

Good example of research paper on airline analysis: british airways

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What alliance is British Airways (IAG) in? Describe the alliance and the airline.

British Airways is one of the largest airlines in Britain. It is part of a very old transportation system—the British have been exploring the world for centuries—but it was officially founded in 1974 as the flag carrier for the country (Britishairways. com, 2015). It is currently the largest airline in operation in the United Kingdom, although there are a number of smaller operations that are currently threatening the larger company, especially in the national and European travel markets (BBC News, 2015).

British Airlines is still the leader in the number of international flights booked on a yearly basis, as well as the number of available international destinations and the number of planes in the international fleet (Britishairways. com, 2015). The company is currently licensed with the ability to transport goods, passengers, and mail on aircraft by the British government (Britishairways. com, 2015).

While British Airways is the largest airline in many regards in the United Kingdom, it does not transport the most passengers: in recent years, British Airways has been losing customers to smaller, localized “discount” airlines like Ryan Air (BBC News, 2015). British Airways center of operations is Heathrow Airport. While London is an important destination, geographically it is not the best point for flights to Asia and the Middle East to pass through (BBC News, 2015).

As a result, British Airways began to form an alliance in 1999 with a number of other airlines, in an attempt to gain more control over a number of different facets of the international travel sector (The Economist, 2012). In

late 2010, British Airways also merged with the Spanish airline Iberia in an attempt to gain more control of the market, and in an attempt to increase revenue (The Economist, 2012).

Oneworld Alliance is a conglomeration of airlines, which includes Air Berlin, British Airways, American Airways, Cathay Pacific, Finnair, Japan Airlines, LAN Airlines, Malaysia Airlines, Qantas, TAM Airlines, and Royal Jordanian airlines, to name a few of the more than thirty global alliance partners (Oneworld.com, 2015). Oneworld is currently the third-largest global airline alliance in the world, falling behind the Star Alliance and Skyteam for most passengers transported during the year (Oneworld.com, 2015; The Economist, 2012).

What are the advantages and disadvantages of being in an airline alliance?

There are a number of important benefits to being in an airline alliance. In many ways, airlines are unique, even in the realm of multinational corporations; every country has specific rules that an airline must follow, and some countries have stricter regulations than others. In addition, every country has very specific guidelines regarding who can enter the country and what entry procedure must occur; airlines deal with all of these issues (Swelbar, 2009).

International airline alliances allow airlines to operate a base of operations out of their own, home country, while still reaping the benefits from the partnership that they have with other airlines in other countries. For instance, when British Airways sells a seat on a domestic flight, Finnair would normally see no part of the revenue from this seat; however, when the airlines are in an alliance, both airlines are able to receive revenue from the

sale of seats, regardless of where the seat is sold (Swelbar, 2009). In addition, this provides airlines with the ability to better serve their customers' needs—if a customer needs a flight to a location (or from a location) that the airline does not serve, they are able to transfer that customer to one of their partner airlines and still reap the benefits of that particular sale (Swelbar, 2009).

Although there are very strong arguments for airline alliances, there are also reasons that some airlines do not like to form alliances. For smaller airlines with targeted markets—airlines that focus entirely on domestic flights, for instance—an alliance partnership would dilute profits significantly, perhaps in a way that would be undesirable for the airline as a whole (Swelbar, 2009).

Customers appreciate alliances because they are able to get benefits from the alliance, but again, these benefits can significantly dilute profits for the airline. Airlines are already struggling in many places, and the rising costs associated with air travel can make airlines leery about further diluting profits—however, it seems that without an alliance, it is almost impossible for international airlines to sustain growth in the current market (Tovey, 2015).

What is British Airways' (IAG) long-term strategy?

British Airways wants to continue to grow as an international hub for travel into, out of, and throughout Europe (Britishairways. com, 2015). British Airways currently has the largest fleet in the United Kingdom, but the company wants to grow their reach throughout Europe and abroad—

something that will be difficult if they keep losing seats and customers to other airlines (BBC News, 2015). The BBC (2015) reports that British Airways lost £531m in 2014, a very significant loss for the company; continuing growth and slowing this kind of significant financial loss (BBC News, 2015). Insofar as specific long-term growth strategies are concerned, one of the areas of focus for the future of British Airways is expansion in Asia, as well as expansion in the Middle East and the Mediterranean (Britishairways. com, 2015). British Airways launched a new service to the Greek islands Santorini and Mykonos in 2014, and has also launched a number of new routes in Asia (Britishairways. com, 2015). New routes include service from Heathrow to Kuala Lumpur, in Malaysia, Sharm-el-Sheik in Egypt, Cagliari and Olbia in Sardinia, Crete, Kos and Rhodes in Greece, Bodrum and Dalaman in Turkey, and Split in Croatia (Britishairways. com, 2015). Much of this will be done through alliance partnerships, but British Airways will also expand service routes in 2015. British Airways will also attempt to grow the domestic flights available for travelers within the United Kingdom and close locations in Europe (Britishairways. com, 2015).

Who is British Airway's biggest competitor?

British Airway's biggest competitors are currently Lufthansa and Air France KLM, although Oneworld's biggest competitors are the Star Alliance and Skyteam (BBC News, 2015). Lufthansa's current revenue per ASK is 8. 88, while Air France is 9. 04. In addition, the non-fuel cost per ASK is 7. 21 and 7. 66 respectively, for both of British Airways' most significant competitors. For British Airways itself, the current revenue per ASK is 9. 36, while the non-

fuel cost per ASK is 6. 47. It is the third-largest carrier in Europe, but it also falls behind its two major competitors significantly: the revenue for British Airways was \$15, 992 million, while Lufthansa and Air France were \$23, 936 million and \$21, 723 million respectively. This is a significant revenue difference between the three major carriers in Europe, and suggests that if British Airways wants to obtain more control of the market, they will have to significantly change some of their current market strategies.

Both companies currently enjoy a larger fleet than that of the British Airways fleet, as well as more central locations for connections between European countries. In addition, Lufthansa particularly has always been at the forefront of introducing new technologies and ideas into the realm of international travel; the airline has been innovative in the ways that they build demand within the corporate structure. As a result, the company has been able to grow assets while still seeing a decrease in operating budget over the last few years as the strength of the airline industry worldwide has waned.

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