MARKETING PLAN FOR "ARMENIAN AIRLINES"

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I. EXECUTIVE SUMMARY

"Armenian AirLines" (further AAL) is the State company, that was established after the Armenian branch of the "AEROFLOT" had been separated. This company operates with the support of Armenian Government and is 100% State owned.

The company has to survive under the number of internal and external limitations.

The SWOT analysis of AAL covers the following issues:

a. Strengths

Government Support

b. Weaknesses

- Unqualified personnel
- Inefficient fleet
- · Lack of strategic management and planning
- · Lack of good infrastructure
- Instability of the Company in Scheduling of Flights and Ticket Pricing
- Lack of Reputation

c. Opportunities

- Monopolistic Position of the Company
- Diaspora
- Becoming the Hub of the TransCaucasus

d. Treats

- · Physical Limitations
- · Economic Problems
- Emerging International Competition
- Governmental Limitations
- Political Instability in Region

At the present time the company has a rather limited flights' network. It realizes the flights to the countries of CIS, and only a few international ones. The level of services provided by the company on the whole chain of services starting from ticket booking system and ending by the luggage distribution upon arrival is not very good. The present personnel of the company need additional training. All the personnel problems come out of the absence of the sound human resources management strategy developed by the company.

In a present situation, AAL is able to survive and operate under numerous internal and external constraints. This is mainly due to the Government support and because of infancy of the Armenian market.

However, if AAL continues to operate in the same way, the things may change for the company drastically. In the emerging market the company may lose its market share if unable to offer better and more services than now.

The following marketing plan reveals the present situation of the company, as well as gives the directions in which the company has to develop.

The two main directions where changes are necessary are the following: improving the service level and enlarging the present flights' network of the company.

The survey of the AAL present passengers directed to find out the consumers' wants and needs is used as the base for creating the plan of the future development of the company.

In the essence of almost all of the company's problems is the product orientation of the company. As it is involved in the service business, the company has necessarily to become service oriented in order to be successful.

"Consumer is the King" statement should never be violated in making decisions in any sphere of the AAL business.

One of the two important directions of the development of the company is enlarging its flight's network. According to the estimations based on the marketing research results the new destinations to Frankfurt, Amsterdam, and London promise the great market demand.

Improving the service quality provided by the company has always to follow enlarging the flight's network of the company. Even if the perfectly convenient network of the flights is created it would never work without the adequate service level provided. The other condition that should be met is the use of new, efficient fleet. The first reason is that, from April 1, 2002 only aircraft certified under and complying with ICAO Chapter 3, Annex 16, with regard to noise emission will be allowed to operate to airports in European Union countries. The second reason is that current fleet is continuously depreciated and by 2000 the planes will completely be out of use.

Therefore, taking into consideration these two reasons the possibility of leasing new Boeing 767-200 is investigated. The forecasting based on the data provided

by AAL, showed that the company will earn 1.262.092 USD annually for three directions: Amsterdam, Paris, Tehran.

The company has to invest considerable amount of its resources into the services.

So, the optimum should be reached by the company between allocating resources and the energy into the service improvement and opening new routes.

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SITUATION ANALYSIS

III. SITUATION ANALYSIS

A. Historical Background

1. Nature of AAL Business

Until the declaration of independence of Armenia in 1991, Armenian branch of the world largest airline "AEROFLOT" was one of the active airlines of the former Soviet Union. There were about 50 flights a day from Armenia to the cities of the former USSR and one foreign weekly flight to Lebanon. In addition, there was a number of domestic flights. The fleet has been used at full capacity. Centralized structure of economy did not delegate authority to the branches of "AEROFLOT" in making decisions regarding their main activities. The center "dictated" routes, budget, supply sources, services, etc. With the collapse of the former Soviet Union, "AEROFLOT" was not able to work as one centralized body any more. That created a number of challenges for Armenian branch of "AEROFLOT" that had to perform the management of all the activities of the company by itself.

In March 9 of 1993 according to the resolution of Armenian Government "Armenian Airlines", a branch of "AEROFLOT", was transformed into the "Armenian Airlines" State Company. The newly established company inherited flight divisions, the air transportation services, the central agency of air communication and technical base with the fixed and working capital.

AAL is a monopolist in the air transportation industry and this fact influences its business strategy.

2. Current Situation

At present the company conducts regular and irregular (charter) flights to the countries of the CIS and several countries of other regions.

CIS WOT Amelysis	Asia	Europe
1. Moscow	1. Tehran	1. Athens
2. S. Petersburg	2. Beirut	2. Paris
3. Sochi	3. Fujeira (UAE)	3. Amsterdam
5 MinVodi		

- 9. Rostov
- 10. Stavropol

6. Novosibirsk7. Krasnodar

- 11. Ashgabad
- 12. Tbilisi
- 13. Samara
- 14. Astrakhan
- 15. Vladicaucaus
- 16. Volgograd

From those routes mentioned above Fujeira and Amsterdam are newly opened. The regular flights to Fujeira are operated for a month, and the technical (the experimental) flight to Amsterdam is going to be accomplished at November 19, 1994.

At the present time "Armenian Airlines" is working on defining the feasibility of establishing airlinks with Great Britain, Romania, Austria, Bulgaria, China, India, etc.

Now the fleet of AAL consists of three IL-86 aircraft, eleven Tu-154, nine Tu-134, and nine YAK-40. The AAL's management is considering the various possible alternatives of renewing the fleet, through buying or leasing Boeing 757-200, Boeing 767-200, Airbus A310-200, Tupolev 204-210.

3. SWOT Analysis

a. Strengths

Government Support

At present time AAL is wholly owned by the Armenian Government and the support provided by it is significant. Due to that the company can get long term loans with low interest rates using the Government guarantee. Also AAL needs sufficient protection to be developed into a company able to compete and survive in a free market realities.

b. Weaknesses

AAL faces a number of constraints. Among internal constraints of the company are lack of strategic management approach and planning, inappropriate human resource strategy, outdated fleet and poor supply service, and the lack of well worked-out infrastructure and services.

Unqualified personnel

Lack of Human Resources Strategy leads to deficiency of well trained, highly qualified personnel. This limitation does not allow the company to provide normal level of service to its customers. The evident example of that is the fact that those employees who work on international routes do not know any foreign language. They are not ready to provide adequate service to passengers because of absence of any training. Also many departments of the company are not completed by the qualified personnel.

Inefficient fleet

The main disadvantage of using the existing aircraft park is that the available planes are very fuel consuming, which is not acceptable in a current situation. For example, aircraft Tu-154 uses ten tons of fuel per flight-hour whereas planes of the same category produced by the Western companies use half as much.

Many international airports have strict regulations about safety and technical characteristics of planes. This is a serious obstacle for the AAL when pursuing the realization of new routes.

The average depreciation of the airplanes lies between 65%-70%. As was mentioned above, if the things remain the same, AAL will lose about 50% of its existing fleet in few years. At the beginning of the coming century the whole fleet will be unusable, except a couple of IL-86 planes, which will last until 2010-2015. The expenses of keeping the existing airplanes are very high, because AAL has to make all the repairing processes abroad and to pay for these services in hard currency in cash.

Lack of strategic management and planning

The absence of long term strategy for AAL operations leads to inefficient use of its financial and other resources. Now AAL is working on doing things right, rather than doing the right things. The company sacrifices the effectiveness in favor of efficiency. As a result, AAL became a product-oriented company, while the nature of its business dictates to be completely a service-oriented entity.

In fact, opening new routes without adequate level of service will harm the company in the long term. Comparing AAL with the other airline companies it is obvious that the strategic management and planning have to be based on the compatible service level. Good service level plus the monopolistic stand of the company will trigger sales and increase market share. However, even with the Government support AAL will become vulnerable to the competition if it does not improve its service level.

Lack of good infrastructure

AAL should have effective internal infrastructure to support high level of services. The company does not have an effective network of booking offices, hotels, and luggage handling facilities which would allow to respond to the requests of the customers timely and effectively. Also, the links between the

different parts of the whole system are poor. The same problem exists inside the company. Channels connecting various departments are working not sufficiently.

Instability of the Company in Scheduling of Flights and Ticket Pricing

Because the activities of the company are dictated not by the strategic management approach but by the short term planning, the instability of AAL is rather high. At present time AAL is very unstable in scheduling its flights. It changes time and dates of departures quickly and passes these changes to the passengers in not sufficient way. The same situation exists with the ticket pricing policy. Price changes are made very frequently and creates uncertainty among the passengers. Particularly, for Paris-Yerevan route AAL has changed prices three times since June, 1994. Doing so the company harms its reputation and hardly will be able to compete in emerging market.

Lack of Reputation

The level of services provided needs considerable improvement. Now the reputation of AAL is not good enough. So the company is known as the one which does not provide safety standards for its flights, does not provide even the primitive level of cleanness inside the aircraft. Actually, it offers a very low level of all kinds of services. As the personal interviews with the passengers showed, the majority of AAL's customers are dissatisfied with the existing level of services. The nonprofessional work of the main agent of AAL, Levon TRAVEL, is harming the reputation of the company very much especially in the eyes of the international passengers.

c. Opportunities

Monopolistic Position of the Company

At present time AAL has monopolistic position in Armenia. That is why it can dictate prices, flying schedules of its routes without any adequate feedback from the customers. The company can take advantages from its monopolistic position generating profit and dominating in the market. This can be useful for AAL to

invest its proceeds into development of the company without danger to lose market share. Actually, almost all the potential passengers of airlines in Armenia become the customers of AAL. Monopolistic position of the company can be considered as a strength as well.

Diaspora

The Armenian Diaspora widely spread throughout the world is a good target market for AAL. As the survey showed, 40% of the respondents came to Armenia to visit relatives and see the motherland. This aspect ought to be used by AAL in most advantageous way.

Becoming the Hub of the TransCaucasus

The good geographic location of Armenia can be used by AAL to get more and more transit flights throughout the world. Still it can be achieved only in the case of perfect service level and infrastructure of both AAL and the airports.

d. Treats

Physical Limitations

The main external factors negatively affecting the AAL's business are inadequacy of Armenian airports in providing adequate service to airlines, inappropriate regulations concerning airline's business, and political and economic factors.

Contractual characteristics of the airport do not support the performance of the company. It creates bottleneck in serving customers while passing through registration office and creates dissatisfaction. For example, the maximum rate of serving the passengers through customs is limited to 60 persons per hour because of the inappropriate building construction, while the average capacity of the airplanes is about 250. It means that some passengers should wait more than four hours in order to pass the customs.

