

Analysis of tiger airways internal and external environment essay sample

[Transportation](#), [Airlines](#)



Low cost carriers (LCC), also known as budget/discount airlines, offer generally low fares but eliminate most traditional passenger services. There are five low cost carriers operating in Australia namely Tiger Airways, Jetstar, AirAsia, Virgin Blue and Pacific Blue. The purpose of this report is to conduct an analysis of Tiger Airways internal and external environment and to make recommendations as to how the Tiger Airways might maintain or improve its competitive advantage through its business strategy. The word strategy comes from the Greek 'strategos' meaning 'general'. 'Stratego' means 'to plan the destruction of one's enemies through effective use of resources' (Mintzberg et. al 1995). Business strategy is the link between environmental demands, organisational capabilities and key stakeholder desires (Hubbard et. al, 2008).

This report also presents the link between micro and macro environment of Tiger Airways, resources and capabilities of Tiger Airways. Based on all these factors the report is divided into five main sections. The first section is an introductory section. The second section of the report describes the analysis of internal environment of Tiger Airways. This section critically evaluates the resources, capabilities, organisation system, structure, people and culture of Tiger Airways.

The third section describes the external environment analysis and industry analysis based on Michael Porter's five forces model. This section also discusses about the macro-environmental trends. The fourth section presents some recommendations regarding the strategies that the organisation should adopt to maintain or improve its competitive advantage.

The fifth section concludes the business strategy report. This section restates the purpose of the report, and then provides an overview of main points covered in the report. Internal Environmental Analysis

Tiger Airways Australia is part of the Tiger Aviation group of companies which form the Asia Pacific region's low fare airline group. Tiger Airways was established in December 2003 and took to the air, flying low cost services, in September 2004. Tiger Airways is Singapore based budget airline and wholly owned by Tiger Airways Holdings Limited. Tiger Airways Australia commenced operations on 24 November 2007 as a domestic airline from its main base at Melbourne, Victoria. Since that time the airline has continued to expand its presence in Australia.

Tiger Airways mission is to address the needs of budget-conscious travelers looking for a reliable and low-fare service in the Asia Pacific region. In late 2004 Tiger appointed a new CEO, Tony Davis who was previously the Managing Director for bmibaby and brought a wealth of experience in driving forward a low-cost airline business. Tony's appointment was the catalyst for change in Tiger. Resources Based View Model

Henry (2008) stated that the resources based view emphasises the internal capabilities of the organisation in formulating strategy to achieve a sustainable competitive advantage in its market and industries and claims that resources and capabilities of an organisation plays a key role in the evaluation of organisational structure. While studies by Porter (1991; 1996), Foss & Knudsen (2003, cited in Tywoniak, 2007) claim that resources based

view did not address appropriately the question of explicating the processes by which the advantages was created and resources based view theory does not focus resources. It has lack of detail and therefore difficult for organisation to implement. Supporters of the RBV have also been criticized for poorly defining the core constructs of the theory.

Strategic capabilities

Competitive advantage

Customer value

Value for LCC is not as the value in legacy airlines

Source: Based on Hubbard et. al 2008, Strategic Management: Thinking, Analysis and Action, 3rd edn, Prentice-Hall, Frenchs Forest. However Tiger Airways' strategy which focuses on providing low fare, high frequency air transport without compromising passenger safety. Basically this RBV model does not completely applies at Tiger Airways. Tiger Airways entry into the domestic aviation market has helped the domestic tourism market and has lead to greater availability of discount fares. With its capabilities that are shown in Figure 1. 1 Tiger achieve a competitive advantage and customer value.

In place of RBV, Porter's positioning school of thought theory best suits at low cost carrier industry because it concentrates on different types of strategies what are called generic strategies (cost leadership, differentiation and focus). Tiger Airways offers passengers not only the lowest airfares in the market, providing invaluable opportunities for affordable travel for all passengers but safe, reliable and convenient air travel. With its resources,

capabilities and strategic planning of low cost market structure Tiger Airways achieves a competitive advantage. Business Model

Tiger Airways' business model is based on successful low-cost airlines, such as Ryanair which is designed to maintain simplicity, low operating cost and positioning (Tiger Airways, n. d.). Tiger is generating revenue through the provision of additional products and services such as luggage upsize, seat selector, and sport equipments check-in. Simple Product- Airbus A319 and A320, single class configuration, Low Operating Costs- Low wages, low airport fees, short ground waits due to simple boarding processes, online sales, short cleaning times. Positioning- value proposition, price sensitive business people, leisure travelers, students, short-haul, high frequency, direct sales by internet, competition with other LCC's Business Design of LCC

Source: based on Jiang, H 2007, Competitive Strategy for Low Cost Airlines

SWOT Analysis

Being a new Airline in Australia Tiger Airways' strengths, weaknesses, opportunities and threats influenced the internal and external environment of the industry. Figure 1. 2 SWOT Analysis of LCC

Strengths

Low cost operations

Only low fare airline of Singapore

Fewer management level could do effective, focused and aggressive management Simple proven business model that consistently delivers the lowest fares in the industry Penetrate & stimulate to potential market

Multi-skilled staffs means efficient and incentives workforce Weaknesses

“ Too basic” facilities for passengers

No frills ()

Market remains price sensitive, as service has become commoditized and open to new entrants 3 years operation (early stage of life cycle)

Government interference

Security regulations

Opportunities

Better utilization of planes

Changes in technology

Differentiation from old LCC models by adding customer service or operation as full service airline with low fare Dominant/monopoly position in many routes will offer some pricing power Flight timings frequency

Threats

Rise in fuel prices

Strong competition

Accident

Change in Aviation regulations and government policies

Entrance of other LCCs