

Economic crisis project on emirates airlines tourism essay

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Although Global economic crises or GFC (GLOBAL FINANCIAL CRISIS) has affected the sector of world trade; but the tourism aviation industry is supposed to be worse affected by the same. To evaluate the effect of the crises it is necessary to understand all the factors playing part in aviation industry. I have included the factors related with the particular airline and others related with operational measures like ground handling companies, against, IATA SYSTEM etc. as all are inter depended with each other.

PRE-GFC era saw a trend of constant high growth of tourist industry up with worldwide business proliferation resulting into high growth rate of aviation companies like Emirates airline. Emirate sky cargo which supported million of jobs in both developing countries world economy is now depends more and more on air travel with a growth in the share of flight, not in value but by volume . Macario etal (2009) have identified ten major factors which have an effect on an airlines market. These are

Network and their growing impact.

Technological evolution.

Mass market sector.

Safety concerns

Emergency of new forms of competitions

Regular space and time distribution of the sector

Charges in the air transportation market structure.

Charges in airline

Airline - airport relationship changes

Yields of Income

All of these are together with many factors like political situations, economic factors etc. that affect the pace or trend of the market which is called “Competitive market waving in the air transportation”. (Feldstein)

Issue/Abstract

This paper analyzes various aspects of effects of recent economic crises (GFC : global financial Crisis) on the business of Emirate Airlines . It includes the analysis of business data from 2007 to 2009/ 10 i. e. the time period of appearance, disappearance of GFC and the period of after-shocks. At the end the direct and indirect effects of this crisis of a tourist industry are also analyzed with suggestion about the future of air transport system of UAE.

Handling the Issue/Hypothesis

Let us make a hypothesis that economic crisis has got a null effect on Emirate airline. Now let us excuse this hypothesis. It is proposed to handle the issue in following heads.

Market

Corporate Management

Product/ service

Network expansion

Markets

In early 1990, Emirate was one of the fastest growing airlines in world with more than US \$ 100million incensement with resource and reached to the point of \$ 500 million in the year 1993. In this year the Emirate airline and its cargo counterpart . Emirates sky cargo carries 1. 6 million people and 68000 for cargo during this period. The Gulf was the cause as a boom for both of those at it kept all other airline out of business from the area. By mid 1990 the passenger statistics of Emirate airline reached to the point of three million at Dubai Airport . The expansion of airlines continued in late 90's with its cargo division earning 16% of its total revenue. It was the autumn of 1993 when Emirate established partnership with US Airways started round the world services. It also had a co- operation agreement with Cyprus Airways and reached to the status of 6th largest airline in the area with 15 Aircrafts connecting 32 destinations by the year 2000. Emirate started planning for starting ling haul service to the East coast and West coast of USA. A nonstop flight Australia and Argentina was also under consideration with a record growth at the rate of 20 % in its traffic in year 1999- 2000. An increment of 18% during 2002 was noted its passenger statistics reaching to 6. 8 million. Presently Emirate operates more than 2300 flights energy weak . across the world with a net work of 103 destinations in 65 countries with its hub at Dubai.

Corporate Management

At the end of fiscal year 2009, Emirate airline was having a total work force of 48, 246 including - 10324 cabin crew, 2141 flight deck crew, 1049 reengineering sector & 9379 other employers. Emirate airline is a subsidiary of the Emirate Group which is financed by the Government Investment Company Investment Corporation of Dubai. It has recorded profit below 20 % a year and double in size every four year. A dividend of US \$ 776 million was paid by Emirates to the Government of Dubai in 2008.

Product/Services

Emirate airline is amongst the top 10 that carries with the world when it comes in the thereof revenue and passenger/kilometre. In Middle East it was the largest in 2007 in terms of revenue, passenger carriage and bet size and in 2010 it was the sixth largest airline work wide in terms of international passengers' carried. It was the largest in terms of schedule international passenger kilometre and seventh largest when it comes to the terms of scheduled flight to new kilometres.

Fleet Expansion since its very incorporation and especially after 2003 this airline is a continuous spree of expulsion programme viz. An order of 71 aircrafts worth US \$ 19 billion at 2003; Paris Air show including firm purchase of 21 Airline which included 14 from GE Capital Aviation services and 12 from International lease finance corporation (ILFC) 2005 saw in order of 42 Boeing 777 s worth \$ 97billion , which is the largest Boeing order in history se P95 . In 2006 Emirate sky Cargo struck a deal of 10 Boeing 747-8 worth \$ 2. 8 billion.