The luggage service is another problem of the airport. Its capabilities do not match with the international standards and produce problems for AAL in providing services to its customers. Thus, the average passenger has to wait approximately one hour to get his/her luggage.

There are also some other factors that have indirect influence on AAL's activities (food and security service, rest rooms, waiting halls, lack of entertaining facilities, etc.).

Fconomic Problems

Although Armenia used to be one of the most prosperous republics of the former Soviet Union, nowadays it experiences a great economic crisis which influences all the spheres of life in Armenia. The overall level of life in the country dropped and this also had a great impact on AAL's performance in decreasing the number of regular flights and passengers. The population's average income dropped dramatically, severe energy crisis caused problems of getting the fuel and enormous increase of its prices, and the prices of using airline services increased.

The low level of Customs services as compared to the international standards negatively affects the AAL's image and its overall effectiveness. Green and Red corridors, accepted world wide, are not in use here. The customs officers have no adequate skills and knowledge to serve the passengers.

Emerging International Competition

The principal of parity deems that air linkage between any two countries should be done by the airline companies of that countries. So, adding new routes to AAL network will automatically increase the number of potential competitors (AirFrance for Paris destination, KLM for Amsterdam, and Aeroflot for Moscow). Even the primitive comparison shows that AAL is hardly will be able to compete with such companies and survive in the airline market.

Governmental Limitations

While there is no Value Added Tax (VAT) for airlines worldwide, AAL has to pay 20% VAT on all operations. Another government restriction is the limitation of the profitability per flight by 25%.

The Government limitation of per flight profit (not more than 20% over costs) puts pressure on financial capabilities of the company. Besides, AAL is obliged to sell 50% of its profit got in hard currency to the Central Bank at the fixed government rate much below the current market rate.

Political Instability in Region

Because of some political and historical problems between Armenia and Turkey the airspace of the latter is closed for flights to Armenia. It creates additional obstacles not only for AAL but also for the foreign airline companies who would like to make permanent flights to Yerevan.

B. Consumer Analysis

1. Who are the customers of AAL?

The blockade of Armenia created such a situation where all the transportation ways other than airway became unreliable. In this situation AAL not only became a monopolist in the air business in Armenia but also keeps very strong position in the overall transportation industry of Armenia. The customers of AAL are almost all those people, who go out and come into Armenia. The spectrum of AAL's customers is very wide and diversified. The recently declared independence of Armenia enlarged the potential for business development and created attractive market perspectives for foreign businesspersons. It causes the increased flow of foreigners to Armenia. Also this gave a greater opportunity to locals for traveling abroad both for business and personal purposes. The emergence of a great number of joint ventures in Armenia is the evident example of that.

2. The Segmentation of AAL Customers

a. Domestic and International

The customers of AAL can be divided into two major groups according to the geographical origin of passengers. The first group are people who live in Armenia and the other group consists of the foreigners who travel to and from Armenia for different purposes. The last one, in its turn, may be divided into three major subgroups: Europeans, Asians, and Americans. Armenian Diaspora constitutes a considerable portion of the foreign customers' group (see *Exhibit* 13).

The results of the marketing survey showed that about 38% of passengers of AAL are the residents of Armenia. The other 62% are from abroad whose distribution is approximately the following:

Table 1

Armenia	38%	Russia	3%	England	2%
US	19%	Canada	3%	Belgium	1%
Iran	11%	Lebanon	2%	Greece	1%
France	11%	Swiss	2%	Holland	1%
Germany	4%	Syria	2%		

b. Purpose of trip

The purposes of trip are the following:

- business
- tourism
- private
- visiting relatives
- other

The largest group from above mentioned ones are people who make business trips, 34.50%. The second largest one is consists of those who travel as a tourist, 24.00%. The next group of AAL's passengers, who visit their relatives, is rather close to the second one, 23.50%. The trips on private purposes are 16.50%. The remaining 1.50% are the people traveling on other purposes.

So, it could be stated that the groups of passengers flying for business, tourism and visiting relatives are the main target markets for the company. (See *Exhibit 5*)

c. Income & Professional Status

Income and professional status are very important characteristics of AAL's customers. As the survey results demonstrated, the customers of the company according to there two factors can be divided in the following way.

The largest category among the company's passengers is people employed in different companies, 38.39%. Students are the next largest category and constitute 20.38%. Self-employed passengers total to about 16.11%, the unemployed people add up to 14.69%, and retired people - 10.43%. These data show that the businesspersons are the heaviest users of AAL's services for the present. (See *Exhibit 2.1*)

Let us see the distribution pattern of AAL's consumers according to their income level. As the results of the survey indicated, the people can be divided into three main categories according to how they consider their income to be: high, average and below average. Accordingly, the distribution is 16.19%, 53.81% and 30%. (See *Exhibit 2.2*)

d. Decision Making Process

In deciding whether to use AAL's services, the customers rely on such factors as: the safety of the flight:

- timeliness;
- · price:
- the service level on the whole way, starting from the ticket ordering and ending by getting the luggage.

Let us see which role plays each of these factors in the decision making process of the customers. According to the results of survey 65.14% of AAL's customers did not have any other alternative to choose from. 14.29% made their final decision based on the price factor. The service level of AAL's satisfied only about 6.29% consumers. Those who selected AAL because of the time (specifically the day of flight) of its flight are only 10.29%. The rest of the passengers surveyed, 4.0%, made their decision based on some other reasons. (See *Exhibit 3*)

The safety factor was very important especially for the foreigners. Almost all the foreign passengers are concerned about the safety level that AAL provides.

e. Demographics

The demographic pattern of the AAL's passengers according to their ages is the following. The passengers who belong to the 25-44 age group are the heaviest users of AAL's services and constitute 49.75%. The next largest age group of passengers is the 45-60, which constitutes 25.62%. Those aged in range of 18-24 make up 16.75% of passengers. The two other groups: below 18 and above 60 are considerably smaller, 4.43% and 3.45% respectively.

So, those aged between 25-44 and 45-60 are the most important "market" for AAL.

C. Competitive Analysis

1. Domestic Competition

At the present time AAL is the monopolist in air transportation business in Armenia. Actually, there is no any domestic company who will be able in the nearest future challenge the AAL.

The first and the most important reason for that is the Government support to AAL as a State Company. The Government of Armenia recently has received the loan from IMF (International Monetary Fund) to support the state air business in Armenia. Actually, for the private airline it would be almost impossible to find such a resource of money. So, the support of Armenian Government puts AAL in advantageous position. On the other hand, there is also a number of disadvantages connected with this State support. The fact that the company is wholly owned by the government does not allow the management of AAL to be flexible enough in decision making process.

There are some private companies in Armenia organizing charter flights in different destinations. Among these companies are Econotrans (flights to the USA), Maratouk (flights to Turkey, Egypt, the UAE etc.), and others. These companies have all of those advantages compare to AAL as always small entities have compare to big ones. They are more flexible in all the directions

such as choosing the destinations, establishing prices, leasing/buying decisions etc. That is why these companies are more sensitive to the changes in market demand. This is especially evident for customers who make shop-tours.

2. International Competition

In the international market AAL now has two competitors: Air Charter (France) and Aeroflot (Russia). Air Charter is the sister company of Air France that is now making weekly regular flight linking Paris with Yerevan. The next one, Aeroflot, makes two flights every week from Yerevan to Moscow and from Moscow to Yerevan.

Being a strong aircompany with sound financial base and good reputation, Air Charter comes out to be a rather strong competitor for AAL on the Yerevan - Paris airway. The image of Air Charter plays a very important role in making decision especially for the foreigners. As the survey results made for the Air Charter passengers demonstrated, the vast majority of foreigners made their decision based on the company's reputation. The factor of safety is more important one.

The situation will be more dramatic for AAL when such well known companies as if Air France, KLM or Lufthansa enters the Armenian market.

At present time Aeroflot, Russian International Airlines company, develops a new strategy to get a large portion of Armenian airline market. The company offers to its passengers three different classes to fly (First, Business, Economic classes) according to the international standards. So, a large number of passengers who are more interested in service rather than price will move from AAL's flights to Aeroflot ones. In addition passengers of Aeroflot leaving Yerevan will land in "Sheremetievo-1", international airport, with the services level far more better than the other Moscow airports provide (Vnoukovo, Domodedovo). Presently, airplanes of AAL are making their stops in those airports. Doing so, Aeroflot attacks the weak point of AAL (in this case, treat) and get an enormous portion of market share in Armenia. Passengers of Aeroflot can fly on aircraft with better service level, have opportunity to choose the preferred type of class,

without stopovers for refueling and are served in better airport, while passengers of AAL are flying on the unattractive and uncomfortable aircraft. They do not have any alternative to choose the preferred class and are landing in airport with poor service level.

Probably, Aeroflot will make regular flights not only from Moscow, but from other Russian regions as well. One can easily conclude what will happen with AAL market share in Russia in near future!

Financial advantage of Aeroflot over AAL is obvious and can be considered as an additional information for AAL's management decision making process.

Thus, opening new routes, automatically will increase the number of international competitors and "redesign" the existing market share.

3. AAL's Competitive Strategy

At the present time the AAL still is able to coerce its passengers since it still has the monopoly of the airline industry of Armenia. So far the monopoly was established and supported by the Government. However, now in emerging market structures the company has to change its strategy in order to be the leader of the industry not because of Government support, but due to its effective functioning. If the company does not enlarge its network and improve service level, it is obvious that competitors will suggest more convenient and diversified network of flights, and by this reap the market share of AAL. That is why it so vital to develop a good competitive strategy as soon as possible.

What are the major directions in which the company has to work in order to retain its positions in the market?

The first and vital is for the company the problem of attaining the higher level of services on the whole chain starting from the ticket booking till leaving the aircraft and taking the luggage.

In order to attain the necessary service level for both meeting the challenge of international and potential domestic competitors the following should be done:

- Switching from the product orientation strategy to service orientation;
- Developing adequate human resources management strategy:
 - 1. training the personnel to meet new requirements of the market reality
 - 2. hiring new highly qualified specialists
 - 3. motivating employees through incentive plans;

In order to meet competition in domestic market as well as in international the company's management has to develop sound short and long term strategies for attaining the adequate service quality.

The next direction in standing the competition is creating effective and convenient flights network. As was already stated, at the present time the company has a very limited flights' network. The management has to continuously follow the market demand and try to be flexible and respond to any change in the market quickly. To identify the countries where there is a demand to fly to Armenia, those passengers who use the present international flights of AAL as intermediaries are of greatest attention to the company.

