Air. The respondents needed to evaluate every statement with a score from 1 (strongly disagree) to 7 (strongly agree). The average of all the answers and the correlation coefficient were calculated. The results are presented in Table n. 14.

Table 14: Results of Image statements, IMG 1- IMG 3 questions

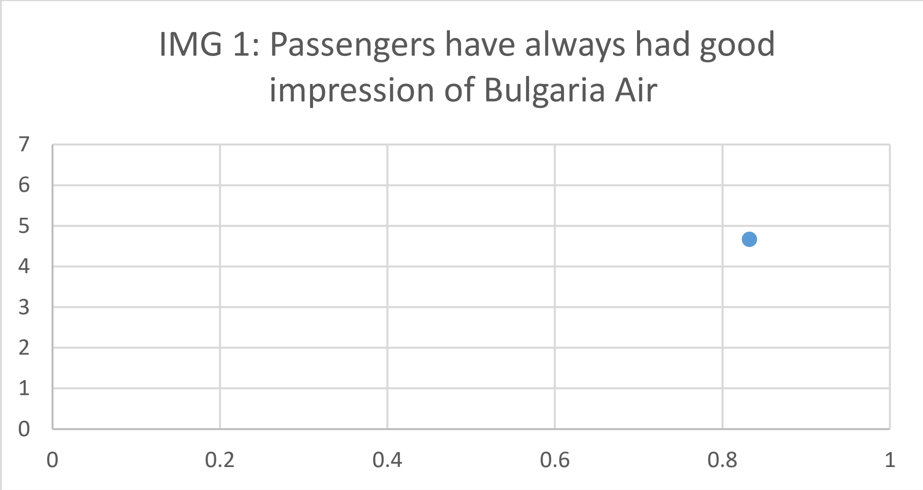
Image	Average evaluation	Correlation coefficient
Passengers have always had good impression of Bulgaria Air	4.668478261	0.832117835
Passengers believe Bulgaria Air has better image than its competitors	4.203804348	0.785181454
Bulgaria Air has good image in the minds of the passengers	4.358695652	0.814328927

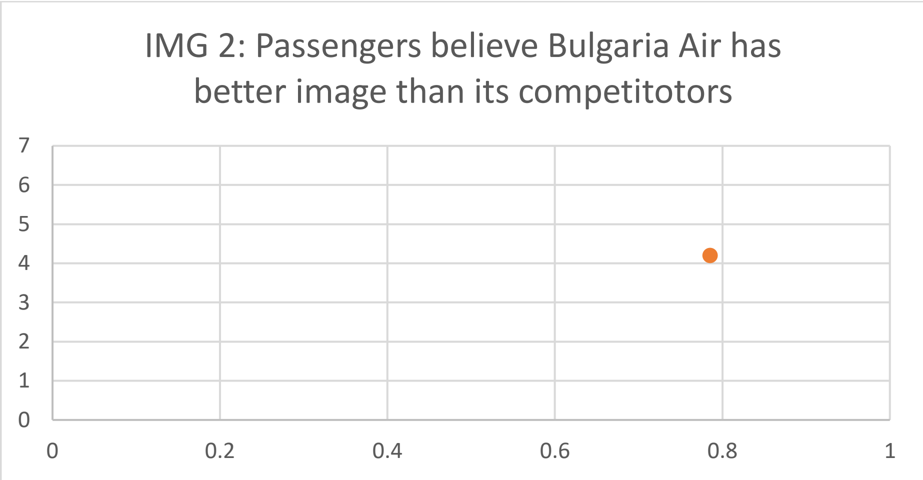
Source: *Created by the author based on data from own survey, 2018*

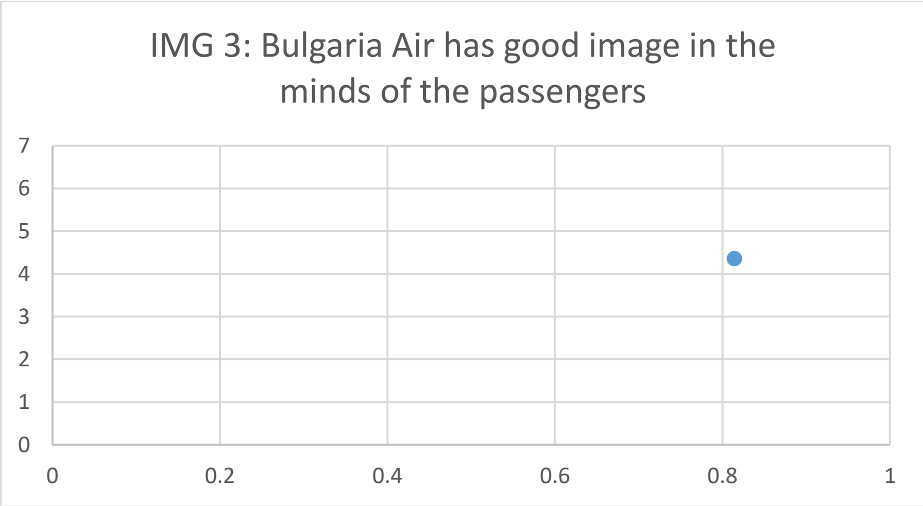
The concrete values are visually presented in Graph n. 16. From now on every graph will contain the same meaning of both axes. The vertical axis corresponds to overall evaluation of the parameter calculated by using the method of averaging. The horizontal axis represents the importance of the parameter calculated by correlation with the overall satisfaction.