Network Expansion

In 2004, Emirates started non-stop flights to New York John F Kennedy International Airport with new Airbus A 340. 500. South Asia is an important region for Emirate net works, Pakistan being the first country of the region to be connected with Emirate Airlines Network. In June 2010 Berlin Air showed an additional order of 32 A 380s which was placed worth \$ 11. 5 billion - Thus by his time a total of 90 Airbuses. A 3805 were ordered. All these super jumbos are expected to be delivered by 2017. Thus the expansion of air fleet of Emirate Airlines can be summarized as follows.

AIR TERMINAL EXPANSION: Terminal 3 of Dubai International Airport was built exclusively to be used by Emirate Air lines. It was built at a cost of \$4. 5 billion and opened on 14 October 2008. Floor space wise it is the largest building in the world having floor space more than 1500, 000 m² area. It has got an annual capacity of 43 million passengers. A new concourse 3 will be operating by end of 2011 exclusively built for A 380- 800.

NETWORK EXPANSION PLAN: In Feb 2009 the Emirates Airline Unvented power to grow its network by 14 % with a plan to increase Cargo capacity by 17 % with strengthening of its presence in Africa and Middle East with a 17% and 6% growth in year 2008. It also disclosed services from Dubai to Durbar, South Africa by October 2009 with two Airbus A 330-200 with 278 passenger capacity and up to 14 tonnes of cargo. In the same year the airline announced a huge expansion air programme for Middle East with 80 flights per week & a seat capacity of 50, 000 India Emirate Airline added 32 weekly flights reaching to 163 weekly flights for 10 destinations. It also announced

new routes to Los Angeles and San Francisco with addition of 2000 seats per week between US west coast and Dubai reaching to the level of 3600 seats /week. Brisbane and Melbourne were connected with additional daily flights reaching to 63 flights in a week. With the Dubai Sydney and service Emirates Airline because the first airline to operate commercial A 380 flights to New Zealand. In Europe Emirate has doubled daily flights to Milan, introduced" flights /week to Istanbul, increase in Malta route to 7times weekly. Second daily service to Moscow and Athens were also planned.

Economic Crisis – A Situation

The economist crisis or the financial crises since 2007 till today is one of the world financial crises from the Great Depression of the 1435. As a matter of fact it started with a liquidity short fall I united State Banking System with result cultivation into collapse of large financial institution, although this financial crises is officially supposed to end in 2008. The after-math is still existing and felt in many industries. (The global economic and financial crisis)

History of Emirates

In mid 19805, there was being of cut back in serious of gulf air, as a result the Dubai government started feeling to establish its own airlines. The airlines started with just two aircrafts provided by Dubai Royal Airway with a start-up capital of \$ 10 billion , it was head by Ahued bin Salem Al Makroum. In October 2008 Emirates Airlines moved all its operations to Terminal 3 of Dubai international airport. It was in order to have a sustainable expansion &

rapid growth plan. Emirates is one of the world nine airlines which operation all wide body aircrafts, viz. Airbus and Boing.

Emirate Airlines has subsidiaries related sectors which include hospitalities, catering tour operations and engineering. These are

Congress S. International

Arabia Ado eututes

Emirate holidays

Emirate tours

Emirate hotels and resorts

Emirate destinations and leisure management

EMIRATE BUSINESS MODEL

The business model of emirate Airlines has following features

Low one head cost

Low operating cost

No alliances

Lower unit cost

High utilization of aircraft

Crisis Effect on World Transport

Economic secession globally has first manifested itself in aviation carport at sector with a declining profit as dip in last quarter of 2007. It was followed by the reports of travel agencies with a drop of 2010 of applications with an in favourable market trend. Ultimately it affected the tourism market which was affected with its resultant affects and hospitality industry and small private entrepreneurs. However the Emirate Airline by passed this and recorded passenger transport at the level of 17554. 1 thousand in 2007 about a 20 % higher than 2006, with a steady rise to 21, 22. 2 thousands in 2008 and a further size to 22, 730. 9 in2009. On the Country USA and European union countries had a different strong to tell with a sharp decrease in passenger number. Many companies like Alitalia tuned bankrupt because of losses as certain routes and other European aviators like market Eos Airlines oasis Airlines, Futura, XL airway and XL la sure group; too have met with the same fate. Other such company were Flylal, dympic Airlines, Sky Europe , Volare web and My Air.