IV. MARKETING OBJECTIVES

A. Sales Objectives

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IV. MARKETING OBJECTIVES

A. Sales Objectives

In order to meet its sales objectives, AAL should focus on the two basic strategies: sales maximization and market share objective. As the results of the survey showed the majority of AAL 's passengers are price sensitive. Considering this fact, the company should set minimum acceptable profit level and then seek to maximize sales. Eventually, increased sales are more important than immediate high profit to the long run competitive picture.

The other objective of the company is the market share objective. In order to control a portion of its market, the AAL should set its goals and try to achieve them. AAL can set its goals as to maintain its share of market or to increase it. At the present time, AAL has 100% market share on the regular flights to Athens, Beirut, Tehran but it can lose a substantial portion of the market when the competition emerges. The number of well-known airlines like KLM Group, Air France, Iranair, Olympic Airways can outperform AAL if they start to operate in Armenian market. These companies are famous as having good reputation. Their penetration into Armenian market will drastically decrease the market share of AAL. AAL also ought to take into consideration the results of the survey that showed that 65.14% of its passengers selected its services because of "No other alternatives" reason.

That is why, to achieve and retain high sales objectives, AAL should work harder on improving its service level and strive to gain a good reputation among the passengers.

B. Profit Objectives

. Profit maximization ought to be in the focus of the company's management because the prosperity of AAL after all directly related to available financial resources. At least in order to survive in competition and have enough resources while fighting in the market with its competitors AAL must support its activities by sound financial base.

The high margins for new destinations will attract the airlines to enter Armenian air market. According to the marketing warfare classic strategies, financially sound companies will begin price war campaign squeezing out their more vulnerable competitors and getting their market share. So, AAL should protect itself by generating sufficient financial resources.

Making any quantitative analysis and predictions is very difficult because there is no historical data available regarding profitability and return on investment for every international route separately.

The main external constraint is that the following the operational result is limited to 25% over costs scheduled flights or equals 20% of total revenue. If profits exceeding 25% are found, the resulting profit is taxed 100% by the Government. Profit on commercial charter flights is not limited and varies normally between 5-35%.

C. Consumer Objectives

Widely accepted segmentation of airline passengers is not practiced by AAL. There is no variety of services for the passengers according to their preferences. The passengers have no opportunity to pay more for better and more services. The consumer objective for the firm should be based on the passengers differentiation according to their price sensitivity, purchasing power, safety consciousness and a number of other characterizing criteria.

The company has to have different strategies for different segments of its consumers. Particularly, the Armenian Diaspora is a rather big segment, and deserves a special attention. The Armenian Diaspora is widely spread all over the world, and many of its representatives fly to Armenia. Many of them are willing to fly on AAL in spite of inappropriate service level provided by the company. This is the result of Armenians patriotic feelings and willingness to help somehow their motherland. This statement is based on the results of questionnaires and personal interviews of passengers at the "Zvartnots" airport.

This fact should be considered by the AAL management while functioning in the market environment. The concept of "Armenian" airline should always be stressed by the company in its promotional campaign, but should be done so that not to discourage other segments.

The table provided in the *Exhibit 13* shows the distribution and estimated number of Armenian Diaspora throughout the world.

So, the main consumer objective of the company is not only to attract new passengers but also maintain good image in their minds. In a way toward this objective dividing customers into separate groups and finding different and the best approaches to each is the necessary condition.

D. Forecasting

The current fleet of AAL is inefficient and requires fundamental changes from the profitability viewpoint. As previously was mentioned, all the current airplanes of AAL will not be useable by 2002. It is reasonable to make predictions based on the opportunity to buy or lease new Western planes. As far as the company does not have enough financial resources to buy new planes it makes sense to focus on the leasing opportunity. The provided calculations are made for Boeing 767-200 aircraft.

The scenario is worked out for the situation when the Turkish airspace is closed for making flights and the conditions with fuel shortage. The calculations are made for Paris, Amsterdam, and Tehran.

The leasing of two new airplanes of B767-200 will cost AAL 450.000 USD/month. The seating capacity of this aircraft is 221. The fuel capacity is 57 683 liters

The cost & revenue analysis for B767-200 showed that the per trip profits are:

on Yerevan - Amsterdam destination AAL will have 3.491 USD profit per trip, on Yerevan - Paris - 11.178 USD per trip.

These trips are made with stopovers in Bourgas (Bulgaria).

On Yerevan - Teheran the profit will round up 9.602 USD per trip. For detailed information see *Exhibit 14*.

Flying by B767-200 AAL should pay for airport charges (landing, parking, passenger charges, security, etc.);

- 2.893 USD in Amsterdam;
- 3.700 USD in Paris;
- 946 USD in Tehran.

This forecasting is made on the information provided by AAL. The same kinds of predictions could be done on the other types of airplanes as well. The lack of information did not allow to conduct predictions on aircraft like Airbus 310-200 and Tupolev 204-210 to have opportunity to choose the best one from the point of view of profitability. The same problem with the lack of information appears in making prediction on different destinations where AAL could open flies.

STRATEGY

V. STRATEGY

A. Product Strategy

1. What services should the AAL offer to meet passengers' needs?

The product of the AAL is the chain of services provided to a consumer starting from the ticket booking and ending by taking the luggage.

Through all this way AAL has to offer adequate service comparable with the services offered by competitors. The most important thing that all the personnel of the AAL must remember is the fact that "The Consumer is the King!" The whole system of AAL should work to meet this statement.

What are the determinants of the service quality that AAL is supposed to provide?

Physical evidence of the company's service on the present moment is on the very low level. There is no uniform even for information agency officers, which create confusion among the passengers. The frequent cases when the passenger cannot find out whom the question about the flight should be addressed to are the evident examples. It is necessary to use the uniform for all the company's employees who has the direct contact with the customers.

The training of the personnel currently involved in the AAL's operations also is urgent. Those who work in the ticket booking network, the air host, and the agents in the informational agencies presently are unable to provide adequate services because of the lack of skills and knowledge.

So, another objective of the company in providing services to consumers is training of the personnel and hiring new qualified people in order to meet acceptable level of services.

The company has necessarily to include teaching foreign languages to those employees who have a direct contact with foreign passengers.

Another direction in which the company has to work is providing the wider spectrum of services to the customers by enlarging the existing flights' network of the company. As had been mentioned above, at the present time the flight network of the company is rather limited. There are only a few destinations (other than CIS) to which AAL is accomplishing the flights. The results of the survey of the present customers of AAL can be used as the information helpful for identifying which new destinations may provide great market demand.

The present passengers who use AAL international flights as the intermediary ones may greatly help to identify these potentially profitable destinations. When asked the question to which destinations they would like to be flights connecting Armenia directly with the other cities/regions

- 1. <u>Europe</u> destinations were 45.79% from which the following destinations were dominating:
- 33.85% told that they would fly by the Yerevan- Frankfurt route if it exists;
- 22.56% wanted to see that AAL offers the direct flight to Amsterdam;
- 12.31% were willing to have the Yerevan London and Yerevan- Warsaw routes.
- 2. <u>CIS</u> region sum up to 19.74% from which only one destination to Kiev was worthwhile to take into consideration:
- 18.67% preferred to fly to Kiev
- 3. Asia had 19.47% of total interest:
- 35.14% of surveyed passengers were interested to have a direct flight to Damascus
- 24.32% wanted to have a fly from Yerevan to Peking
- 10.81% of surveyed passengers desired to fly directly from Yerevan to Cairo

The table showing the passengers' preferences are given in the *Exhibit 6.1*, *Exhibit 6.2*, *Exhibit 6.3*.

So, the AAL management has to work on adjusting its flights' network to the present and potential market demand.

Enlarging the flights' network, the management of the company has to balance between the benefit of investments to open new routes and the benefit of investments to improve service.

When a new route is open, the agreement is signed with the opposite side about making flights its country. Simultaneously, the other side gets the right to make flights to Armenia in its turn. Opening new routes will automatically create a new competitor. There is always a danger that this competitor will allow the AAL to make flights in order to see how well it works. If the opposite side sees that this particular route is profitable, it can start making routes in the same directions. If this company is more powerful than AAL (which is likely to happen if AAL provides the same level of services that it is now) then it can easily take the market share for this particular route from the AAL. In this situation it is vital that together with opening new routes to work on the improvement on the services provided when organizing new flights.

So, in developing its product strategy AAL has to think about the two main directions: enlarging and improving the spectrum of the provided services on the whole chain.

B. Pricing Strategy

1. What pricing policy should AAL conduct?

To fully understand proposed pricing strategy it is necessary to examine AAL's cost structure and current pricing policy.

The **Table 2** demonstrates AAL's cost structure in percentages according to the account and losses statement for the first half of 1994.

Table 2

DIRECT EXPENSES (for pax)

fuel/lubricants	48.36%
in house maintenance	6.73%
out house maintenance	1.78%
direct wages/salaries:	1.65%
cabin crew	
flight att.	
technicians	
direct social securities	0.46%
others operational costs:	24.09%
traffic/handling service	
other operational costs	
depreciation of a second results and a	0.14%
Total direct expenses	83.23%

INDIRECT EXPENSES

indirect wages/salaries	0.40%
indirect social securities	0.19%
other operational costs:	14.64%
maintenance/rent build.	
maint./fuel ground vehicles	
other expenses	
non oper. ex.(pensions, dep.)	
depreciation	1.54%
Total indirect expenses	16.77%

Total expenses 100.00%

The major expense source of AAL is "fuel/lubricants" article. It is necessary to indicate that "this expense source is vulnerable to exchange rate changes" (statement of AAL official) and therefore is not under the full control of the company. The next important expense sources are "in house maintenance" and "out house maintenance". Despite their small portion in total costs they are expected to grow due to AAL's fleet conditions. Also, "out house maintenance" article is vulnerable to exchange rate changes. "Other operational costs" item is

not considered to be important when considering proposed pricing policy of the company because its relative stability.

As it has been indicated AAL is to get profit equal to either 25% over its costs or 20% of revenues. Following this limitation AAL Financial Department calculates only revenue equal to costs + 20% of costs, and does not determine the real amount of revenue. In other words, even if the company has higher margin on some particular route than on other ones, then it legally can own only 20% of that. Accepting current constraints, the price structure can be expressed in the following way: costs + 20% of costs. This limitation creates incentive to report artificially raised costs and logically AAL will have higher tickets. Company's Financial Department did not provide detailed financial information necessary to determine each route's break-even point, return, and profitability margin. That is why it is impossible to present financial evaluation of each route profitability.

Currently, company conducts uniform pricing policy and does not use price differentiation. Viewing AAL's price uniformity in the market where it operates it becomes evident that company should use price differentiation. Why? All of its competitors use this strategy as the main distinguishing factors compared with AAL. For example, recently Aeroflot (Russian International Airlines) began its flights to Yerevan. The main focus of Aeroflot when advertising its services was made on availability of three classes which is new thing for Armenian market. As Executive from Financial Department noted "the entrance of Aeroflot into Armenian market will drastically decrease AAL's sales".

