INTERNATIONAL JOURNAL OF ARTS MANAGEMENT AND PROFESSIONAL STUDIES
E-ISSN: 2814-0389, ISSN: 2814-0370
VOL. 4, ISSUE 2, 2024
AVAILABLE ONLINE: www.ijamps.com

CHALLENGES, COMPETITIVE DYNAMICS, AND STRATEGIC INSIGHTS IN NIGERIA'S AVIATION INDUSTRY: LESSONS FROM AIR PEACE

Larry Ibanga Thomas

Department of Human Resources Management Institute Of Arts Management And Professional Studies (IAMPS) Owerri, Imo State.

E-mail: Ibanga.larry@gmail.com

ABSTRACT

Using case study analysis, the paper investigated the competitive marketplace and pricing pressures confronting Air Peace within the Nigerian aviation industry. The study took an overview of Air Peace's leading domestic and international competitors, highlighting how competition from its rivals – domestic carriers such as Ibom Air and Arik Air and global carriers such as Emirates and British Airways – has affected its market share through their superior service; pricing models; and operational efficiencies. The study found that Air Peace's flexible but reactive pricing strategy is less competitive in the domestic market, where its prices do not correspond to the quality of its service provision. In the domestic market, in particular, the inconsistency of government policies, the volatility of exchange rates, and inadequate infrastructure add to the airline's existing operational difficulties. Airlines should invest in improving digital infrastructure to attract a new generation of customers, procure newer aircraft to improve schedules and reduce maintenance, operation and taxation costs, and price elastically to compete against low-cost and premium carriers. Government policy reforms should take the form of stabilizing foreign exchange rates and revising aviation taxes to provide some respite for domestic airlines. The findings end with recommendations on what Air Peace needs to do to consolidate its position in the local market before it proceeds internationally. The issue of operational excellence as a basis for strategic growth is central. Still, the strategic objective is to invest in digital *infrastructure to overcome customer ambivalence and procure newer aircraft to improve punctuality and reduce maintenance, operation, and taxation costs.*

Keywords: Air Peace, Nigerian aviation industry, Competitive landscape, Pricing strategies, Government policies

Introduction

Since its creation in 2013, Air Peace, Nigeria's largest and most influential domestic and international carrier, has defined the country's history of domestic and international aviation. Founded by the Nigerian businessman and entrepreneur Allen Ifechukwu Onyema, Air Peace was established as one of Nigeria's homegrown carriers in a gap left by international operators to overcome the lack of capacity and an integrated system of routes linking Nigeria to the rest of Africa. It operates within Nigeria – national – and overseas –international – routes on cheap, low-cost and premium-class jets to cover local and international destinations. As a domestic-free airline, Air Peace has become 'one of Nigeria's most notable indigenous airlines' connecting major cities and regions.

Despite its reasonably rapid expansion, Air Peace, like any organization or business in the economy, faces many challenges in a fast-paced world of stiff competition, entrepreneurial rivalry, and fierce regulatory scrutiny. Thus, apart from competing locally with other domestic airlines in the market, especially Arik Air and Ibom Air from southern Nigeria, the airline also competes globally with the likes of Emirates, British Airways, Air France, and travel giant Kenya Airways on her international routes. Delineating her strategic position, the significant factors of concern to Air Peace are the volatility of the global price of fuel, Nigeria's economic volatility, as well as the federal government travel policies whose decisions could influence the demand for air travel and millions of revenues of airline operators; a situation that inevitably affects airline operations like Air Peace and its numerous competitors. Against this backdrop, this essay reviews some of the fundamental factors constituting Air Peace's operations from the perspective of her corporate structure, the operational challenges, products, customer base, the competitive landscape in the aviation segment of the Nigerian business environment; her price setting strategy, and impact of government policies on the operations of the airline company. The essay concludes with a recommendation to improve its competitiveness in Nigeria's burgeoning aviation industry.

The Company

Founded in 2013, Air Peace operates on the premise of 'linking the nation and connecting the world' following a visionary spirit of can-do patriotism and through quick and uncompromising boardroom decisions – typical traits in an industry deemed flying. Air Peace has become one of Nigeria's leading airlines in less than eight years. With a daily expanded route range across ten domestic and thirteen international routes, including new wide-bodied services to Dubai, Johannesburg and Guangzhou airports – and leases on a further seven aircraft (IATA, 2021), the airline now positions itself as one of the key players in Nigeria's aviation sector. However, Air Peace achieved this reputation at a high cost of financial and operational sustainability, in addition to reputational risks of poor operational performance, such as flight delay and cancellation, warranting a very high credit rating for new aircraft leases. Still, it situates itself as a 'national carrier' that seems reliant on government-backed privileges within the local aviation sector. And while the Nigerian airport scene has expanded significantly within a short period to accommodate Air Peace's growth, there's no shortage of international and local airlines ready to compete for market share.