Although Emirate airlines depends heavily at the foreign markets for its growth, it was relatively safe during the period of GFC (great financial crisis) owing to following signs-

It has got a diversified market

Independent home market

Relatively less crimpling of business on home front

Oil industry of UAE

It low cost base expects high dividends for the financial year ending in 31st March 2011 despite of political unrest in neighbouring countries. It should be noted that there is an increase of 21% passenger in last year.

Literature Review

The period of 2009-10 was disastrous for global aviation industry with airtimes turning into breakups and shrinkage of their networked services.

Emirate Group is a large organization with its presence in the fields of aviation, travel tourism and leisure industry. The actual impact of the last crises on Halation sector of UAE, like all other sectors, is still to be assessed completely, though as loss 9. 4billion was estimated by carriers in 2009. However with fast recovering global economy from the clothes of financial crises there is strong traffic re bound that is pushing the aviation industry towards its high. It is predicted by IATA (International Airport Association) that Middle East Carrier will record a profit.

About\$100m Factors playing significant roles in performance of Middle East carriers are.

High GDP growth (4. 3%) .

Going of its market share through their hubs ensure from Europe to Asia Pacific nations.

An offer of \$ 2Billion worth by Islamic Finance.

Low cost carries are now in picture.

Less efficient aircrafts are now replaced

It is expected in 2011 more than 1000 aircrafts will be replaced. This will require more financing in future resulting into an estimated funding short fall to the tune of US \$ 15 bln. It is exact that this foundry shortfall will be taken care of by Islamic finance industry. An increase of 11.5 percent is estimated in first half of this year by sultan Al Masouri as the finance minister. It should be noted that the fundamentals of the aviation business in Emirates required innovation despite of an economic drip. This is because of the facts enumerated earlier (1+5) with addition to the following.

Operational adjustment.

Cost management.

Induction of new products and services.

Future Planning:

It is expected that UAE may invest AED 500bln (US\$ 136.12bn) in next year with two aims -

Diversification of economy; and

To make UAE a global transportation hub, as a continuation to its plan of capital investment on its transport and communication infrastructure.

Major areas for this capital investment are:

Purchase of new aircrafts for the five flag carries with UAE.

Development of new airport capacity in all the seven emirates.

Development of Abu Dhabi into regional centre for aircraft maintenance, manufacturing and flight training.

An average of 1888 aircraft movements a day is noted in the UAE as per the federal General civil. Aviation Authority (GCAA) . It was two year high with recent past by 6. 9 % as compared with the same period a year before. In December 2010, 56654 air operation including take of landing and over flights which were noted in UAE. The aviation industry is also getting support from Mubadala Development, a Sovereign wealth fund owned by Abu Dhabi. The UAE government has announced positive moves on the expansion of aviation industry with strengthening of both the flagship companies of Aviation industry in UAE i. e. Emirates and Ethihad.

Methodology and Data

The effects of economic crisis on Emirates Airline Business with the help of the information available in the forms of various data regarding revenue gain, expansion and to define Marketing Opportunities, Problems and their solution , and to evaluate marketing actions, market performance and understanding the market as a processes. It further has airbus to identify the relevant problems that is to be faced in future always with their solutions.

(Basistha)

Methodology: This study mainly depends on the use of secondary Data . i. e. available with the organization (Emirate airline airtimes and Emirate Cargo) along with the similar data of competitors, sales promotion activities, and existence of substitutes. At the same time the study is also going to utilize the environment related information from industry sources, trade association, and relevance. This is very evident that these secondary data will be internal to the organization. It is further suggested that it is basically an exploratory study using statistical techniques.

The advantage of such studies made on available data is:

A large number of observations are made.

Reliable and valid result is obtained.

There is little room for the researcher to manipulate the data interpretation of the resources is incorrect as this is a very structured study.

Type of Study: As the study involves only one establishment i. e. Emirate Airline with its cargo counterparts i. e. Emirate cargo case study method is supposed to be most appropriate. A detailed study of all the aspects was done to reach on the conclusion.