The results of the assessments for the image statements show that the respondents agree the most with the first statement that the "Passengers have always had good impressions of Bulgaria air" (4.66), followed by the third statement that the company have good image in the minds of the passengers (4.35). The lowest evaluation received the comparison with other competitors. It can be generally said that respondents assess the image of Bulgaria Air positively, but there is still room for improvement as the highest ranking was 7. The correlation coefficient for all 3 statements is more than 0.78. This means there is a positive relationship between the image and the overall satisfaction with Bulgaria Air. The strength of the dependency is very close to 1, which means that the image has very big importance for the passengers' overall satisfaction.

Graph 16 Questions IMG 1-IMG 3







Source: *Created by the author based on data from own survey, 2018*

4.5.4 Perceived Value

In this section the statements which needed to be evaluated were aiming to find out what the respondents think about the value that the company offers to them in relation to the price. The detailed results of the analysis are presented in Table n. 15.

Table 15 Results of value-price statements

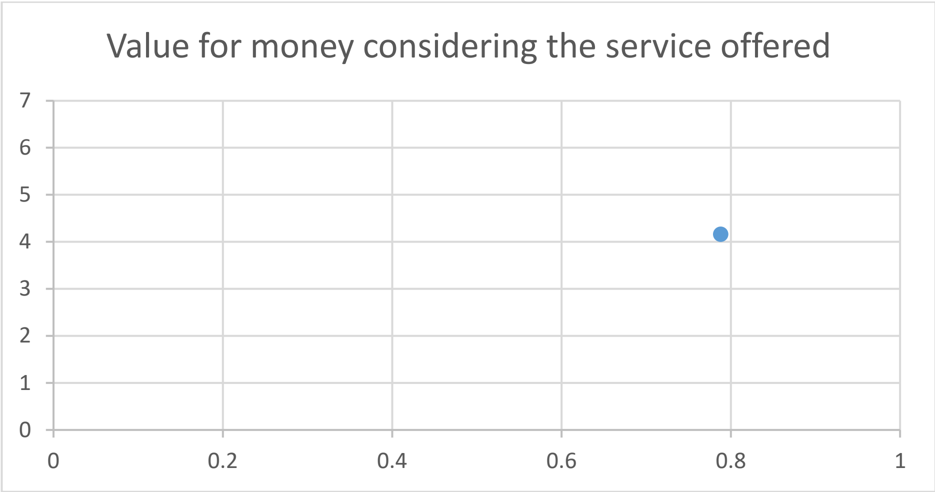
Value – Price statements	Average evaluation	Correlation coefficient
Value for money considering the service offered	4.16576087	0.788091988
Ticket price is reasonable	3.866847826	0.723227849
It makes sense to fly Bulgaria Air instead of any other airline, even if price is the same.	4.225543478	0.781125908

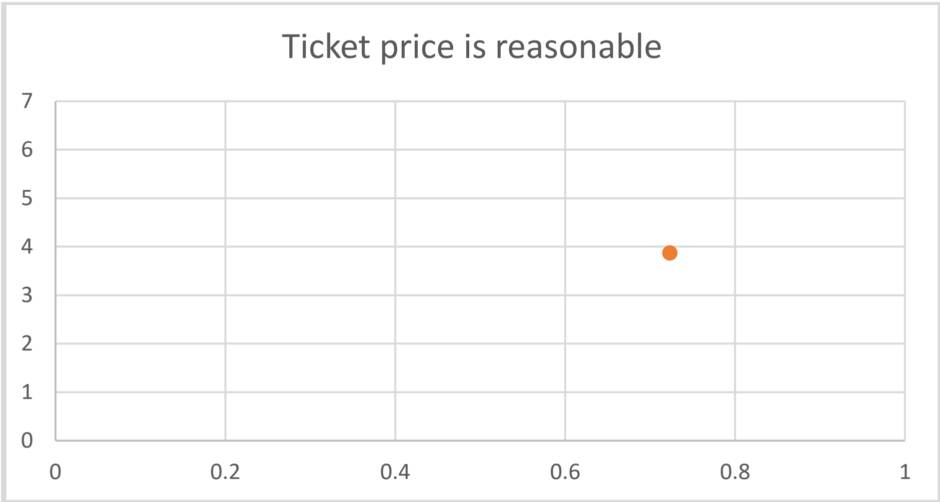
Source: *Created by the author based on data from own survey, 2018*