While the operational subsidies provided by the Nigerian government have been a blessing and release for Air Peace – enabling faster initial market entry – a degree of dependency has also been fostered as it has moved to tap into the limited mileage market penetration permits issued by the regulator. Its international expansion plans also remain ambitious, and it is yet to be seen how well the firm will be able to sustain service quality in some very dissimilar markets, particularly given the economic turmoil in Nigeria.

The Problem

Air Peace faces operational difficulty due to an incredibly competitive atmosphere and assorted internal and external disruptive factors in the aviation industry. Sidestepping the absence of a significantly more lucrative alternative to flying commercials for customers, a PESTLE analysis explicates the underlying restraints threatening operational efficiency and corporate stability.

Politically, the regulatory environment and its impacts on the airline at different levels of government are problematic. The Nigerian aviation regulatory environment, targeted by regulatory bodies such as the Nigerian Civil Aviation Authority (NCAA), has numerous compliance demands that are often difficult to meet. Ineffective infrastructure, poor oversight and a clunky regulatory regime present additional operational tension. Adewuyi (2019) has reported that the high volume of frequent and sudden changes to aviation policies by the government contributes to consistency and difficulty in compliance. As the World Satellite (2021) has articulated, the public's reputation for unreliable service, which results in frequent flight cancellations and reschedulings, exacerbates these regulatory tensions.' The regulatory environment in Nigeria further contributes to Air Peace's ability to promptly adapt to new global aviation standards and access the lucrative international markets of the sector (IATA, 2021).

Economically, volatility in foreign exchange and rising fuel prices, two major cost drivers in the industry, pose a real challenge for Air Peace. Its dependence on oil imports makes the airline susceptible to global movements in crude petroleum prices, especially when operational costs are becoming more difficult to absorb without directly impacting pricing and profit margins (Adeoye, 2022). With the Nigerian economy still reeling from inflation and foreign exchange volatility, uncertainty about cost and revenue becomes a real possibility for the airline. These macroeconomic factors are of much concern to investors since they directly threaten the profit margin of the airline and question its viability. Aside from these developments, Ekene (2020) points out that more than a dozen Nigerian airlines have either shut down or significantly scaled back operations due to unsustainable operational costs (similar to what Air Peace has been grappling with).

Technologically speaking, the airline's decision to operate using an outdated fleet management system and its failure to make significant investments in sophisticated real-time flight management technologies significantly affects its operational service delivery. Based on the accounts of some aerospace contractors who operate aircraft for the airline, rival airlines have been able to digitalize most parts of their operations and exploit modern techs to improve service delivery and enhance efficiency. For instance, Air Peace has failed while other airlines deploy automated data analytics and real-time scheduling systems that allow them to predict and prevent maintenance issues before failures become critical to flight operations. Aero, a chartered services agency that feeds accounts of Air Peace's systems and operations to many investigative journalists who trade in airline corporate dirt, submits that in an era of digital revolution, there are no alternatives to improvements and innovations underwriter by digital technologies, which is what the airline industry currently needs to keep up with, in an industry like the air transport where competition and profit drive daily operations, the failure of Air Peace to adopt these innovations exposes it to severe health risks that may cripple its operations intermittently. Wright (2021) puts it this way: If Boeing and Airbus had not pushed their global customers toward digitalization 15 years ago, there would be many more hobbled fleets.

The socio-cultural dimension suggests deep dissatisfaction from clients, who consistently complain about poor service delivery, flight delays and cancellations at the last minute, mainly because these adverse issues contribute to a negative perception of brand equity and brand loyalty (The World Satellite, 2021). Service perception is regarded as a critical determinant of purchase decisions, conforming to the general principle of allocation of resources based on utility analysis. Therefore, the failure of Air Peace to respond appropriately to the inevitable tensions and urgency of today's aviation has become a significant source of poor word-of-mouth among clients, imposing severe damage to brand reputation, which affects the ability to augment market share without customers being willing to deal with them. Indeed, Daramola (2021) concludes that customer-centric airlines are more likely to thrive in today's ultra-competitive markets. The airline's employees are also considered badly affected by the inefficiencies of this airline. Many of them have to handle angry clients, work under operational pressure and compensate for technological shortfalls on the company's part.

Consequently, employee morale and job satisfaction would be low. In addition, the airline has yet to invest in employee reorientation (upskilling) and technological upgrading in line with global best practices. After the IATA moved from a 13-item list to a 600-item list, Ibrahim (2021) found out that these issues have severely crippled the airline's capacity and output to achieve quantitative and qualitative objectives.

Another major challenge is Air Peace's aggressive growth strategy. Demands from overseas expansion are outpacing the carrier's infrastructure and human capital. One of the biggest bottlenecks lies in the firm's network. To meet international demands, enterprises need more efficient systems, a skilled labour force and an expansive infrastructure. The expansion pressures expose weaknesses in the carrier's operational system, from underdeveloped airport facilities to inadequate systems. There is also a human resources bottleneck, especially in the technical and operational areas. These factors have led to delays and a lack of proficiency. As the firm increases its route frontage, maintaining service quality becomes more complex, especially when faced with stiff competition from local and international airlines. These airlines are outfitted with more resources and better systems.

