

Analysis of the aviation industry

[Engineering](#), [Aviation](#)



The aviation industry has grown over the decades, globally allowing travellers to visit various destinations. Historically, with the first introduction of flight, the concept was a luxurious one, available to only the privileged. Today however, the aviation industry has grown to such an extent that low-cost carriers are making air travel a convenience, altering the concept of distance. A change in the demand for flights has meant airlines are also forced to make changes to adapt to their consumer needs. It is at this instance that the failure or success of a company is identified. This project will look at the aviation industry, analyse and discuss the issues which impact the companies within the industry, and how these issues affect their success.

This report will consider the companies which have been chosen for the aviation sector, including a PEST (Political, Economic, Social and Technological) analysis of the industry. An analysis of ratios will also be used to help determine the failure or success in the performance of the chosen companies. Consideration will also be given to the internal and external factors of the industry, analysing the financial performance of five chosen companies in order to establish an accurate idea of where the companies stand in relation to their competitors and the industry as a whole. This will enable the strongest and weakest companies to be determined after detailed analysis.

Rationale for the Aviation Industry

The aviation industry is an international venture, exciting, dynamic and forward-looking, operating at the edge of technological innovation. However it is a turbulent industry, constantly being affected by new developments

and constraints. Its instability has been highlighted over the last decade, with a series of events such as the 9/11 terrorist attacks, the invasion of Iraq and the outbreak of the SARS epidemic in 2003, rising fuel prices and more recently the recession and the new epidemic of 'Swine Flu'. Alongside these external problems, the industry has also had to deal with the destabilising developments internally, such as the impact of global alliances and the 'open skies' treaty. And at a time when the average fares are falling, with new low-cost airlines, internet bookings and privatisation, the industry has been affected immensely. (Doganis, 2006)

The aviation industry covers every corner of the world, providing services internationally. It has become an integral part of creating a global economy as well as being a major contributor. It is also a bridge to globalisation for many other industries, such as tourism and aircraft manufacturing. It has huge economic importance, thus the volatility behind the industry is a serious concern due to its dependency on good economic conditions.

The industry has available numerous options, with different airlines offering different services; scheduled airlines, chartered airlines and low-cost airlines offering international long-haul flights and short-haul flights. It can also be categorised into different travel classes, to suit the travel needs of each passenger, with financial and personal preferences. Alongside passenger services there are also cargo aircrafts taking packages to various destinations, and some airlines offer more than one of these services. As a global contributor, today, the aviation industry is an international venture with over 2, 000 airlines, operating in excess of 23, 000 aircrafts. The

industry has over 3,700 airports worldwide and in 2007, almost 28 million scheduled flights departed, holding over 2 billion passengers making their way to various destinations across the globe. (web.mit.edu, 2009)

As the aviation industry is still large and continually growing, accommodating for economic growth, international investments, world trade and tourism, it has become globalised. This industry will be analysed throughout the report and was chosen because few technologies have changed the perceptions of people and enhanced the quality of living as the invention of the aeroplane, whilst operating in an intensively competitive market. Thus helping to understand the success or failure of companies in this highly unstable industry and to analyse how the companies operate in providing a service which has become a necessity.

Rationale for chosen companies The companies chosen are: British Airways Plc (BA) - As the UK's largest international scheduled airline, flying over 550 destinations, with a market capitalisation of £1,918.48m, its main airports are in London Heathrow and Gatwick. As the founding member of the Oneworld Alliance, the BA cabin offers a four-class configuration of First Class, Business Class, Premium Economy Class and Economy Class. (British Airways, 2008)

easyJet Airline Company Ltd - The concept of easyJet is to lower its costs by cutting out the unnecessary 'frills' associated with the traditional airlines. It is one of the largest low-fare airlines operating domestic and international scheduled services in Europe. With a market capitalisation of £1,175.98m, it flies to over 100 destinations in 27 countries. (easyJet, 2008) Flybe Ltd - As

<https://assignbuster.com/analysis-of-the-aviation-industry/>

one of Europe's largest low-fare airlines, Flybe was the first airline to offer online check-ins and pre-assigned seating. And presently is the only low-cost airline to offer a business service. With revenues of 536m in 2008, Flybe operates over 150 routes. (Flybe, 2008)

Ryanair - Ryanair was the original low-cost airline in Europe. As an Irish low-cost airline, it is still the largest low-cost carrier. Ryanair has a market capitalisation of £4,581.18m, with a strong fleet of over 160 aircrafts, Ryanair flies to over 700 destinations. (Ryanair, 2008) Virgin Atlantic Airways Ltd - A British airline owned by Richard Branson's Virgin Group, it is an international scheduled airline, flying over 5million passengers, in February 2008 it had an annual turnover of 2,010.9m. (Virgin Atlantic, 2008)

These companies all provide services both domestic and international, or both. They vary in size and are leaders in different sectors of the aviation industry, therefore by choosing these companies, one can compare and analyse the industry in an attempt to find an indication of which type of businesses are stronger within the industry compared to others, thus making them successful.