As ancient expression states "When you are in Rome, do as Romans do". Operating in European market AAL actually does not provide that spectrum of services and prices (different prices for different consumer groups) that its competitors do.

Proposing price war strategy to its only competitor at that period, "Air Charter", AAL even with its service level could stand the competition. However, the emergence of Aeroflot abolished this advantage of AAL (cost leadership) and due to its more financial prosperity, comparing with AAL, is becoming a leader in Armenian airline market today. Taking into consideration the developed network

of Aeroflot and its discounts' policy it becomes evident that situation will become worse in near future.

AAL uses Paris, Athens, and Amsterdam as transit airports for its passengers. This strategy is also attacked by Aeroflot suggesting Moscow as a transit point. For passengers who fly from Yerevan to Moscow linked with flight to other destination abroad the discounts are developed. Aeroflot offers 50% discount for Yerevan-Moscow flight and 10% discount for flight from Moscow abroad. The special discount of 35% is suggested to citizens of Armenia whose destination is Moscow.

This flexible pricing policy gives Aeroflot advantages over AAL in attracting passengers. The only thing that can be suggested to the management of AAL is to block the actions of the competitor and be flexible in pricing and discounts policies with thoroughly improved service level. Otherwise AAL's market share will be taken by the competitors.

Taking into consideration the alternative of flight through Moscow the following pricing is suggested. Upper limit for AAL's ticket price to destination X should be less or equal to at most the ticket price from Yerevan to Moscow (currently 76 USD) plus the ticket price from Moscow to that destination. At present time, round trip ticket for Moscow-Paris is 1.230.000 Russian Rubles (RR), or 385 USD at exchange rate of 3200 RR/USD. From Yerevan to Moscow the ticket price is 76 USD, so the total price from Yerevan to Paris using Aeroflot is 461 USD. Taking into consideration discounts offered by Aeroflot and expenses incurred in Moscow the total expense amounts to about 500 USD. Flying by AAL from Yerevan directly to Paris costs the passenger 800 USD (round trip).

It is necessary to indicate that the ticket price for Yerevan - Paris route (round trip), at summertime was 400 USD. The reason of ticket price increase by about 400 USD was not explained by AAL's Financial Department. Taking into consideration the stability of Armenian dram during summer period it is clear that there is no economic reason for this increase.

Thus, if AAL wants to be competitive it has to use price differentiation and increase service level. At the first stage it is suggested to AAL to use only two level of prices: business class tickets and economic class tickets. The absence of first class is explained by two factors: too small market segment for this class, (see *Exhibit 2.2*) and difficulties with introducing this class tickets. The amount expenses connected with these changes was not provided by AAL management, so the calculations of possible expenses is impossible.

For the nearest future AAL is still a monopolist in Armenian airlines' market. This period of time should be used efficiently for both creating good image and generating enough resources to be competitive.

2. Discounts' Policy

As far as the Financial Department of AAL does not supply information necessary to calculate arising additional expenses due to discounts' policy it is difficult to make final suggestions supported by math.

To make its pricing policy more flexible AAL should think about the usage of different types of discounts. Discounts for those who travel with groups are already in use by AAL. The company just needs to develop and keep this strategy in better shape. Discounts for weekend passengers can be offered. AAL can also consider the possibility to introduce frequent flier program that would be based on the traveled mileage. So, AAL needs to practice all of the possible discounts to encourage passengers to fly with the aircraft of its company.

C. Distribution Strategy

1. What channels of distribution will be used?

Definition of services provided by traveling agencies and airline companies is quite complicated. As was mentioned above, such kinds of companies are responsible for providing service to consumer starting from the ticket booking and ending by taking the luggage. However, it should be considered that the

main service of the company as a type of intangible product, the transportation of passengers from one destination to another. The rest of services such as luggage delivery and ticket purchase should be consider as supplementary service components strengthening the competitive advantage of the company. The distribution channel of the AAL and all aeronautic companies can be introduced in the following way:

Company - Agent - Customer

For suggesting the service of transportation to the passengers the AAL should identify appropriate route destination, which is the significant section of distribution channel. Through precise determination of the flight routes the company can expect the high margin of revenues. For serving the customers AAL needs to use the various types of agencies. This part of the distribution channel should be well organized and highly serviceable. *Exhibit 12* provides the names and locations of general sales agents and offices of AAL.

2. Where should they be located?

The currently used practice of distribution channels is to have agencies in the countries where the company has regular flights. From the perspective to gain more customers and to create a better image in as many countries as possible, AAL should open its offices in the countries where there are no regular flights from Armenia. It will be very useful in the long term and can be considered as an investment in AAL's future successful business. As the survey showed, in the countries such as Germany, England, Ukraine, Poland, Syria, Egypt there is a demand to fly to Armenia. (See *Exhibits 6.1, 6.2, 6.3*).

The above mentioned suggestions can be considered as a long term policy implication. Currently, financial capability of AAL does not allow the company to have its own agents network abroad. So, the management of the company can continue its current distribution policy.

D. Promotion Strategy

1. What mix of advertising and sales promotion activities are needed?

In order to operate successfully and have a good reputation in consumers' minds AAL should undertake promotional campaign. The cornerstone of this activity will be advertisement.

What should the ad stress?

At the present time AAL does not provide excellent service to its passengers and hardly can do that in a short period of time. The company does not have modern fleet with a nice design and safety standards. It does not have a worked-out network of agents throughout the world, and qualified personnel. So, what should be done?

First of all, the company's management should identify, stress and develop in the mind of consumers its specific direction of activities. It is obvious that any promotion campaign will not work if the above mentioned problems of AAL are not solved.

The origin of the promotion campaign can be the sensitivity of the company to the passengers wants and needs, loyalty to the provision of the high quality service, willingness to be surprising and innovative entity. In short, something unique and special!

In order to promote passengers of AAL can gain an exclusive right to sell Armenian well-known brandies and wines during its flights, stressing its good taste

Creation of image of reliable and safe air company, satisfaction of needs of even the most exacting customers are the main objectives of promotion strategy.

Undoubtedly, the sales promotion is also the most important factor. Widely used quantity discounts (every n-th passenger will be served free of charge),

frequency flyer discounts (everybody who fly by AAL for n-th time the n+1 time will be served free of charge). Gifts like pens, caps, bags, T-shirts, trinkets, and the various labels are not the last factor in promotion strategy. Passenger should leave the aircraft and remember the company as long as possible. So, booking the ticket for the next time the name of the company should flash in the mind immediately.

Again, nothing will work if the service level and safety standards are not improved! AAL will just lose its customers in future ceding its market share to the competitors.

As far as the large number of traveling agencies is operating currently in Armenia, the role of promotion campaign increases dramatically because of the following factors. Passengers do not distinguish the service of AAL from the traveling companies like Econotrans, Maratouk, etc. The survey showed that passengers think of AAL as the only company that makes flights and all the problems are associated with this company. Moreover, 65.00% (42.78% of those who connect AAL's service with the airport services to some extent and 22.22% of those who completely associate AAL with the airport) of passengers connect the problems of airport services like customs, immigration, security etc. with AAL (See *Exhibit 7*)

Thus, the promotion campaign of AAL should consider this fact and try to work in this direction in order to form the perception and image of the company among the customers.

2. What media should be selected?

While making advertisement, AAL ought to select the right media. For domestic market the best one can be considered the TV, because of its ability to create impressive image and the large segment of its audience. Very important point is the selection of the right program and time. Generally, it can be news, sport or show programs in the evening. Despite the shortage of electricity in Armenia TV advertising is still one of the most efficient ways to reach its target market. The interaction of sight and sound offers creative opportunity and flexibility in

developing the message. Also TV advertising makes it possible to reach large number of audiences. Advertisement cost on Armenian TV will be cost AAL 100 USD for one minute.

TV advertising has its limitations as well. TV commercials usually last only 30 seconds or less and leave nothing tangible for the viewer to consider. Also the advertiser's message is only one of many spots and other nonprogramming material seen during a commercial break. While the company will pay for the opportunity to reach large number of consumers there is increasing evidence and concern that the size of the viewing audience is reduced because of electricity shortage.

Radio and newspapers are also very important advertising media in Armenia. Newspapers like Azg, Yerkir, Hayastany Hanrapetutiun, Respublika Armenia that are very popular and readable, should be used for advertising. 10x15 cm one advertisement issue will cost the company:

Periodicals	Price for one issue
Azg	10500 Dram + 20% Value Added Tax (VAT)
Yerkir	12500 Dram + 20% VAT
Hayastany Hanrapetutiun	12000 Dram
Respublica Armenia	6000 Dram + 20% VAT

The main advantage for advertising on radio is its cost efficiency. Radio commercials are very inexpensive to produce. They require only a script of the commercial to be read by the radio announcer or a copy of prerecorded message that can be broadcast by the station. Radio advertisement will cost the company 10 USD for one broadcast.

Radio has a number of constraints as well. The radio advertisers cannot use any type of visual appeal or information.

Newspapers can be considered as the next possible media means for AAL to advertise itself. It has high degree of market coverage or penetration. At present

time newspapers can give AAL an excellent opportunity to reach even greater segment of population with its advertising message, than TV can do.

However, newspapers today suffer from a clutter since there are so many advertisements competing for the readers' attention.

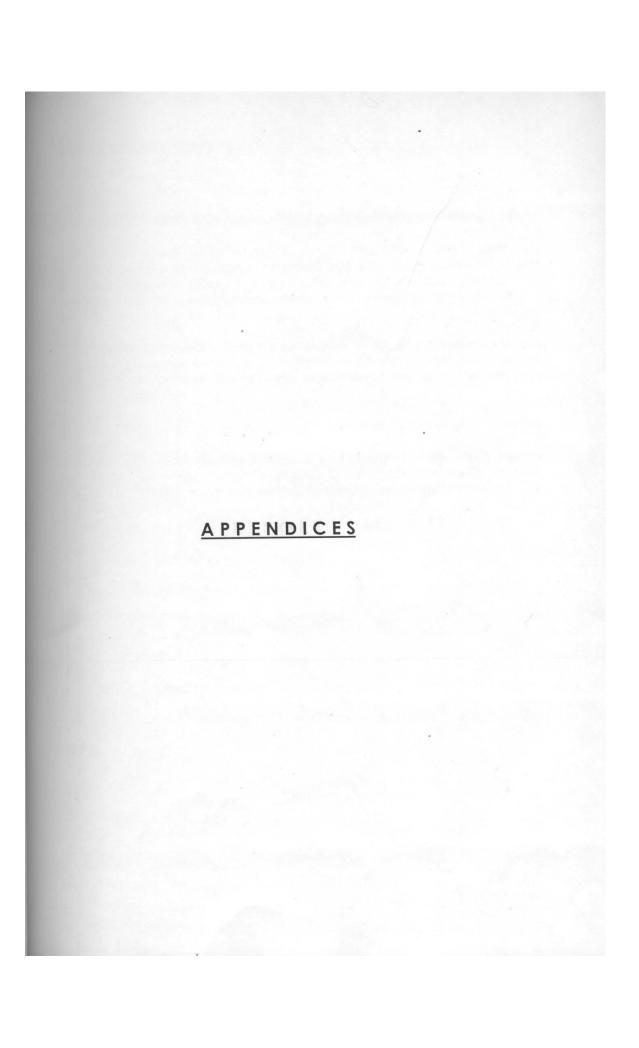
AAL should consider the possibility of issuing its own catalogues as well. The price of issuing one booklet in Finland is estimated to be 25 USD.