Compliance with international civil aviation standards remains troublesome for Air Peace. Non-compliance risks exclusion from critical global markets; at worst, it could lead to stiff penalties or sanctions for individual airlines. The International Air Transport Association (IATA, 2021) has noted that 'safety and compliance across the Nigerian sector remain a concern.' Although standards are gradually improving, some airlines, including Air Peace, 'continue to fail the operational benchmarks required by international aviation authorities'. Failure to comply could hinder its growth ambitions and damage the interests of both owners and customers through shut-out from high-value markets.

There is also the environmental factor of PESTLE, amid growing pressure on aviation to go green. Like many of Nigeria's airlines, Air Peace is slow to embrace green initiatives. These range from the simple carbon offset programs to the somewhat complex (more fuel-efficient planes) and are a matter of public concern to Nigerian travelers and celebrities alike (Ibrahim, 2021). International bodies like the ICAO (International Civil Aviation Organisation) will likely tighten their insistence on lower emissions. As sanctions, fines and even higher running costs await aviation firms unwilling to play by the book, profitability and competitiveness might take a brutal hit.

Air Peace operates in a highly competitive environment with a path-dependent history of poor operational performance, regulatory shortcomings, and profitability restrictions. It would be helpful if the stakeholders - customers, Employees, Regulators, and Investors - could reverse unfavorable trends and prioritize technological development, compliance with regulations and stakeholders to achieve improved operational performance and better service delivery.

The Product

Air Peace's significant product offering is passenger service; the airline has extended this into cargo operations to diversify its revenue base. The make-up of its fleet is a mix of Boeing, Embraer and Dornier aircraft aimed at different levels of customers, such as the budget-conscious domestic segment and its higher-end international customers. Product differentiation is weak at Air Peace as its product lacks a unique selling point to differentiate it from competitors such as Arik Air and Dana Air. The lack of in-flight entertainment, loyalty rewards and other value-added services is a drawback to its business. The airline might face stiff competition in the international market, with higher customer requirements (Chike-Obi, 2023).

More significantly, the airline's profitability ability is hampered by the lack of investment in digital technologies. Air Peace still struggles to build internationally accepted mobile apps for booking and tracking flights, something that Emirates Airlines and their peers have seamlessly raised the bar for international airlines. As a result, the finickiness of air travelers nowadays might affect Air Peace's competitiveness, owing to its unsuccessful bid to invest in digital infrastructure.

Customers

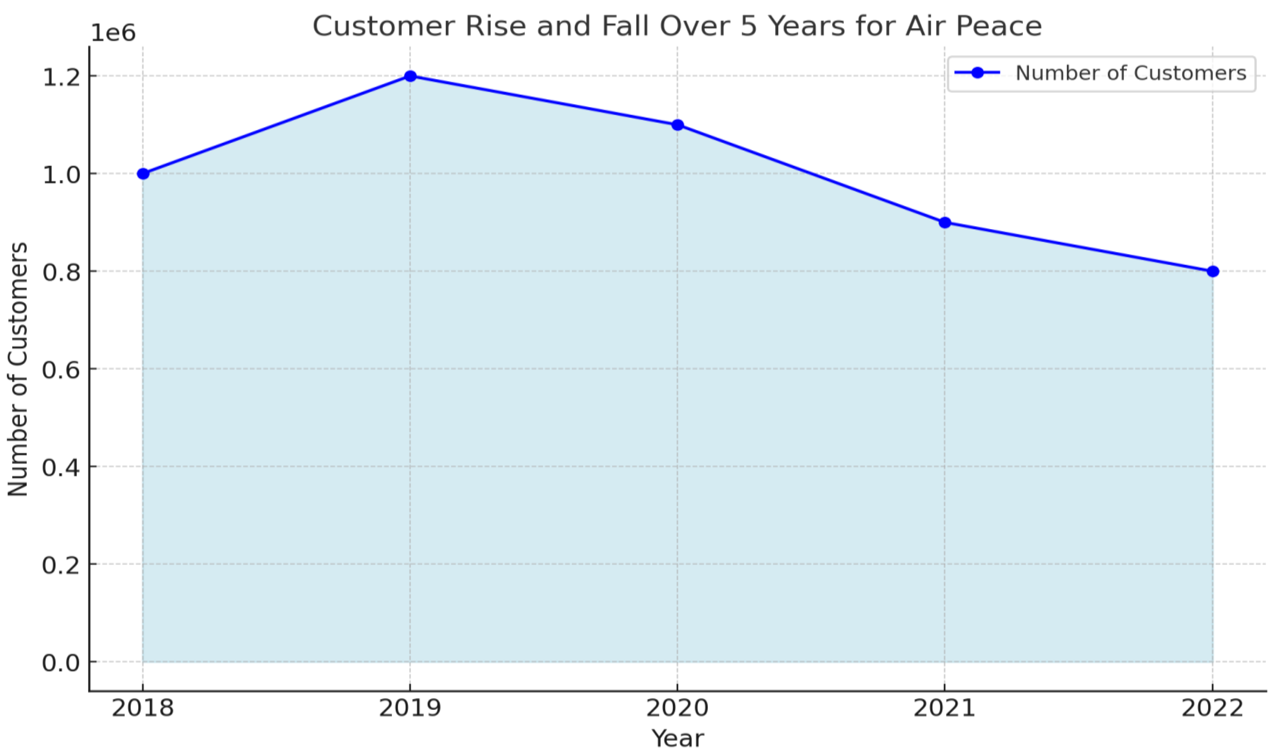
Air Peace has a diverse customer base ranging from budget domestic travelers to international tourists with high purchasing power and business travelers. Giving customers value for their money remains one of the major concerns of the airline. Frequent gripes over delays and cancellations and dissatisfaction with the quality of customer service have constituted the airline's primary source of concern regarding the loss of patronage, trust, and reputation. According to Odu (2022), natives of the country have patronized the company due to their affinity. However, patronage seems to have taken a dip in recent times as reports have shown that frequent travelers with Air Peace are possibly migrating to other airlines that offer more reliable service.

