

A chain of activities



A value chain is a chain of activities carried out within the boundary of a firm. Products pass

through all activities of the chain and at each activity the product gains some value. Value

chain analysis illustrates how various activities, capabilities and resources fit together to give

competitive advantage. The VC breaks down the whole production process to show the

contribution made by each part which result in highlighting problems such as high cost or

inefficient areas. Competitive advantage arises from a value creating proposition, possibly by

managing the strategy for competition or by managing the firm's value creating activities.

Competitive advantage could be achieved either through low-cost leadership or through

differentiation.

When the strategy of RyanAir is considered, it is clear that their strategy is to attain

competitive advantage through low cost leadership. The following sections of the answer

<https://assignbuster.com/a-chain-of-activities/>

intend to illustrate some of the strategies of RyanAir which enabled them to gain low cost

leadership through using value chain analysis.

1. FIRM INFRASTRUCTURE

(General Management * Planning * Accounting * Finance * Legal)

Strategy of Low-cost Leadership – Centralised cost controls

RyanAir – Management, planning, accounting and finance mainly focus on lowering cost in

numerous ways. The winning the international award for ‘ Best Managed Airline’ as well as

number of awards received by the CEO O’Leary are testimonies of their excellence in

management and planning based on low-cost model. The focus on short-haul route enabled

RyanAir to maintain centrality in fleet maintenance.

2. HUMAN RESOURCES MANAGEMENT

(Recruitment * Training * Motivation * Evaluation)

Strategy of Low-cost Leadership – Intensive training to emphasise cost saving means;

encourage employees to look for new ways to improve methods.

RyanAir – The airline continued its policy of fleet commonality to keep staff training and

aircraft training as low as possible. The introduction of tailoring rosters maximised the

productivity of carrier and maximized the time off for crew members which enabled them to

comply with EU regulations which resulted in minimizing the cost. New aircrafts with larger

seat capacity minimized the need of crew per seat. CEO is considered as an inspirational

leader who is the main human resource which enabled the airline to maintain their low cost

strategy.

3. TECHNOLOGY DEVELOPMENT

(Products * Processes * Promotion Methods * Servicing Methods)

Strategy of Low-cost Leadership – Economies of scale or R&D and technology development; learning and experience amortised over large volume

RyanAir – Usage of technology related to web based check-in which minimises the cost of

checking staff and airport facilities. The use of a newer fleet that is fuel efficient is a result of

keeping tabs on R&D regarding fuel efficiencies and latest technologies.

4. OPERATIONS

(Machining * Assembly * Packaging * Maintenance * Testing)

Strategy of Low-cost Leadership – Economies of scale in plants: experience effects

RyanAir – New aircrafts also minimize maintenance cost. Winglet modification programme

on the fleet resulted in achieving better aircraft performance and reducing fuel consumption

of fleet. Charging for check-in bags which encouraged customers to travel with fewer checkin

bags saved costs. Choosing secondary and regional airports through avoiding congested

main airports given them a major cost saving.

5. OUTBOUND LOGISTICS

(Order Processing * Scheduling * Dispatching * Vehicles Operations * Warehousing)

Strategy of Low-cost Leadership – Bulk or large order shipment

RyanAir – The usage of web based check-in which minimises the cost of checking staff and

airport facilities.

6. MARKETING & SALES

(Pricing * Promoting * Advertising * Selling * Channel Management * Quoting)

Strategy of Low-cost Leadership – Mass marketing: mass distribution: national and

campaigns

RyanAir – Low cost pricing model – Most developed route system with frequent departures

on many routes and reasonable punctuality at a comparatively lower price