Especially for the foreigners who work and live in Armenia foreign language media means should be focused on like "Armenian Monitor" weekly and independent radio station FM 105.5. Advertisement in there will cost them 120 Dram and 10 USD receptively.

The role of billboard is very important today in Armenia. The company can use subway stations, buses, etc. The price for one square cm. ad is 10 USD in subway stations.

In long term for international advertisement AAL can contact to international periodicals like "Time". Full-page, four color ad in this magazine will cost the company 146.000 USD.

AAL should advertise its activities because of emerging competition. However, it must be done simultaneously with improving the service level. Otherwise, the advertising will have demotion effect.



September of the American August 1988 Andrews August 1988 Andrews 1988

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REPORT

RESULTS

When accomplishing the marketing survey the group members were undergone to a number of limitations and constraints. Among them are the following:

Although the group members got ID for entering the customs zone, the employees of the customs zone were unwilling to allow the group members into this zone. Because different people were working on the customs and registration, the group was forced to lose time each surveying day on negotiating with them.

The departing passengers spend a lot of time on filling the registration lists (especially foreigners who had a language problem). So the time that the passengers were able to devote to the interviewing came out to be less than primary had been estimated.

Another difficulty was connected with the necessity to accomplish *personal* interviews. The majority of people were forming the groups around the respondent (the relatives, the friends, and others) and were interfering the process of interviewing. It was necessary to overcome this source of bias, however, sometimes it was very difficult to prevent people from answering the questions collectively.

MARKETING SURVEY FOR "ARMENIAN AIRLINES" STATE COMPANY

1. Introduction.

The "Armenian Airlines" (AAL) is the airline company which at present time keeps monopolistic positions in Armenian airline industry. Until the collapse of the former Soviet Union it was on of the numerous branches of the "Aeroflot", only airline in the whole former USSR.

"Armenian Airlines" has a certain amount of financial resources to allocate, for opening regular routes to new destinations. Its management is willing to determine the destinations that will have the largest demand among the passengers, and will ensure the future success of "Armenian Airlines" in emerging competition in airline industry in Armenia.

2. Problem and Background.

At the present, the "Armenian Airlines" State company is accomplishing international flights to three destinations - to Paris, to Athens - Beirut, and to Teheran . This network of flights is very limited, and does not cover all those countries with which Armenian has passengers traffic. That is why a great number of passengers both arriving to Armenia and departing from it, have to take one of the above mentioned flights as intermediary one on their way.

To identify the countries for which there is a demand to fly to Armenia, those passengers who use the present international flights of the "Armenian Airlines" as intermediary are of the greatest interest. That is why it is necessary to conduct survey to collect data that the company needs to make the decision about new routes.

3. Methodology.

The survey of airline's passengers is a survey in a special situation when the people are under psychological and physical constraints and time pressure. They have to worry about such things as handling the luggage, finding transportation and so on. In the situation like this the passengers might be unwilling to provide written answers to questionnaires even if they are really interested in the topic of the survey. However, if the interviewer is skilled and handles the interviews properly, he or she will be able to motivate people to participate in personal interviews in a form of a friendly and relaxed conversation.

Therefore, the most appropriate method for this survey is conducting personal interviews with passengers.

Marketing Plan for Armenian AirLine

Where the survey should be accomplished?

The most appropriate place for surveying the passengers is the airport: the only place of their central location. What makes the airport very attractive location for accomplishing interviews? The fact that both the passengers arriving to Armenia and living it have to wait for a rather long time. In case of arrival the passengers have to wait for taking their baggage and in case of departure they have to come about two hours earlier the departing time in order to be registered.

In accomplishing the survey structured and direct forms of interview will be used.

Structured interviews are more favorable in this particular situation because of the following reasons:

- The information that is needed is rather concrete and explicit
- The passengers will be more willing to answer to several specific questions rather than to have long conversations;
- The interviewer bias will be reduced; and
- More passengers will be surveyed within the same limits of time and budget (as the result of shorter interviews)

There is no reason not to tell the passengers what is the purpose of the survey. It would be better to make the respondents know what its real purpose is, since it might motivate them to answer more accurately and seriously. If the survey works well, the passengers are those people who will benefit from that. So, the survey should be *direct*.

What the sampling plan should be? Here are the steps that should be undertaken in order to get the sample:

- 1. <u>Defining the population</u>. The population for this survey is considered to be all the passengers using the international flights of the "Armenian Airlines" for the period of two months.
- 2. <u>Specifying the sampling frame</u>. Since there is no any appropriate frame for the passengers, the sampling plan does not include the use of any frame.
- 3. <u>Specifying the sampling units</u>. In this particular situation the sampling element and the sampling unit are the same: the passengers of the "Armenian Airlines" within the specified period of time.
- 4. <u>Selection of the sampling method</u>. Using a random method of determining the sample is preferable since it will provide more objectiveness. Since there is no frame available for using the probability sample, the group decided to use the following procedure. The interviewers will ask every fourth passenger entering

Marketing Plan for Armenian AirLine

the airport for registration in case of departure and every fourth person entering the room where the luggage is distributed in case of arrival.

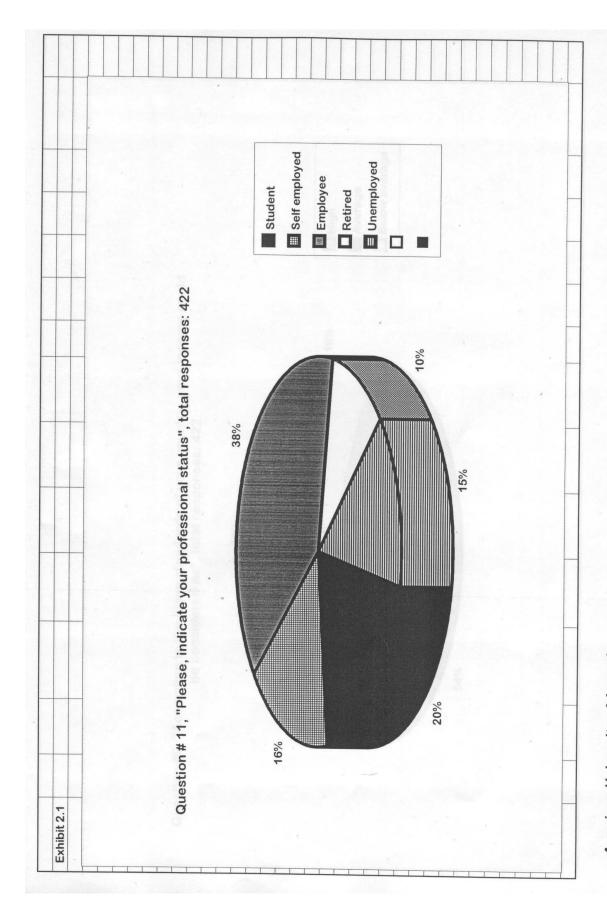
5. <u>Determination of the sample size</u>. Determination of the sample size is accomplished in the following way. For each flight one fourth of the passengers is being interviewed (every fourth person). The average loudness of the airplane per flight is 250 passengers. One fourth of 250 is approximately 62 people. The non -- response rate is estimated to be about 30% (according to pilot studies). This will give the number of approximately 40 respondents per flight. Since the international flights take place once per week, there will be about 10 flights being surveyed. Thus, the sample size will be about 400 people.

As it was mentioned above, the interview should be structured and, thus, the interviewers have to have questionnaires for filling them when getting the answers from the respondents.

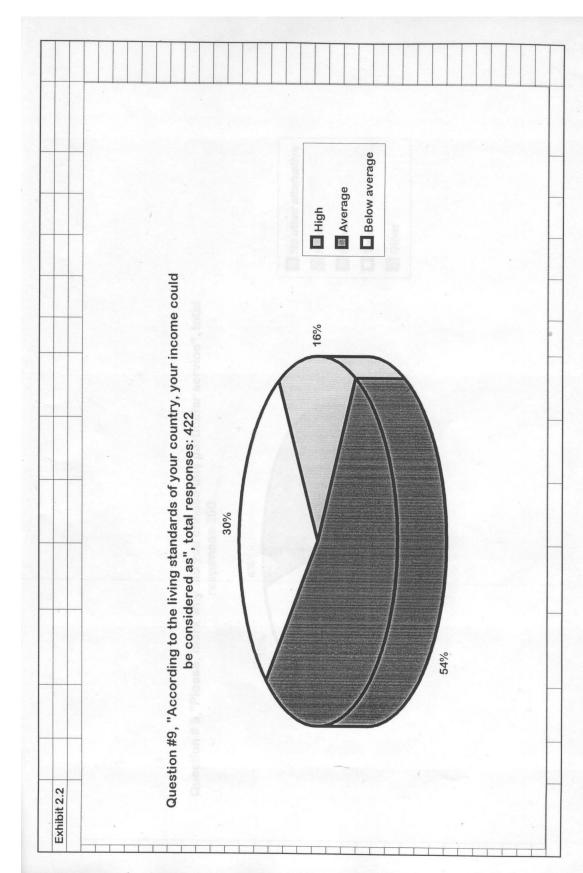
The results presented in the forms of tables, charts and graphs and their analysis will be submitted to the management of the "Armenian Airlines". The final decision to open routes will be based on the provided information.