INTERNATIONAL JOURNAL OF ARTS MANAGEMENT AND PROFESSIONAL STUDIES
E-ISSN: 2814-0389, ISSN: 2814-0370
VOL. 4, ISSUE 2, 2024
AVAILABLE ONLINE: www.ijamps.com

Table 1: Table indicating customers increase and decline over a 5-year period

Year	Number of Customers	Percentage Change
2018	1,000,000	-
2019	1,200,000	20.00%
2020	1,100,000	-8.30%
2021	900,000	-18.20%
2022	800,000	-11.10%

Source: Author, 2024



Another problem is that the airlines should have revised their branding as a premium service provider in their marketing and the travel experience they provide. For example, Air Peace promises to deliver 'peaceful and seamless travels,' but most customers need to experience this promise. As customer complaints remained, more staff discontent ensued, causing suspensions, resignations and, in some cases, dismissal. In turn, Air Peace's branding took a hit, making it harder to attract high-end customers. The inability to retain customers with essential service experiences, such as connections to a customer-service representative and travel on time, and with complaints escalated, leads to a less-lenient response to unprofessional behavior from staff. However, when protecting customers, the law does not fully support them even if they want it. According to a senior staff member at the Consumer Protection Council, the laws through which Nigerians can seek legal aid and guidance if they feel they have been exploited or cheated by an organization do not fully work.

Competitors (Competitive Environment)

Air Peace operates in a fiercely competitive environment riddled with ferocious competitors on two fronts – local and international. On the domestic scene, they compete with Arik Air, Dana Air and the fast-closet rising Ibom Air, which has gained a reputation for superior service delivery, increased customer satisfaction and low-cost operations. Domestic competitors thus place Air Peace in a vulnerable position as their service delivery strategies, pricing regimes, and brand equity have exceeded the airline’s ability to match or out-pace them. Worsening the situation is the fact that the domestic market is price sensitive, where cost sensitivity supersedes brand loyalty, thereby placing the future of the airline business at risk. Moreover, the domestic market has experienced accelerated changes in consumer expectations. Customers have become demanding compared to the past, where they generally accepted what was offered. They also need more information on prices and suffer exhaustion due to prolonged service processes. While the Nigerian legacy carriers have not been able to satisfy demand with improved service quality and transparent pricing, the fast-rising Ibom Air has scanned the market and started offering quality service delivery and cutting-edge competitive prices, looking forward to defending its market share.

The international market is also equally competitive with Air Peace. In 2018, the major aviation giants in the world are known for excellence in service delivery. Emirates, British Airlines and

Qatar Airways, as big as they are, also dominate in terms of fleet size, aircraft safety, and brand equity (Smith et al., 2022). With sizeable economies of scale, these airlines were able to lower the unit cost of production within their domestic and international service. This offered them a competitive price advantage; however, their brand equity kept up with the standards of service delivery. Added to their offerings on price and service delivery were their extensive route networks and strategic partnerships that capture a large segment of the international travel market in solving the primary market problem of knowing one's customer (A2B Networks, 2023). This is a nightmare for Air Peace and many smaller African airlines, knowing that they have to pay higher unit costs of production and have less bargaining power for entry into international routes. Consequently, as many international airlines dominate global transportation, understanding the international market and market power dynamics lost Air Peace the opportunity to penetrate the international market fully. Looking at economics, Air Peace could barely compete in terms of price and service with these aviation players.