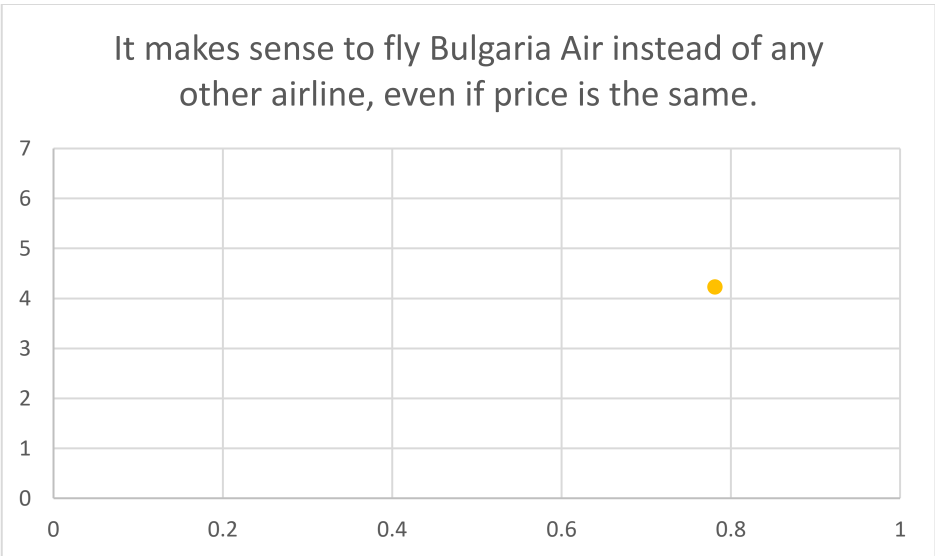
According to the average rating of 4.16 for the first statement assessing the value for money, people perceive it somewhere in the middle. The respondents rather disagree that the ticket price is reasonable. The assessment for the last statement is also rather neutral, which means that the respondents do not agree with the price-value ratio and assess rather negatively the price they pay for the value they receive from the carrier.

As far as the price-value ratio with respect to the overall satisfaction with the national carrier goes, the relationship is quite strong, as the correlation coefficient for all three statements is more than 0.70. Therefore, it is evident that the price-value ratio has very big importance for the overall satisfaction.

Graph 17 Questions VL 1 – VL 3







Source: *Created by the author based on data from own survey, 2018*

4.5.5 Behavioral intentions

The statements in this section were aiming to find out what will be the future behavior of the respondents towards Bulgaria Air. The highest evaluation of 4.88 received the first statement, where the majority of respondents (46% in total gave rating 6 and 7) strongly agreed that they will consider flying with Bulgaria Air in the future. 39% of the respondents gave rating 6 and 7 and showed strong agreement that they will recommend Bulgaria Air to others. When it comes to saying positive things about Bulgaria Air – 38% of the respondents agreed and gave rating 6 and 7. The lowest average evaluation was received by the last statement about the loyalty of the respondents. 32% of the respondents gave rating 6 and 7 and agreed that they consider themselves loyal to Bulgaria Air. At the other end, 27% of the participants assessed this statement with rating 1 and 2.

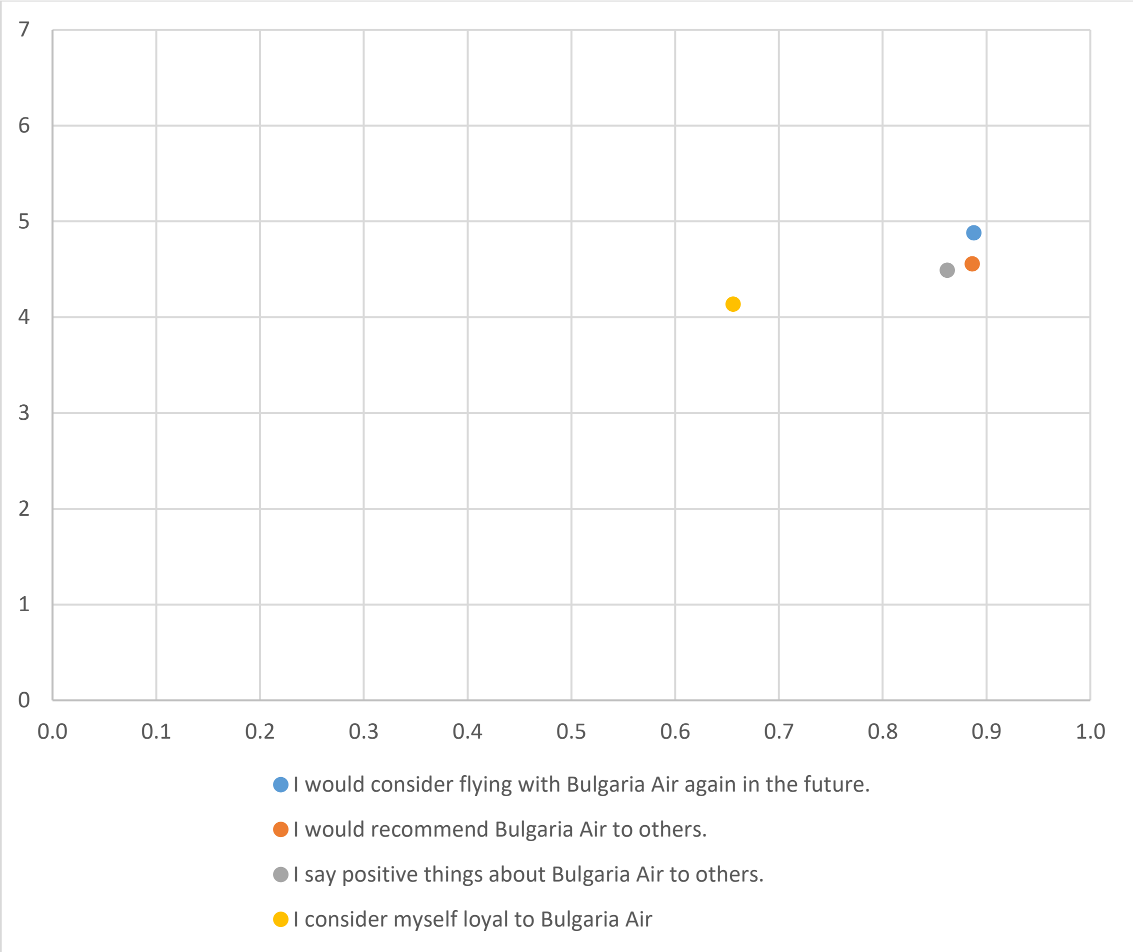
When looking at the correlation coefficient, the results revealed that the first three statements strongly correlate with the overall satisfaction. This means that if the participants have high overall satisfaction they are going to fly again and recommend the company. The results show also that the loyalty has positive correlation of 0.65 with the overall satisfaction of the respondents.