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A B C D E 6 A B C D E 6 A B C D E 7 A B C D E 7 A B C D E 7 A B C D E 7 A B C D E F A B C D E F A B C D E F A B C D E F A B C<	A B C D E F 42.49% 6.22% 4.66% 6.74% 5.18% 34.75 95 114 8 114 34.75 A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E B	A B C D E F 42.49% 6.22% 4.66% 6.74% 5.18% 34.72 95 114 14.66% 6.74% 5.18% 34.72 A B 22 36 14 A B C D E A B C D E B C D E 4.00% B C D E 6 A B C D E F A B C D E F A B C D E F A B C D E F A B C D E F A B C D E F A B C D E F A B C D E F A B C D E A	A B C D E F 42.49% 6.22% 4.66% 6.74% 5.18% 34.72 95 114 22 36 14 A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E A B C D E F A B C D E F A B C D E F A B C D E F A B C D E F	A B C D E F 95 114 6.22% 4.66% 6.74% 5.18% 34.74 95 114 14.66% 6.74% 5.18% 34.74 A B 14.29% 6.29% 10.29% 4.00% A B C D E 14 B C D E 150% 150% A B C D E F A B C D E F A B C D E F A B C D E F A B C D E F A B C D E F A B C D E F A B C D E F A B C D E A G A B C D E A	A B C D E F 42.49% 6.22% 4.66% 6.74% 5.18% 34.74 95 114 14.29% 6.24% 6.74% 5.18% 34.74 A B 14.29% 6.29% 10.29% 4.00% A B C D E 6 B 138 66 94 6 6 A B C D E 7.50% A B C D E 7.50% A B C D E 4.52% 4.55% A B C D E 7.50% 4.55%<	A B C D E F 42.49% 6.22% 4.66% 6.74% 5.18% 34.74 95 114 8 114 34.74 34.74 34.74 A B C D E 14 A B C D E 14 B C D E 14.50% 16.50% 10.29% 4.00% A B C D E F F A B C D E 7.50% A B C D E 4.52% 4.55% A B C D E F 4.52% 4.55% A B C D E A.52% 4.55% 4.55% A B C D	A B C D E F 42.49% 6.22% 4.66% 6.74% 5.18% 34.72 95 114 4.66% 6.74% 5.18% 34.72 A B 14.29% 6.29% 10.29% 4.00% A B C D E 6 A B C D E 4.00% A B C D E F A B C D E 4.55% A B C D E F A B C D E F A B C D E 4.55% A B C D E F A B C D E A.52% A B C D E A.52% A.52% A B C D E A.52% A.52% A B C D E <td>A B C D E F 95 114 B 6.22% 4.66% 6.74% 5.18% 34.72 A B 114 B C B C B C <</td> <td>A B C D E F 95 114 4.66% 6.74% 5.18% 34.72 95 114 8 6.22% 4.66% 6.74% 5.18% 34.72 A 45.45% 54.55% 22 36 14 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.52% 4.55%</td> <td>A 42.49% 6.22% 4.66% 6.74% 5.18% 34.72 95 114 14.66% 6.74% 5.18% 34.72 A 45.45% 54.55% 22 36 14 A 45.45% 54.56% 10.29% 10.29% 14 A 45.45% 6.29% 10.29% 4.00% A B C D E 14 A B C D E 4.00% A B C D E 4.52% 4.52% A B C D E F A B C D E F A B C D E F A B C D E A.52% 4.52% A B C D E F A B C D E A.52% 4.52% A B C D E A.52% 4.56% <t< td=""><td>A B C D E F F 95 114 6.22% 4.66% 6.74% 5.18% 34.77 A 45.45% 6.25% 4.66% 6.74% 5.18% 34.77 A 45.45% 54.55% 22 36 14 A 45.45% 6.29% 10.29% 4.00% A 65.14% 14.29% 6.29% 10.29% 4.00% B C D E 6 94 6 A B C D E 6 95 4.00% A B C D E 7.50% 4.52% 4.52% 4.52% 4.52% 4.52% 4.52% 4.52% 4.52% 4.52% 4.52% 4.52% 4.52% 4.52% 4.52% 4.52% 4.55%</td><td>A 42.49% 6.22% 4.66% 6.74% 5.18% 34.77 A 42.49% 6.22% 4.66% 6.74% 5.18% 34.77 A 45.45% 54.55% 22 36 14 A 45.45% 54.56% 6.29% 10.29% 4.00% A B C D E 14 C 14.29% 6.29% 10.29% 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4.55% 4.55%</td><td>A B C D E ITA 95 114 6.22% 4.66% 6.74% 5.18% 34.77 A 45.45% 6.25% 22 36 14 A 45.45% 54.55% 6.29% 10.29% 4.00% A 65.14% 14.29% 6.29% 10.29% 4.00% A 66.14% 14.29% 6.29% 10.29% 4.00% A 66.14% 14.29% 6.29% 10.29% 4.00% A B C D E 6 A B C 12 D E A B C 12 D E A B C D E A 15 A B C D E A A A B C D E A A A B C D E A A B C D E A</td></t<></td>	A B C D E F 95 114 B 6.22% 4.66% 6.74% 5.18% 34.72 A B 114 B C B C B C <	A B C D E F 95 114 4.66% 6.74% 5.18% 34.72 95 114 8 6.22% 4.66% 6.74% 5.18% 34.72 A 45.45% 54.55% 22 36 14 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.52% 4.55%	A 42.49% 6.22% 4.66% 6.74% 5.18% 34.72 95 114 14.66% 6.74% 5.18% 34.72 A 45.45% 54.55% 22 36 14 A 45.45% 54.56% 10.29% 10.29% 14 A 45.45% 6.29% 10.29% 4.00% A B C D E 14 A B C D E 4.00% A B C D E 4.52% 4.52% A B C D E F A B C D E F A B C D E F A B C D E A.52% 4.52% A B C D E F A B C D E A.52% 4.52% A B C D E A.52% 4.56% <t< td=""><td>A B C D E F F 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C D C C D C D C D C D C D C D C D C D C D C D C D C D C D C D C D C</td><td>A B C D E ITA 95 114 6.22% 4.66% 6.74% 5.18% 34.77 A 10.24% 6.25% 1.66% 6.74% 5.18% 34.77 A 45.45% 54.55% 22 36 14 A 45.45% 54.56% 6.29% 10.29% 4.00% A 66.14% 14.29% 6.29% 10.29% 4.00% A 66.14% 14.29% 6.29% 10.29% 4.00% A 138 66 94 6 6 A 14.29% 16.50% 10.29% 4.00% 4.55% A 12.4 14 6 6 4.55% 4.55% 4.55% A 18 6.8 126 3.02% 4.52% 4.55% 4.55% A 18 6.8 16.76 3.02% 4.52% 4.55% 4.55% A 18 6.8 16.7 10.4 14 6.6 4.55% 4.55% 4.55% 4.55%</td><td>A B C D E ITA 95 114 6.22% 4.66% 6.74% 5.18% 34.77 A 45.45% 6.25% 22 36 14 A 45.45% 54.55% 6.29% 10.29% 4.00% A 65.14% 14.29% 6.29% 10.29% 4.00% A 66.14% 14.29% 6.29% 10.29% 4.00% A 66.14% 14.29% 6.29% 10.29% 4.00% A B C D E 6 A B C 12 D E A B C 12 D E A B C D E A 15 A B C D E A A A B C D E A A A B C D E A A B C D E A</td></t<>	A B C D E F F 95 114 6.22% 4.66% 6.74% 5.18% 34.77 A 45.45% 6.25% 4.66% 6.74% 5.18% 34.77 A 45.45% 54.55% 22 36 14 A 45.45% 6.29% 10.29% 4.00% A 65.14% 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45.45% 54.55% 22 36 14 A 45.45% 54.56% 6.29% 10.29% 4.00% A 66.14% 14.29% 6.29% 10.29% 4.00% A 66.14% 14.29% 6.29% 10.29% 4.00% A 138 66 94 6 6 A 14.29% 16.50% 10.29% 4.00% 4.55% A 12.4 14 6 6 4.55% 4.55% 4.55% A 18 6.8 126 3.02% 4.52% 4.55% 4.55% A 18 6.8 16.76 3.02% 4.52% 4.55% 4.55% A 18 6.8 16.7 10.4 14 6.6 4.55% 4.55% 4.55% 4.55%	A B C D E ITA 95 114 6.22% 4.66% 6.74% 5.18% 34.77 A 45.45% 6.25% 22 36 14 A 45.45% 54.55% 6.29% 10.29% 4.00% A 65.14% 14.29% 6.29% 10.29% 4.00% A 66.14% 14.29% 6.29% 10.29% 4.00% A 66.14% 14.29% 6.29% 10.29% 4.00% A B C D E 6 A B C 12 D E A B C 12 D E A B C D E A 15 A B C D E A A A B C D E A A A B C D E A A B C D E A