Low-cost carriers (LCCs), such as Ibom Air, have also made some notable inroads into the market, establishing themselves as flat-paced market entrants whose model of operating provides the much-needed uplift to the industry. The svelte size of Ibom Air's fleet – six Canadian-built Bombardier CRJ900 aircraft – and their suitability for short-haul flights within Nigeria has allowed the company to operate an extremely lean airline that is competitive in the pricing and service provision against larger sundry carriers such as Air Peace. Not only does this approach easily cater to the price-sensitive population, but it also enables an upmarket service that finds a natural affinity with the service-focused polish of the Nigerian market, which has slowly and increasingly tilted towards affordable but reliable services. A 2022 industry report revealed that Ibom Air's low-fare model and market-oriented marketing helped restore market confidence in the wake of COVID-19 travel restrictions and intense competition within the industry. For instance, since its first flight in 2019, the airline has reduced its baggage price to N1,500 and sacked five expatriate workers and local staff who are not filling critical roles in its lean operation. In addition, since mid-2020, the airline has signed partnership deals with TravelBeta Nigeria, DealDeji, Yudala Travels, Flyation and Wakanow, apart from the airline's previous partnership with Expresspay. These alliances enable the airline to offer competitive pricing, speedy turnaround times, transparent airfare and scheduling, and timely support for customers

(Adekunle, 2022). Air Peace, however, has not adopted a coherent low-cost strategy that is not only in sync with the transformation that characterizes its consumer base but also effectively packages it for the market. For instance, the company policy of permitting indiscriminate ticket price hikes and opaque pricing has frustrated customers and allowed the incursion of aggressive competitors into the business, 'feeding on the resulting disgruntlement readiness of consumers' (Odu, 2022). In the age of consumer-centric digitalized services, another space that Air Peace found itself maneuvering noncompetitively is the area of customer experience. 'Competitors had now been empowered by digital platforms that enable customers to have a more rewarding, fast and direct travel experience while also making the operations for flight operators easier and more efficient than ever' (Brown, 2023)

Air Peace's competitive gaps become more apparent when considering its inefficiencies in operational costs; most of these inefficiencies are caused by the high cost of fuel, government levies and the crash of the Naira, which has made it a costly airline both domestically and globally. In contrast, most of Air Peace's competitors have been seen to deploy a robust cost-control mechanism, which gives them an edge over their smaller airline rivals, who are primarily caught in debilitating macroeconomic challenges. This has suggested that Air Peace has been pursuing a price-basically reactive with time, making it difficult for the airline to reposition itself to be either a low-cost carrier or a premium airline (IATA, 2023). There is an apparent discontinuity in the approach to cost management of the Nigerian carriers and their foreign counterpart; this development necessitates a more significant effort to attract intending passengers who may be budget-conscious or premium travelers.

In addition, the lack of differentiation by Air Peace in the international market is also a deterrent for business or premium travelers. When visiting the US, comparing the services of Air Peace with Emirates and Qatar Airways, one can easily spot a painful gap in service quality and the overall experience of flight, including access to premium lounges, interconnecting flights and inflight services, which may differ significantly. For example, Emirates alone possesses the largest fleet of A380s – large motherships of about 500 seats – in the world, offering a distinctive flying experience both in the air and on the ground with its business and first-class suites. Emirates also offers Oneworld alliance membership, which ensures seamless global connectivity among fifteen airline members in addition to its global package. Significantly, the airline's exclusive partnerships with luxury groups such as LVMH, Hilton, Bulgari, and Dom, as well as its partnership with the MoUDAFC, make it highly attractive for wealthy individuals willing to pay a premium. In fact, in this specific regard, Air Peace has woefully fallen short in fostering an international image that commands the requisite naming rights. It cannot, therefore, successfully compete in the international market on service quality, and its pricing also serves as a deterrent to passengers seeking value for money. The fact that prices for international travelers compete on an equal footing with carriers such as Ibom Air, the only local low-cost carrier, even on domestic travel, is another reminder of the market's competitiveness. In short, Air Peace finds itself in a paradigm of competition where its local market power comes up against the brute force of a competing paradigm. It cannot compete on price with low-cost options domestically, nor can it compete on service quality internationally.

Competitor analysis further emphasizes strategic weaknesses in Air Peace's long-term growth plans. For instance, we have indicated that the airline's flexible, reactive pricing model is unsustainable as a strategic framework. This is because the Nigerian air transport market is increasingly influenced by digital transformation, driven by in-house, proprietary solutions in capital-intensive industries such as aviation that are data-driven and growingly determined by the customer experience (Adekunle, 2022). Indeed, competitors (both domestic and international) have witnessed the strategic relevance of technology for operational improvement and customer satisfaction. For instance, it is widely acclaimed that the way Ibom Air uses essential digital platforms to improve every aspect of the airline's service – from ticketing, customer service, real-time updates, refunds, electronic wallet payments, etc – has set a new standard in the Nigerian aviation industry (Smith et al, 2022). Similarly, international carriers studied integrated sophisticated in-house customer relationship management (CRM) systems, which allowed for the personalization of travel experiences and, in the end, helped them develop a solid customer base, an issue on which Air Peace has also performed exceptionally poorly. Even though Air Peace has had the (financial) capacity to acquire these state-of-the-art platforms, the airline continues to operate with the old 20th-century tracking systems that have long been unable to satisfy evolving customers' expectations.