Table 16 Results of behavioral intention statements

Behavioral Intentions attributes	Average evaluation	Correlation coefficient
I would consider flying with Bulgaria Air again in the future.	4.880434783	0.887685560
I would recommend Bulgaria Air to others.	4.557065217	0.886138266
I say positive things about Bulgaria Air to others.	4.489130435	0.862178687
I consider myself loyal to Bulgaria Air	4.135869565	0.655848279

Source: *Created by the author based on data from own survey, 2018*

Graph 18 Questions Behavioral intention BI 1-BI 4



Source: *Created by the author based on data from own survey, 2018*

4.5.6 Open question

An open-answer question was given at the end of the section assessing the behavioural intention of the passengers. This gave an opportunity for additional comments for any of the respondents who wanted to share their opinion. From the total of 368 respondents, only 26 gave their opinion in this section for open answer. Two of the answers were not taken in consideration as they were just a comment that the participant does not have an additional opinion to share. Five of the given comments were recommendations what the company should do in order to improve their services. These included suggestion for more diverse meals, which should take into consideration people with allergies or vegans, recommendation for introducing amusements for kids and adults, another had suggested to the company to offer more promotions and to improve the availability of flights. There was a recommendation from a person from the aviation industry, who proposed that the management should initiate strategic decisions with the aim of participation in an airline alliance.

From the total of given comments only 29% (or 7 answers) were expressing positive opinion about the services of the company. They included praise for the qualified and experienced pilots and crew. Four of these positive comments were showing once again the satisfaction of the passengers. Another respondent expressed his preference for Bulgaria Air over low-cost carriers.

Unfortunately, 50% of the given additional comments were negative, expressed by unsatisfied customers of Bulgaria Air. The passengers complained about different services of Bulgaria Air. Two of the respondents made a complaint that they did not receive any compensation in case of a delay, another two criticized that they did not receive an answer after expressing their complaints. There was a criticism regarding bad communication in case of delays, which resulted in the missing of a connection for the passengers. Additionally, there was a complaint that the number given for contact was not in operation, so the passenger could not get information for their delayed flight. Another two of the respondents criticized that the tickets are too expensive, and also that it is too complicated for them to purchase tickets. There were complaints in regard to the technology used by Bulgaria Air. The criticisms were regarding the website, which according to the respondent needed an update for use on mobile devices, and another critic pointed out the absence of mobile application. Another complaint was about a spelling mistake in the safety instructions. These negative comments are more important feedback for the company than the positive ones, because they are another indication where the national carrier needs to work on improvements in order to offer better services for their customers and raise their satisfaction level.

Even though only a few respondents used the opportunity to share their opinion, the ones who did gave very useful hints for the service gaps and opportunities for improvement of the current service offerings of Bulgaria Air. Further recommendations from the author will be given in the fifth chapter.

4.6 Comparison with an old customer satisfaction analysis of Bulgaria Air

After successful personal contact with one of the employees of Bulgaria Air the author was able to receive a presentation about a customer satisfaction survey of Bulgaria Air conducted in 2015. In the following section the results from the old customer satisfaction survey will be presented and compared with the survey conducted by the author.

The customer satisfaction survey, done in 2015 by a marketing research agency in Bulgaria, was a quantitative research. The target group of the survey was passengers of Bulgaria Air on a limited number of flights in 2015. The sample consisted of 872 responses. 53% of the participants in the survey were Bulgarians and the rest 47% foreign citizens. The sample was highly distorted, as 67% of the respondents were men and the rest 33% women. This should be taken into consideration when making the conclusions from this survey.

The method of data collection the agency used was a structured personal survey on board during the flights. The marketing agency used the same scale as the author, a 7 Point Likert Scale: where 1 refers to strongly disagree; 4 neither agree nor disagree; 7 refers to strongly agree. The survey of the marketing agency analyzed 24 attributes, separated in six categories. The six categories were as following: services provided by the ground staff, flight schedule, conditions in the plane, services provided by cabin crew, food and beverages and category about satisfaction. The detailed listing of the 24 attributes will be provided in the comparison Table n.13.