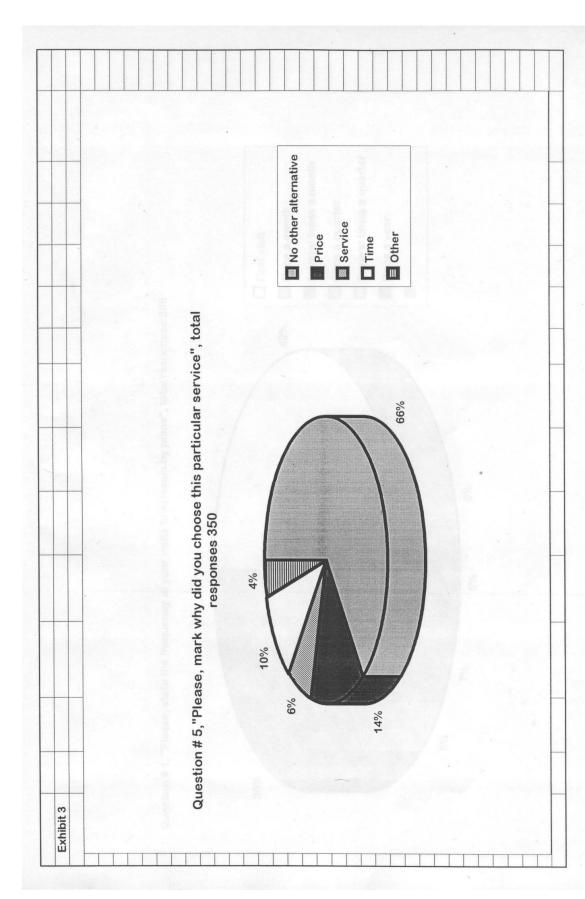
American University of Armenia



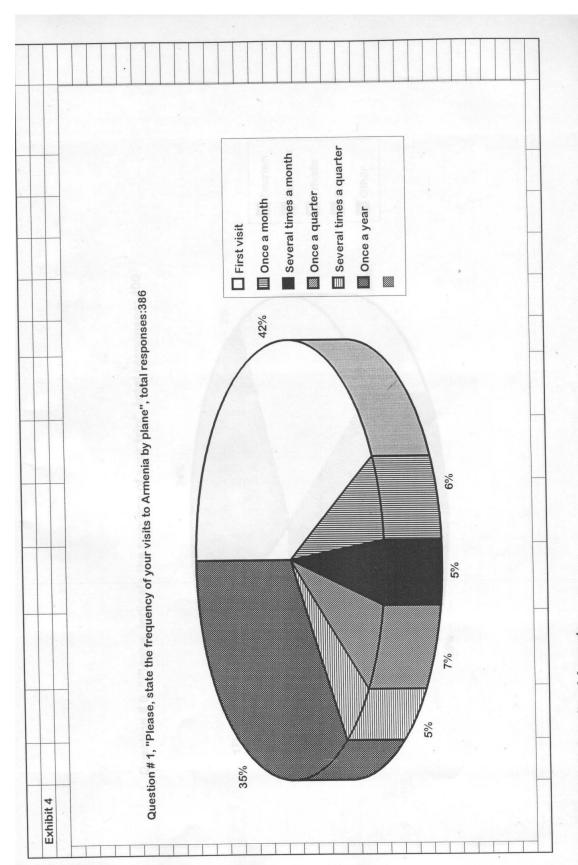
American University of Armenia



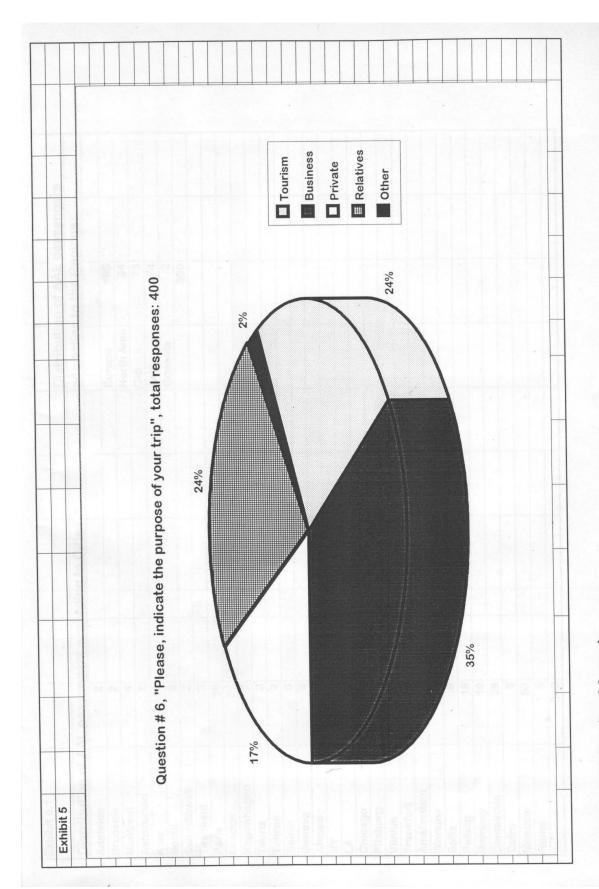
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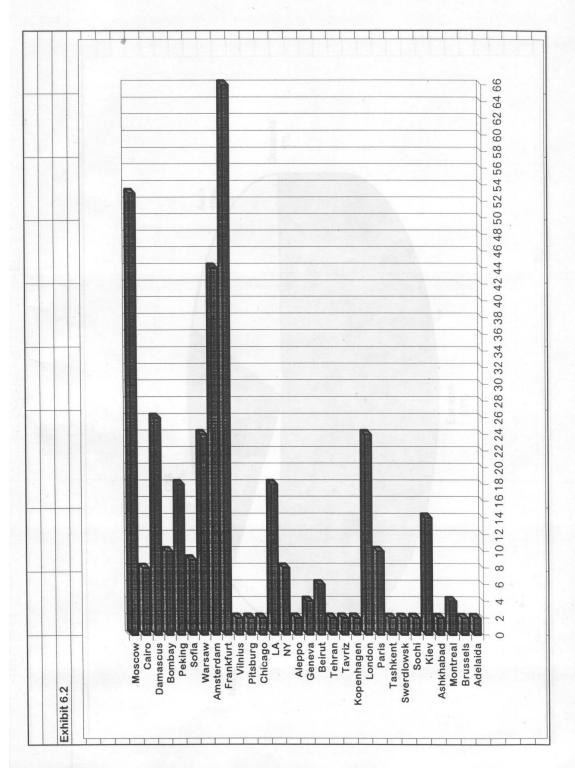
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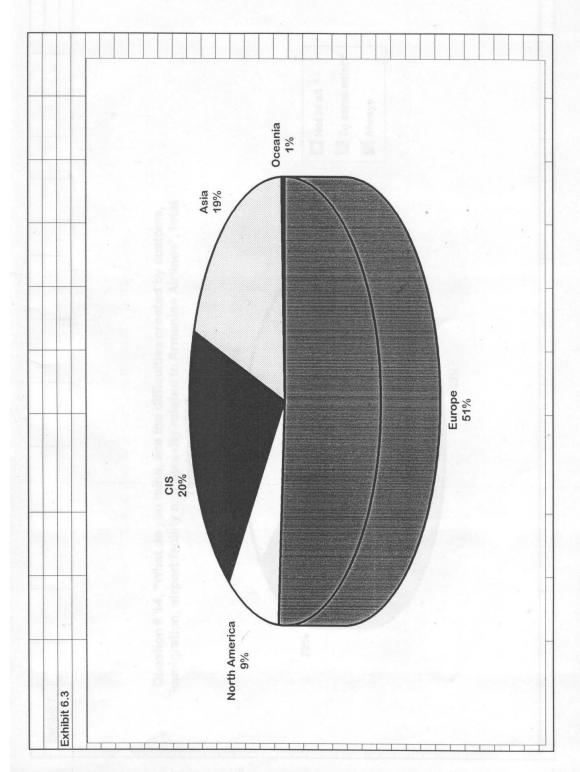
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	2	Distribution	Distribution of AAL passengers
istribution of A.	Distribution of AAL passengers according to Cities	according	according to the Regions
Adelaida	2		
Brussels	2	Europe	195
Montreal	4	North Ame	34
Ashkhabad	2	CIS	75
Kiev	14	Asia	74
Sochi	2	Oceania	2
Swerdlowsk	2		380
Tashkent	2		
Paris	10		
London	24		
Kopenhagen	2 *		
Tavriz	2		
Tehran	2		
Beirut	9		
Geneva	4		
Aleppo	2		
NY	8		
FA.	18		
Chicago	2		
Pitsburg	2		
Vilnius	2		
Frankfurt	99		
Amsterdam	44		
Warsaw	24		
Sofia	6		
Peking	18		
Bombay	10		
Damascus	26		
Cairo	8		
Moscow	53	45 45 45 45 45 45 55 55	
Rome	8		•