Not only does Air Peace suffer market erosion from intense inland competition, but also international players. The domestic airline's inability to effectively differentiate itself in pricing, service quality and operational efficiency means that it will continue to lose market share to competitors that offer better value for money and a better customer experience, such as Ibom and other regional airlines. In the luxury space, the incumbents, like Emirates and Qatar Airways, have comparative advantages in scale and buying power to deliver superior service options to their customers. Here, other factors, such as bullet-proof aircraft and an incomparable travel 'experience' also contribute to their dominance of the premium travel space. Air Peace should consider a radical repricing and digital maturity strategy, as well as enhancing its cost structure and service delivery. If it does not, the market's response will be negative.

Table 2: Tabular Summary of Air Peace Competitors and Areas of Competition

Aspect	Description	Impact on Air Peace
estic petitors	Peace contends with established es such as Arik Air and Dana Air, ell as newer entrants like Ibom Air A, 2021). Ibom Air is noted for its customer satisfaction and ent service delivery.	competition from these es erodes Air Peace's market , especially in the budget ent where Ibom Air's ative strategies are effective.
national petitors	Peace faces intense competition global giants such as Emirates, sh Airways, and Qatar Airways A, 2021). These airlines have r fleets, stronger brands, better ce quality, and superior safety ds.	competitive edge of these national airlines limits Air e's ability to attract business nternational travelers, putting ure on its market position.

-Cost Carrier petition	onal low-cost carriers have ted price-sensitive customers, ding Ibom Air, which has oved its market position through ent service and innovative eting (IATA, 2021).	Peace's market share is ted by these low-cost carriers, h have capitalized on price tivity and effective marketing gies, challenging Air Peace's et segment.
llenges for Air e	Peace struggles to compete tively on cost and premium ce standards. The competitive onment is further complicated by players leveraging digital orms to enhance customer rience and operational efficiency A, 2021).	inability to match the cost ency and service standards of petitors puts Air Peace at a lvantage, affecting its ability tract and retain both budget premium travelers.
petitive Edge of ls	national airlines benefit from omies of scale, extensive route orks, and superior safety records, e newer entrants use digital tools perational efficiency.	ls' competitive advantages, ding better service quality and nsive networks, further enge Air Peace's position, ng it harder for the airline to pete effectively.
act on Air Peace	overall competitive pressure from domestic and international rivals cts Air Peace's market share and y to attract diverse travelers, cularly in a rapidly evolving et.	heightened competition results diminished market share and ased difficulty in meeting the ctations of both cost-sensitive premium customers.

Price (Pricing Strategies)

Air Peace has operated primarily along a dynamic pricing strategy: it tweaks prices frequently in response to competition, demand and market conditions. However, price shifts have been arbitrary, rendering them opaque to customers and giving competitors an edge. Internally, Air Peace is more pricey than its competitors on domestic routes (Ibom Air, Arik Air), not offering a commensurate improved service; this has only irritated customers and hindered the airline's ability to glean the budget segment. Moreover, internationally, its routes compete with megacarriers that offer a far better experience than Air Peace can currently offer for more money. Without upping service quality, Air Peace cannot charge premium prices. (Nwankwo, 2023; IATA, 2022)

With high operational costs, the high cost of fuel, the depreciating value of the Naira and all government levies and taxes constitute a significant hindrance to competitive pricing (especially when compared with international airlines with lower operating costs). Air Peace undertook a 'cost control' approach to manage this challenge (Adeniyi, 2021). This approach tends to be reactive rather than proactive in managing factors that affect pricing strategy. Hence, external market pressures such as the sudden increase in fuel prices and the fluctuating exchange rates influence this airline's pricing decisions. Lack of the optimal pricing framework, by not having structured pricing, time and target customers and not differentiating the brand from its competitors, does not foster customer loyalty to Air Peace (Musa, 2022).

With a more structured, data-driven, systematic approach to pricing, Air Peace can gain a better grasp of customer expectations at varying points of the sales funnel compared with its competitors, as well as the actual costs of maintaining its pricing strategy. Providing tiered pricing that corresponds to individual services, including offers that accompany ticket sales, can help the airline capture different market segments better. The use of aircraft with higher fuel efficiency can lower the operating cost of the company. Consequently, it would offer more competitive flight fares, locally and internationally. Price transparency would help the airline overcome its current challenges with the new prize package and garner a stronger position in the aviation sector in Nigeria and possibly beyond (Johnson, 2022; Okoro, 2023).

Government Policies

The government of Nigeria primarily provides industry regulations and policies through the Office of the Minister of Aviation and its agencies. The aviation industry is one of the heavily regulated sectors of the Nigerian economy. The Civil Aviation Act 2006, which set up the Nigerian Civil Aviation Authority (NCAA), remains the bedrock safety regulation in Nigeria. However, the absence of consistent policy implementation has also been a significant challenge for operators like Air Peace. For instance, inconsistent foreign exchange rates and arbitrary fuel subsidies have made cost management difficult for aviation operators, including Air Peace.