The overall assessment regarding all 24 indicators were in average - around rating 4. Only one indicator of the total 24 exceeded this level slightly and amounted average assessment 4.1. This indicator assessed if the ground staff had the knowledge to answer questions. For 9 indicators the assessments were below rating 4; in all others they were assessed with rating 4. These assessments from 2015 gave indications of a very low level of satisfaction with the national carrier.

The results of the old survey revealed that the distribution of the assessments from 1 to 7 were almost ideally “U” shaped for all attributes and for the attribute “fast processing of luggage and tickets” it has an ideal “U” shape. This means that the judgements of the respondents were symmetrically distributed: the number of people which strongly agreed with the respective statement in regards of service offered, was similar to the number of respondents who strongly disagreed.

All this indicated a great contradiction in the assessments. The reason for this contradiction was evident when a distinction was made on the "nationality of the passenger". If the average scores for the attributes assessed by Bulgarians were about rating 5 and less than 5, for foreigners the average rating were about 3 and slightly less than 3. This indicated that foreigners generally rated by two degrees worse almost all performance indicators for Bulgaria Air. The results showed also that the distributions of the assessments were symmetrically opposite.

Before continuing with the analysis of the comparison of the surveys, one should have in mind, that this cannot be a direct comparison as the surveys used different methodology and different indicators were taken into consideration.

Table n.17 shows a comparison of both surveys. The table includes the results from the survey from 2015, where the average assessment of Bulgarians, average assessment of foreigners and the combined assessment from both foreigners and Bulgarians are presented. As the surveys have slightly different questions the author needed to map results from her survey to the equal attributes from the survey from 2015 in order to compare them. The results from the author’s survey are presented in the last column of the Table n.17.

Table 17: Comparison of customer satisfaction survey of Bulgaria Air from 2015 with author's survey from 2018

Comparison average assesment BG vs Foreign vs ALL together (2015) vs Authors survey BG (2018)				
	BG	FR	All Together (BG + FR)	Authour's survey (BG)
Group 1 - Ground staff service				
This airline's employees have good appearance	4.9	3	4	n/a
This airline's employees are polite	4.9	3	4	4.33
The employees of this airline have the knowledge to answer passenger's questior	4.9	3.1	4.1	4.33
Check in service (processing of luggage and tickets) is fast	4.9	3	4	4.67
Group 2 - Flight Schedule				
We need to be at the airport too early	4.7	3.1	3.9	n/a
Take-off time is convenient	4.7	3.1	3.9	4.43
The take-off took place on time	4.7	3.2	4	4.58
The arrival time is convenient	4.9	2.9	4	4.43
Group 3 - Conditions in/on the plane				
The temperature in the airplane is appropriate	5	3	4	n/a
Seats are comfortable	4.7	3.1	3.9	4.11
The salon is clean	4.9	2.8	3.9	4.2
The toilets are clean	4.9	2.9	3.9	n/a
Group 4 - Cabin crew service				
The crew provides the necessary information about the flight, current time and fo	5	2.8	4	n/a
Stewards / stewards are kind/polite	5.1	2.8	4	5.3
Stewards / stewards have a good look/appearance	5.1	2.8	4	n/a
They have the knowledge to answer my questions	5.1	2.8	4	4.33
Group 5 - Food and beverages				
The food is good	4.3	3.5	3.9	3.87
There is a variety of drinks	4.6	3.2	3.9	3.87
Newspapers and magazines are diverse	4.4	3.2	3.9	4.07
There is variety of goods for on-board sale	4.3	3.2	3.8	n/a
Group 6 - Satisfaction				
The ticket price is reasonable	4.5	3.3	3.9	3.87
I am satisfied with the service on the plane	5.1	2.7	4	n/a
I would choose the same company if I had to fly on this route another time	5	2.7	4	4.88
I would recommend this company to my relatives and friends	4.9	2.9	4	4.56

Source: *Created by the author*

The comparison in Table n. 17 indicates that from the 16 common attributes assessed by Bulgarians only one attribute has improved since 2015 – the attribute for the politeness of the cabin crew in group 4. In 2015 the respondents assessed the politeness of the crew with 5.1 and in 2018 with 5.3. This should make an alert that the company need to take actions in order to improve the services and to satisfy the needs of the customers. This will ensure that the passengers will use its services again and consequently will bring future revenues for the company.

The survey in 2015 gave also the opportunity for the participants to share additional opinion and recommendations with an open answer question. From the total of 872 respondents, 40 participants in the survey gave additional opinion and recommendations. They were mainly in the following 5 categories: Buying of tickets, Food and beverages;

Attitude towards loyal customers; Service and Convenience of flights. In the first category, regarding buying of tickets, there were complaints about problems with reaching the call center, which was also not available 24/7. There were also complaints about the price of the tickets, which was considered too high and not flexible enough. Most of the complaints were in the food and beverages categories, where again there were complaints about the diversity of the food and the quantity of the food offered. Other criticisms were for the convenience of the flights, which were at bad times for the passengers – either too early or too late. Further complaints similar to the ones given in the 2018 survey conducted by the author were that there was very slow response on the complaints and no compensations for broken luggage. In 2015 there were also complaints about the services provided to loyal clients, which did not receive better places even though they were often flying passengers, or complaints that one should fly too many times in order to get a free flight.