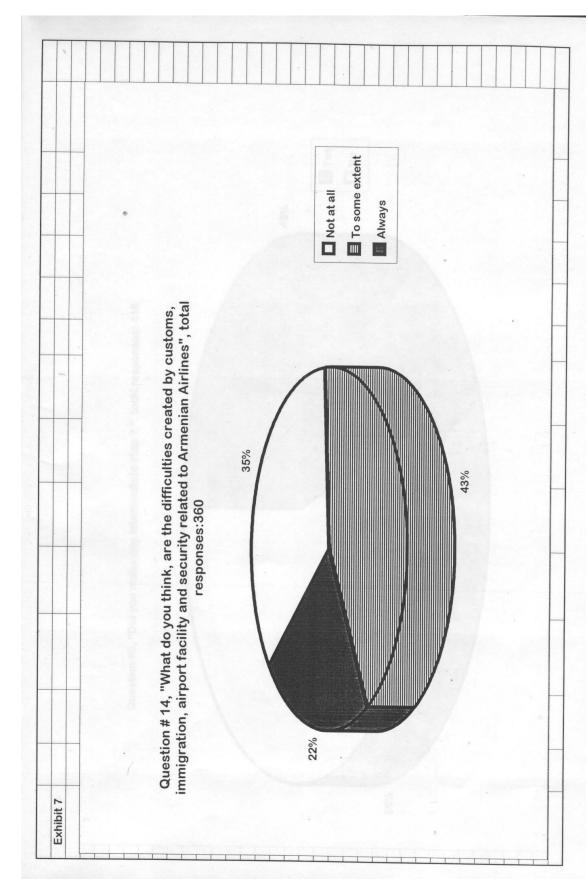
American University of Armenia



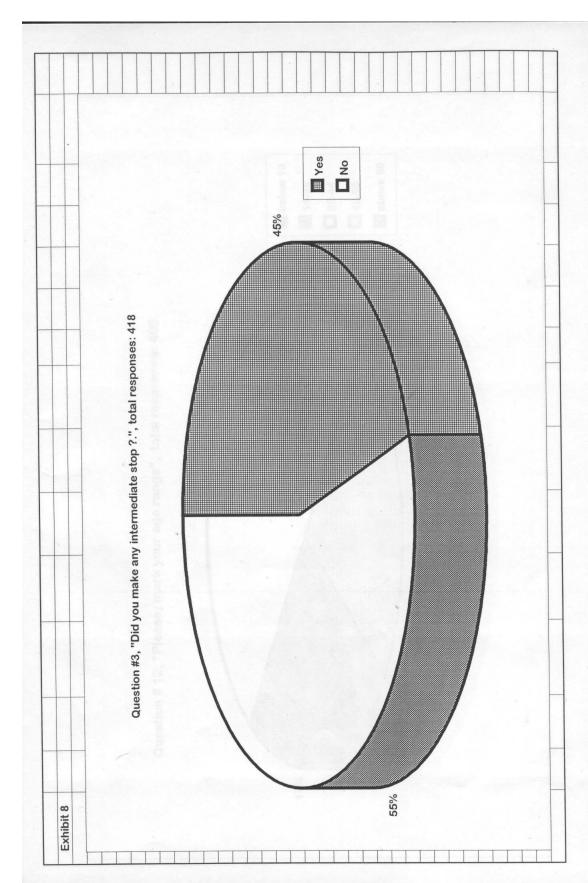
American University of Armenia



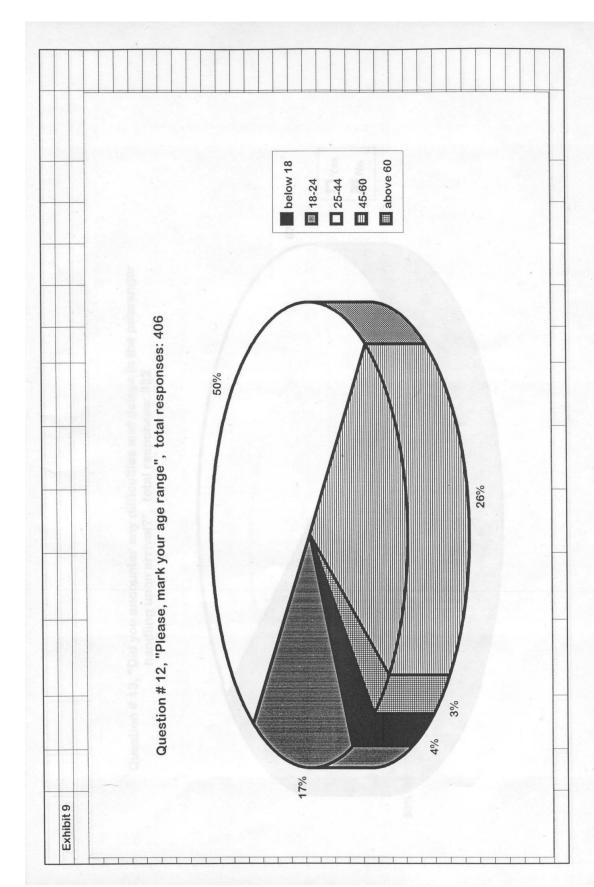
American University of Armenia



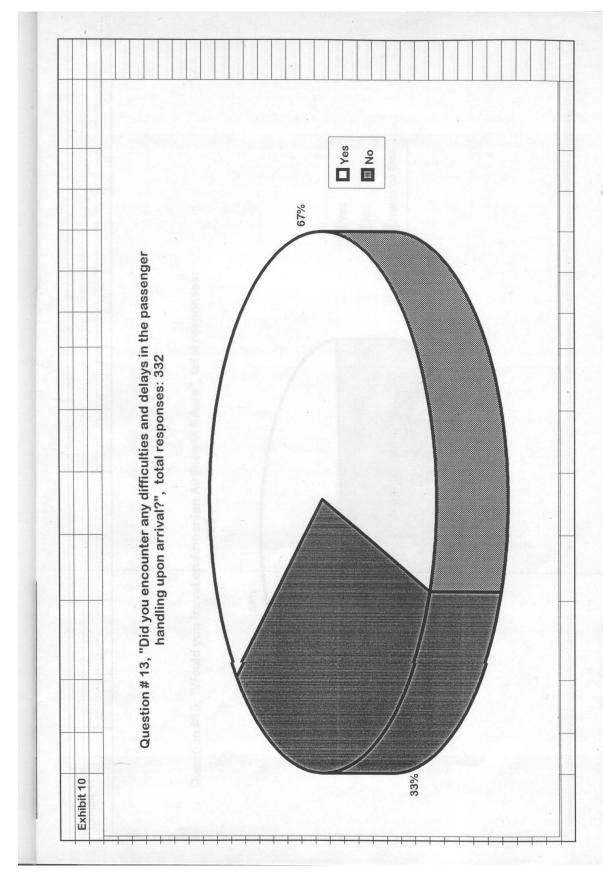
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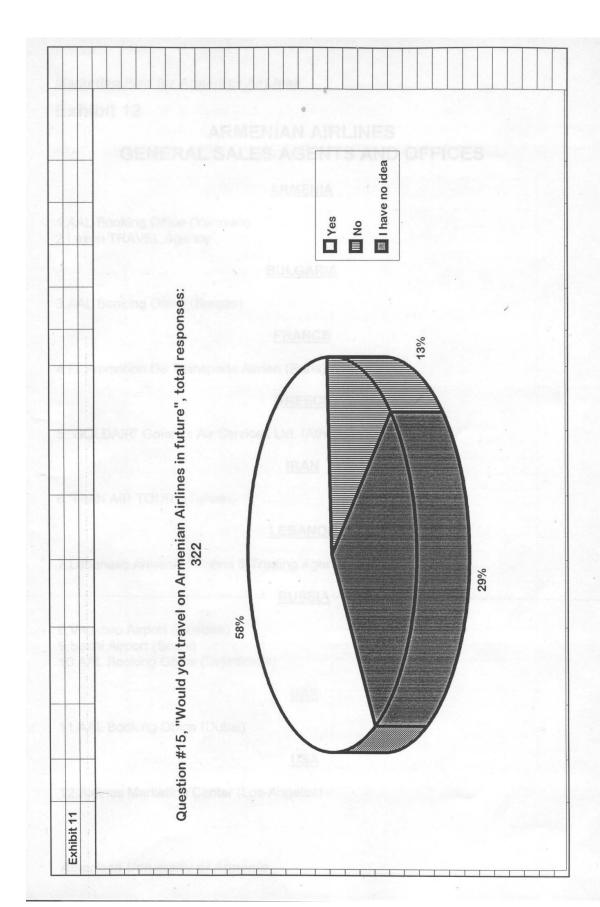
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Exhibit 12

ARMENIAN AIRLINES GENERAL SALES AGENTS AND OFFICES

GENERAL SALES AGENTS A	ND OFFICES
ARMENIA	
1.AAL Booking Office (Yerevan) 2.Levon TRAVEL Agency	800,000 400,000
BULGARIA	
3.AAL Booking Office (Burgas)	
FRANCE	
4.Et Promotion De Transports Aerien (Paris)	
GREECE	
5."GOLDAIR" Golemis Air Services Ltd. (Athens)	
IRAN	400,000 20,000
6."IRAN AIR TOUR" (Tehran)	
<u>LEBANON</u>	
7.Lebanese Armenian Travel & Trading Agency (Be	eirut)
RUSSIA	
8. Vnukovo Airport (Moscow) 9. Sochi Airport (Sochi) 10. AAL Booking Office (Sverdlovsk)	
UAE UNDER THE RESERVE OF THE PERSON OF THE P	
11.AAL Booking Office (Dubai)	
<u>USA</u>	
12.Airlines Marketing Center (Los-Angeles)	

Exhibit 13

THE NUMBER OF ARMENIANS IN THE WORLD

REGION and COUNTRY	NUMBER OF ARMENIANS
CIS	100
Russia	800.000
Georgia	400.000
North America	
USA	1.000.000
Canada	50.000
Middle East	
Lebanon	200.000
Iran	200.000
Syria	150.000
Egypt	30.000
Iraq	25.000
Kuwait	12.000
Jordan	4.000
Sudan	4.000
Israel	4.000
Western Europe	
France	400.000
UK	20.000
Belgium	4.000
Switzerland	3.000
Italy	3.000
Holland	2.000
Southern Europe	
Turkey	230.000
Bulgaria	30.000
Greece	20.000
Romania	8.000
Cyprus	4.000
South America	
Argentina	100.000
Brazil	25.000
Uruguay	20.000
Venezuela	4.000
Africa	
South Africa	35.000
Australia	25.000

EXHIBIT 14

Boeing 767-200 COST & REVENUE

Table 1

oillity			-	8	01
Profitability profit/trip			3.491	11.178	9.602
Revenue per trip	pax		38.179	46.075	19.250
Total oper.			34.688	34.897	9.648
	Total		2.356	2.294	584
cost in	Indir.	cost	1.919 2.356	1.868 2.294	476
Indirect cost in \$/tirp	Introd. Indir.	cost	437	425	108
ors on	Total	6 A	13.299	12.948	3.299
d	Insur.		2.146	2.090	532
Capital cost in \$/trip	Interest		792	771	197
Capital	Depr.	5)	2.070	2.015	513
	Lease a/c	nion	8.291	8.072	2.056
El Bon El Othe	Des.		Ams	Cdg	Thr
Routes	Org. Stop		Boj	Boj	none
	Org.		Evn	Evn	Evn

Evn - Yerevan Boj - Burgas Ams - Amsterdam Cdg - Paris Thr - Tehran

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Marketing Plan for Arme	enian AirLines		
Exhibit 15			
The consulting group from the Airlines. The group would go Please, answer the following	reatly appreciate you		ducting research for the Armenian esearch.
1. Please, state the frequen	cy of your visits to	Armenia by plane:	en everage
□ A. First visit□ D. Once a quarter□ F. Once a year	☐ B. Once a mont.☐ E. Several times		eral times a month
2. Please, indicate your city	y of origin/departur	·e:	CID Reise
3. Did you make any interi	mediate stop?		
	□ A. Yes	□ B. No	
If the answer to this question	n is No, skip question	14.	
4. Please, indicate all stopo	vers on route to Ar	menia:	- Namelian - pow agrical?
5. Please, mark why did yo	u choose this partic	cular service:	
☐ A. No other alternatives	☐ Attractive:	B. Price C. Service D. Time E. Other	astronomainpur facility and
6. Please, indicate the purp	oose of your trip:		
□ A. Tourism □ E. Other	☐ B. Business	☐ C. Private	☐ D. Relatives
7. Which destinations shou	ıld, in your opinion	, be a part of Armen	ian Airlines' network:
☐ Frankfurt ☐ Peking ☐ Moscow	☐ Amsterdam ☐ Bombay ☐ Other	☐ Warsaw ☐ Damascus	□ Sofia □ Cairo

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8. Which time of day wo	uld you prefer to arrive to Y	erevan:	
☐ A. 8 a.m 12 p.m. ☐ D. 8 p.m 12 a.m.	☐ B. 12 p.m 4 p.m. ☐ E. 12 a.m 4 a.m.	☐ C. 4 p.m 8 p.m. ☐ F. 4 a.m 8 a.m.	
For our statistics, we kind	ly ask you to answer a few per	rsonal questions.	
9. According to the living	g standards of your country,	your income could be con	nsidered as:
□ A. High	☐ B. Average	☐ C. Below average	
10. In which country do	you reside?		
11. Please, indicate your	professional status:		
☐ A. Student ☐ E. Unemployed	☐ B. Self-employed	☐ C. Employee	☐ D. Retired
12. Please, mark your ag	e range:		
☐ A. below 18 ☐ E. above 60	□ B. 18 - 24	□ C. 25 - 44	□ D. 45 - 60
13. Did you encounter an	ny difficulties and delays in	the passengers handling u	pon arrival?
□ A. Yes	□ B. No		
14. What do you think, a security services related	are the difficulties created by to Armenian Airlines:	y customs, immigration, a	irport facility and
☐ A. Not at all	☐ B. To some extent	☐ D. Always	
15. Would you travel on	Armenian Airlines in future	?	
□ A. Yes	□ B. No	☐ C. I have no idea	