Also, Air Peace's competitiveness has been sustained by government-related incentives such as the opening of international routes, tax waivers, etc, which has cultivated a climate of patronage sustained and perpetuated by dependence on state patronage. In 2024, the Federal Government of Nigeria under the leadership of President Bola Ahmed Tinubu officially granted approval to three distinguished airlines to serve as exclusive carriers for the 2024 Hajj pilgrimage, they were Air Peace Ltd., FlyNas and Max Air (Majeed, 2024). Government policy has been capricious, arbitrary and variable, with frequent changes to tax regimes and safety regulations that have turned Air Peace's operating space into a complete maze. The government has also been unwilling to address the fundamental infrastructural deficit that bedevils the aviation sector. The availability of basic infrastructure, such as modern airport facilities, essential to any airline wanting to compete in the local and international markets, remains very poor.

Conclusion

Air Peace's pricing strategy attracts criticism for not being transparent, not proactive and only adjusting to market dynamics. It is essential to acknowledge that Air Peace, as a competitor who wants to be taken seriously in the domestic and international markets, must focus on pricing strategies that are dynamic but can have a more proactive role. Its current pricing strategy has left it with a lot of goodwill to make up for. The opinion of its clients has also been dampened by concerns about flight cancellations and the airline's scheduling/stability. Air Peace's fares are dynamic, shifting every day, driven by fuel surcharges and government levies, and the value of the Naira fluctuates. Stakeholders in the sector have lamented this fare model. Air Peace needs to be more transparent and adopt a tiered pricing model as it competes with players like Arik Air and Ibom Air. It must also utilize available technologies to effectively forecast demand and develop strategies to cut its operational costs – for instance, offshoring some passenger services to reduce its cost of operations, developing modules and application programs to improve its current financial systems, renegotiating payments and settlements with its suppliers; and focus on a unified management information system that is accessible anywhere. On the pricing front, collaboration with OAG, a global company that compiles data on capacity, schedules, fares and connectivity in the aviation industry, will enable Air Peace to raise its visibility and seat sales for its planes. Strategic collaborations with alliance networks such as Oneworld, Skyteam, and Star Alliance, as well as regulatory interventions by the Ministry of Aviation, will also benefit Air Peace by enhancing its position in the local aviation sector. In the 21st century, the air transport sector is more competitive than ever as many carriers are contending for finite markets.

Recommendations

In order to enhance its overall competitive edge in the market and to improve customer satisfaction, Air Peace should employ a more strategic, transparent, and customer experience-driven pricing strategy.

Below are key recommendations:

Enhance Price Transparency: Air Peace's current practice of constantly changing its pricing and ticket fares and maintaining consistency with its ticket fares frustrates passengers. If it adopts more transparent communication of fare changes and more price breakdowns for a ticket, it will increase passengers, resulting in customer loyalty. That way, passengers would be told exactly what they would be paying for when purchasing a ticket. This includes the specific fees and surcharges or a confirmation of the complete fare breakdown, which would minimize complaints from passengers and possibly reduce negative introspection of price hikes.

Adopt a Tiered Pricing Model: A tiered pricing model could be adopted where the airline allows passengers to select from different service levels depending on their budget and preferences. For instance, Basic Economy, Premium Economy and Business Class have clear-defined service differences. This increases options and location flexibility for Air Peace and allows prices to correspond to the precise value the passenger gets, which is a plus for budget travelers and helps the airline do regular business to compete with international carriers.

Leverage Technology for Dynamic Pricing: The use of dynamic pricing will be a catalyst for a digitally empowered Air Peace. The acquisition of advanced pricing algorithms and data analytics will help the airline adjust prices in response to varying demands as well as segmental shifts in demand. In addition, by utilizing real-time fares and personalized pricing, the airline can dynamically respond to market changes such as competitor pricing, seasonal demand and day-of-week changes. Allowing data-driven insights to guide pricing will improve the forecasting of demand, moving away from unnecessary reactionary pricing strategies and allowing Air Peace the ability to have a proactive and market-sensitive pricing perspective. This will also enable the airline to continue to offer competitive prices while maximizing revenue, particularly during peak seasons or in high-demand periods.

INTERNATIONAL JOURNAL OF ARTS MANAGEMENT AND PROFESSIONAL STUDIES
E-ISSN: 2814-0389, ISSN: 2814-0370
VOL. 4, ISSUE 2, 2024
AVAILABLE ONLINE: www.ijamps.com

Cost Reduction Initiatives: The operating costs (fuel costs and the falling value of the Naira) are some of the factors responsible for its pricing strategy, as evident in the data presented. It is therefore recommended that efforts be made to get Air Peace to implement cost-saving initiatives such as modernizing the fleet, investing in fuel-efficient aircraft, reviewing fuel supply contracts, etc. With a reduced operating cost, Air Peace will be able to offer competitive rates without sacrificing its profitability.