When comparing the open-answers from both surveys, one can recognize that the customers have similar complaints and recommendations. This indicates that the company did not take enough actions to reduce the service gaps and did not manage to satisfy the needs of the passengers, so they stay loyal to the company and use the services again. This can be also related with the decrease of the number of passengers flying with Bulgaria Air after 2015.

4.7 Evaluation of the research questions

In the following the evaluation of the research questions identified in the chapter 4.1 of the analytical section will be provided:

1) What are the key factors influencing customer satisfaction in the airline industry?

The literature review recognized several factors impacting customer satisfaction in the airline industry. To start with, safety was revealed as one of the key factors of overall customer satisfaction. Researchers identified that there was a stronger relationship between safety and satisfaction for leisure travelers than for business one. As next, perceived image was named by several researchers. It was determined that positive image of a specific airline can affect the passenger to select the airline over the others. Perceived value has been identified as a crucial indicator of customer satisfaction and behavioral intention. Offering value-added services to the passengers such as frequent flyer programs, more leg space and other benefits can help airlines to establish long-term relationship with their passengers and obtain competitive advantage. The importance of frequent flyer programs in impacting airline preference and loyalty were distinguished by several researchers. Furthermore, a number of empirical studies noted the significance of service quality in impacting satisfaction and causing customer loyalty. Last but not least, customer experience was found out to have a direct impact on service quality, customer relationship, sales, customer satisfaction, loyalty and behavioral intention.

2) How the customers of Bulgaria Air perceive the company's image?

In order to evaluate the perceived image of Bulgaria Air, three statements were assessed by the respondents of the author's survey. The average evaluation was higher than 4, which means that the respondents assessed rather positively the image of Bulgaria Air, but there is still room for improvement as the highest evaluation ranking was 7. The respondents agreed the most with the statement that they have always had a good impression of Bulgaria Air (4.66 average evaluation) and least when it comes to comparison of the image with competitors of Bulgaria Air (4.20).

3) How the customers of Bulgaria Air perceive the value that the airline offers?

The perceived value of the service offered by Bulgaria Air was evaluated using three statements. Here the respondents gave lower assessments in comparison to the assessment of the perceived image. The lowest evaluation was given to the statement about the reasonableness of the ticket price (3.86), which is considered as negative assessment by the respondents. The other two statements were assessed rather neutral, which means that the results showed neither strong satisfaction nor strong dissatisfaction with the value for money of the serviced offered.

4) What aspects of Bulgaria Air were the customers most satisfied with?

The highest satisfaction among the respondents of the research was attributed to the attitude and willingness to help of the cabin crew, unproblematic baggage delivery and safety record. The highest average evaluation of 5.3 received the attribute assessing the attitude and willingness to help of the cabin crew. The safety record received the third highest evaluation of 5.02 and was assessed as the one with the strongest correlation coefficient of 0.72 in relationship to customer satisfaction, which means safety record has the highest importance for the customers' overall satisfaction.

5) Which are the service quality gaps perceived by the customers of Bulgaria Air?

The analysis of the customer satisfaction has identified least satisfaction with the frequent flyer program, meal services, overweight baggage fee and in-flight-entertainment. The frequent flyer program and meal service received a rather negative assessment with average assessment under 4 – respectively 3.86 and 3.87. These are the areas where respondents found the biggest service quality gaps.

6) What are areas for service improvements of the national carrier Bulgaria Air?

This question aims at revealing what Bulgaria Air should do better. Research question 5 revealed what the possible areas of service improvement are in regard to the service quality offered by the national carrier. Another area where service can be enhanced is by introducing new technologies such as a mobile application. Furthermore, in regard to communication with customers, the airline should work on improvements of the call center and the usage of social networks. Finally, the SWOT analysis revealed that there are still opportunities to improve the service by increasing the portfolio of destinations offered.

7) What is the future behavioral intention of the customers towards Bulgaria Air?

The future behavioral intention of the customers was evaluated using four statements. The analysis of the results showed that 46% of respondents strongly agreed (gave rating

6 or 7) that they will consider flying with Bulgaria Air. 39% of the respondents revealed strong acceptance that they will recommend Bulgaria Air to others and 38% strongly agreed that they will say positive things about the airline. The lowest average evaluation received the statement assessing the loyalty of the respondents towards Bulgaria Air. 32% of the respondents considered themselves as loyal, but at the same time 27% of the respondents gave rating 1 and 2, which means they consider themselves not loyal to the company.

In the next section the author will provide recommendations for reduction of the service gap and improving customer satisfaction.

5 Recommendations

Operating successfully and efficiently a full-service airline is very difficult in today's competition of low-cost carriers, in addition to volatility of fuel prices and high fixed costs. The unexpected changes in the macroeconomic environment or new national regulations can impact the operations of an airline anytime. Therefore, airlines need to put more effort on improving customer satisfaction in order to keep the current customers and attract new ones in order to guarantee future revenues.

The analysis of the passengers' satisfaction with Bulgaria Air has revealed several service gaps. To start with, the analysis identified that the meal service was given the second lowest assessment by the respondents. Therefore, the company should work on developing a more diverse food and beverages menu. The meals should take into consideration that some people have allergies or that they are vegans. The non-alcoholic beverages which nowadays are only water and fizzy drinks should also include different types of juices for the people who wants to follow a healthy diet.

Another weakness of the company assessed very low by the customers was the loyalty program for frequent flyers. One possible suggestion how to improve this is by expanding the services included in the loyalty program. The company can initiate partnerships with the airport shops and restaurants. For example, for every purchase the passengers make they can get extra loyalty points. Another possibility is to make partnerships with hotels and tour operators and for example for every night the passenger stays at a partner hotel or for every tour they participate in, the travellers could get additional loyalty points. These points could be used for the additional services included in the loyalty programs – as the extra luggage, upgrade to business class or voucher for the lounges at the airports. Furthermore, the company should make more promotions of its loyalty program in order to increase the awareness of the customers. For this it is recommended to use ads on their website and social networks, but also with the confirmation emails or with feedback email suggested earlier.

In order to improve the customer experience airlines are advised to capture information across all customer interactions with the service provider. By using periodic surveys or telephone calls to a random sample of customers to discover how the passengers experienced different aspects of the airline performance a direct measure of customer experience can be gained (Chauhan & Manhas, 2014). If it is not possible to conduct a satisfaction survey every year, the company can send an email with a short satisfaction questionnaire with maximum 10 questions after each flight. This practice is already used by Ryanair, where the airline sends a 11 questions feedback survey including questions about the overall experience at the airport from which the passenger departures. I recommend that the survey of Bulgaria Air should include not only questions about the experience at the airport but also during the flight. This can provide a better information about how the passengers feel about various aspects of the airline's performance and identify favourable and unfavourable experiences. This feedback can give also a monthly overview of the satisfaction, so the company can react in time if there is some big issue that many customers complained about.

Furthermore, the airline should focus on improving customer service communication. As shown by the analysis there were several complaints about the call center. Therefore, the call center should be regularly checked - if it is in operation and how long the employees take to answer a call and how satisfied the customers are with this service. It is recommended that the airline provides a 24/7 h call center, if possible, so the customers can call anytime and resolve their issues. Moreover, the employees of the company are the face of the airline and first point of contact for the customers. The company should ensure that the ground staff have been properly educated and trained on service quality. If the employee show enthusiasm, passion and commitment this will improve the whole experience of the customer and could further enhance the customer's engagement.

One of the weaknesses identified was the absence of mobile application. Therefore, the company should work on developing a mobile application which can help customers to easily book flights, add additional services or get information for their reservation and flights. The applications should send notifications in case there is a delay or change in the flight, so the customers are informed in advance.

The satisfaction analysis revealed that the passengers were unsatisfied with the in-flight entertainments. Currently the airline offers newspapers and board magazines. By introducing a mobile application, the company can use this application for offering offline books, films or games for the passengers, which they can download before the flight. The airline should expand the inflight entertainments for kids by offering some small toys or books for drawing. In this way not only the kids will have a pleasant occupation during the flight, but also this activity will prevent them from disturbing the other passengers, so their parents and the other travellers can enjoy the flight.

Regarding the product itself, it was discovered by the SWOT analysis that they are still opportunities to grow. The company should work on increasing its current portfolio by adding new destinations. This can be done also by establishing new code share agreements with major airlines like Air France and Alitalia. These major carriers have many destinations also outside of Europe which can attract new customers to Bulgaria Air who want to fly to distant destinations.

Nowadays the company use mainly its official website and Facebook page to promote its services. One possible suggestion to improve its communication is to be more active on the social networks. Additionally, to their Facebook activities, the company should use Instagram and LinkedIn more actively to promote their services and special offers. These are additional channels where the company can communicate with their customers and gain additional feedback from their passengers.

Finally, to increase its awareness and consequently enhance sales the company could become a sponsoring partner of some local events. For example, sponsoring an open-air concert in the park of a big city like Sofia or Plovdiv can be a suitable event.

Conclusion

The market analysis of the Bulgaria civil aviation market revealed that Bulgaria Air is facing very high competition from foreign low-cost carriers such as Wizz Air and Ryanair. According to the annual report for the financial year 2017, the company realised loss mainly impacted by the high competition, poor weather conditions at Moscow Airport and fast rise of the fuel price. The detailed analysis revealed that 2017 is the third consecutive year in which the airline realised loss. Even though the airline managed to reduce the expenditures, it did not manage to increase the revenues to cover the costs of operations. The fierce competition made the national carrier reduce the number of flights which followed by reduction of number of passengers. The introduction of flexible policy did not help to attract enough new customers. The analysis of the customer satisfaction was needed to measure overall satisfaction with the airline, to identify factors which impact the satisfaction of the passengers and to recognise service gaps.