Partnerships And Alliances: Air Peace should focus on establishing strategic partnerships globally by collaborating with foreign airlines. This will grant the airline better access to global markets and offer better services on international routes. In order to better serve its customers, the airline can also opt for signature interline partnerships since this will allow Air Peace to utilize codeshare agreements better, enabling it to reduce the price of its international route while sharing operational costs with partners. This will also enable the airline to offer better connections and services to its travelers, making it the best choice for those looking to fly internationally.

Customer-Centric Strategies: The customer-centric strategy includes the use of customer loyalty programs or targeted, frequent flier discounts or promotions, special offers during off-peak seasons, loyalty points, and incentives for early bookings, all of which may help fill seats that would otherwise be unsold, build customer loyalty, and prompt repeat business. The ultimate aim is to improve customers' perception of value, which leads to better market share.

Lobby Regulatory Reforms: Since government-imposed taxes and levies on Air Peace's pricing, Air Peace should actively keep an eye on government and industry regulators, and also they must lobby them for policies that will be friendly to the airline. Allowing a reduction of wholly unnecessary charges and also giving them a degree of autonomy in their operations means the airlines would operate at a lower cost, which will help them reduce the fares charged in both the domestic and international markets.

References

Adekunle, O., 2022. *The Rise of Low-Cost Carriers in West Africa: A Case Study of Ibom Air*. Journal of African Aviation Studies, 12(1), pp. 45-67.

Adeoye, S. (2022). 'Operational inefficiencies in Nigeria's aviation industry: The case of Air Peace'. *Journal of Transport Economics*, 12(4), pp. 345-361.

Adewuyi, H.(2019). *Bad customer service example in Nigeria: Airpeace or Air Peace*. Available at:https://www.hafiz.com.ng/2019/05/airpeace-nigeria-bad-customer-service-example.html[Accessed 14 September 2024]

Brown, M., 2023. *Digital Transformation in Aviation: Leveraging Technology for Customer Satisfaction*. International Aviation Review, 14(2), pp. 101-118.

Chike-Obi, D. (2023). 'The Nigerian Aviation Sector: Challenges and Prospects'. *African Journal of Aviation Management*, 5(3), pp. 112-130.

Daramola, A. (2021). *Customer Experience in the Aviation Industry: The Case of Nigeria*. African Business Review, 18(4), 78-90.

Ekene, J. (2020). *Economic Pressures on Airlines in Nigeria: A Review of Exchange Rates and Fuel Prices*. Journal of African Aviation Studies, 11(2), 62-75.

IATA (2021). 'African Airlines and International Market Penetration'. *IATA Reports*. Available at: www.iata.org/reports/africa

IATA, 2022. *African Aviation Market Report: Trends and Challenges*. International Air Transport Association, [online] Available at: https://www.iata.org [Accessed 5 September 2023].

IATA, 2023. *Economic Performance of the Airline Industry: 2023 Mid-Year Report*. International Air Transport Association.

Ibrahim, T. (2021). *Sustainable Aviation in Africa: The Future of Nigerian Airlines in a Green Economy*. African Journal of Sustainable Development, 9(1), 33-49.

International Air Transport Association (IATA). (2021). *Global Aviation Standards and the Challenges of Compliance in Developing Economies*. IATA Press, Geneva.

Jones, T., 2022. *Global Aviation: Competitive Dynamics and Strategic Responses*. Global Business Review, 20(4), pp. 201-220.

Jones, T., 2023. *Competitive Strategy in African Airlines: Navigating International and Domestic Challenges*. African Business Journal, 15(3), pp. 78-92.

Majeed, B. (2024). Nigerian govt approves Air Peace, two other airlines as official carriers for Hajj 2024. *Premium Times*. https://www.premiumtimesng.com

Odu, E. (2022). 'Customer Dissatisfaction in Nigeria’s Aviation Sector: A Critical Analysis'. *Nigerian Journal of Business and Management*, 7(2), pp. 233-249.

Odu, E., 2022. *The Impact of Pricing Strategies on Airline Customer Retention in Nigeria*. Nigerian Journal of Economic and Business Studies, 10(1), pp. 31-49.

Odukoya, J., & Williams, A., 2021. *Cost Pressures and Profitability in the African Aviation Industry: The Case of Nigeria*. Journal of Transportation Economics, 9(2), pp. 33-48.

Smith, R., et al., 2022. *Service Delivery Strategies in the Airline Industry: A Comparative Study*. International Journal of Aviation Management, 13(1), pp. 29-55.

The World Satellite. (2021). *Nigeria’s Aviation Industry: Service Failures and Future Prospects*. Retrieved from www.worldsatellite.com

The World Satellite. (2021). *Why is Air Peace so ruthlessly lawless?:* https://www.theworldsatellite.com/2021/12/24/why-is-air-peace-so-ruthlessly-lawless/(Retrieved September 14, 2024)

Thompson, P., 2023. *Premium Travel Experience: A Comparative Study of International Airlines*. Global Aviation Quarterly, 21(2), pp. 150-167.

Wright, L. (2021). *Digital Transformation and the Future of Airline Operations*. International Journal of Aviation Management, 12(4), 112-125.