Quantitative marketing research was conducted using online survey. Using convenience sampling a total of 368 answers were collected. 19% of the respondents rated the airline with the highest rating of 7, 20% gave a rating of 6 and another 20% opt for rating 5. That is together almost 60% of the respondents. Neutral evaluation 4 was given by 14%, dissatisfaction (evaluation between 1-3) was given together by 28% of the customers of the national airline. The average total overall satisfaction amounted 4.63.

Looking at individual factors, greatest satisfaction was attributed to the attitude and willingness to help of the cabin crew, unproblematic baggage delivery and safety record. The analysis identified least satisfaction with frequent flyer program, meal services and overweight baggage fee. Thanks to the analysis service gaps were identified and many recommendations were made in the fifth chapter. The suggestions for further improvement included diversification of the menu, expansion of the services offered in the loyalty program, increase of the awareness by sponsoring events and development of mobile application. In order to be more customer-centric Bulgaria Air should maximize the effortlessness with which the customers can request information, make suggestions or complain. In this regard it was recommended to optimize the service of the call center and initiate a short feedback survey after each flight.

To conclude with, the survey might have faced some limitations. Firstly, it is not possible to cover the whole target group of the national carrier Bulgaria Air. Secondly, due to the use of social network (such as Facebook, WhatsApp and LinkedIn) for conducting the survey, younger generation (18-35 years old) was more probable to be included in the sample. Finally, respondents could have misunderstood some of the questions as the survey was conducted online without a personal contact with the author.

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AHP	Analytic Hierarchy Process
ASKs	Available Seat Kilometres
ATM	Air Traffic Management
BULATSA	Bulgarian Air Navigation Service
FFPs	Frequent Flyer Programs
FSC	Full-Service Carrier
GDP	Gross Domestic Product
IATA	International Air Transport Association
LCCs	Low Cost Carriers
LHLC	Long Haul Low Cost
PLF	Passenger Load Factor
RPKs	Revenue Passenger Kilometres
SES	Single European Sky
SWOT	Strengths, Weakness, Opportunities, Threats

Appendix

Appendix 1: Bulgaria Air - Customer satisfaction analysis - questionnaire

Questionnaire:

Section 1: Service Quality

What do you think about **service quality** of Bulgaria Air?

1. Bulgaria Air offers a convenient flight schedule.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

2. Bulgaria Air offers convenience of reservation and ticketing.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

3. The reservation and ticketing are prompt and accurate.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

4. The check in service (waiting time, efficiency, etc.) of Bulgaria Air is very good.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

5. Bulgaria Air offers great in-flight entertainment services (books, newspapers, movies, magazines etc.)

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

6. Bulgaria Air offers up-to date aircraft and in-flight facilities.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

7. Bulgaria Air offers great meal service (items, tastes, freshness, quantity)

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

8. Bulgaria Air offers high seating comfort.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

9. Bulgaria Air offers attractive frequent flyer program.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

10. Bulgaria Air has good On time performance (flights are mostly on time).

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

11. The ground staff of Bulgaria Air show sincere interest in solving problems (baggage loss, flight cancellation, etc.).

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

12. Bulgaria Air has very good safety record.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

13. Bulgaria Air has prompt and accurate baggage delivery.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

14. The amount imposed on overweight baggage is reasonably low.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

15. The cabin crew of Bulgaria Air are courteous and willing to help passengers.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

Section 2: Image

What do you think about **the image** of Bulgaria Air?

1. I have always had a good impression of this airline.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

2. I believe that Bulgaria Air has a better image than its competitors.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

3. In my opinion, Bulgaria Air has a good image in the minds of passengers.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

Section 3: Value

What do you think about **the value** that Bulgaria Air offers to you?

1. Considering the services that this airline offers, they are worth what I pay for them (value for money).

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

2. The ticket price of Bulgaria Air is reasonable.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

3. It makes sense to fly Bulgaria Air instead of any other airline, even if price is the same.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

Section 4: Satisfaction

Are you **satisfied** with Bulgaria Air?

1. In comparison to other airlines, I am very satisfied with Bulgaria Air.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

2. I think, I do the right thing when I decide to use Bulgaria Air.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

3. My experience with Bulgaria Air exceed my expectations.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

4. Overall, I am satisfied with this airline.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

Section 5: Behavioral Intentions/ Future travelling

What is your future behavioural intentions towards Bulgaria Air?

1. I would consider flying on this airline again in the future.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

2. I would recommend Bulgaria Air to others.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

3. I say positive things about Bulgaria Air to others.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

4. I myself consider loyal to Bulgaria Air.

	1	2	3	4	5	6	7	
Strongly disagree	○	○	○	○	○	○	○	Strongly agree

5. Additional comments about Bulgaria Air.

Long answer text

Section 6: General questions

Gender:

A) Male B) Female

Age:

A) 18 -30
B) 31-40
C) 41-50
D) 51-60
E) above 60

Education:

A) Basic
B) High school
C) University diploma

Monthly Income

A) Low (under BGN 1 500)
B) Middle (BGN 1500 – 3000)
C) High (above BGN 3000)

Travel purpose:

A) Travel for Business purposes
B) Travel for Leisure purposes
C) Both for business and leisure

How often do you fly?

A) Several times per week
B) Several times per month
C) Once per month
D) Once every three months
E) Once every six months
F) Once per year