Emirates Airlines Profile and Performance

Emirate Sky Cargo is a sister concern of Emirate Airline as a subsidiary of Emirate, and is also important from the perspective of analysis of affect of economic crises. Emirate Sky Cargo having its main hub at Dubai

International Airport and operates Cargo flights through a network of 20

destinations in 15 countries. The main operations are from cargo mega terminal with an area of 43600 Square meter with a capacity to process 1. 2 million tonnes of cargo annually. (Emirates Airlines)

Emirates and SkyCargo financial and operational performance

Source: Wikipedia. org

It is not that UAE financial market is the only issue of any economic crisis - it's true for its airline too. However UAE is in a very firm position with its airlines' diversified network from USA to Asia Africa and Australia with its expansive spree around the world the Emirate Airline with its cargo counterpart Emirate sky cargo have worked against the commonly i. e. a financial crash down during past economic crises. However fluctuation due to capital market cannot be denied to occur. Carriers FINANCIAL REPORT OF 2009 STATUS THAT " Emirate borrowing and liabilities (not of cash) after operating leases at 31 market 2009 , comprised 61 % on fixed interest basis with the balance 39 % or floating interest rates . A one percentage point increase in interest charges and operating lease charges (net of Interest income) during the next financial year by AED 109 million (2007-08 AED 57 million)

There was 80 % jump in profit of Emirate Airline in year 2008-09. This resulted into following trend setting in Emirates Airline.

New Partnership: - The airline established application with Jet Airway to share its flights from Mumbai and New Delhi. To Dubai. It was done with a view to offer better connectional to the passengers.

A new round of fare cut in the sector was predicted as kingfisher. Airlines Ltd, which is the second biggest airline of India , announced its flight to from Bangalore to Dubai from 8th February 2009. As a result of this Emirate Airline announced reduction in airfares from to all India destinations. The airline was forced to slash its fares to other destination also in Europe, North and South AMERICA, Africa, Fax East, Australia and New Zealand .

It is said that Emirate Airline goes for quality while the British Airways prefers quality. Emirate Airline is having the best loyalty programme Middle East. The passengers feel that their service has improved since the introduction of flight of king fisher from Bangalore to Dubai.

Airline industry is the international industry of world. A score of variable are these which can effect in an airline. These may effect in appositve or negative manners today's market, including the airline industry is highly competitive. Morrisonetal (1995) suggested that " a major cause of the time it takes then to acquire new aircraft " Over capacity may be a result of any un anticipated chargers in the macro economy of market with forms of war, reduce passenger demand or as the case accused a financial dip (during GEC) There are many factors which indicate the health of an airline. These are

Shifts and price elasticity of supply and demand

Positive and negative externalities

Wage in equality

Manotary & fiscal prices

The ultimate goal of any airline like in all business is to gain profit in the other hand where the consumers always try to find cheaper fares against a constant airlines to use the consumer trend in their favour.

The aviation industry has seen a phenomenal growth since globalization. The economics of airline industry is explained in term of retail sales, unemployment rate. Gross domestic production interest rate and producer price index (PP) The recent (GDP) dip in economy called as global financial crises had hit all the industries worldwide and so the airlines too. This must be realized that one charge in economy may affect all the things what is called as “ Keynesan economic theory”.

Opportunity Analysis of Emirates Airline

Job Market

The demand for air transport is a derived demand and hence its employment potency. It is a function of air transport economic activity i. e. supplies of air transport. Since as a consequence of current GFC both demand and supply for air transport decreased it resulted into huge job cut in the industry worldwide except some airlines like Emirate Airlines. (Lipe)

Passenger and Cargo

IATA data show that while all other top tea airlines of world have noticed scheduled passenger kilometre flow. In 2009 when compared with those of 2008, it was Emirate Airlines that recorded as upward trend delivery this period. While some was the story on cargo fruit in all the other airlines, Emirate sky Cargo recorded a different story in terms of scheduled fright one kilometre flown.

The global economic crises lead to tourist activity world wide as the tourism is a secondary human need and it is very easy to give it up however.

SWOT ANALYSIS OF EMIRATE AIRLINES :

STRENGTH

Size -Emirate airline is one of the top 10 airlines of world with a large fleet of Airbus and Boeing

It has got a diversified field throwing its size subsidiaries such as hove a cargo wing i. e. Emirate sky cargo

One of the top global brand

Strong Corporate Culture and Leader ship style

A well developed vendor network

Weaknesses :

It is said that not all diversification and approaches are beneficial. Still

Emirates has a less complete network of destination world-wide. It has got

plans for higher classes only. The middle class and budget segment had been left unchartered. There is too much focus as diversification and high end acquisition.

Opportunities

Emirates can develop its network to many new destinations with tapping of more markets with innovations that are introduced in the field of aviation resources.

A plane trade market is more as there is more and more room with the help of internet adoption.

Future improvement infrastructure to make the airlines first choice for audience.

Further Innovation and expansions of services with introductions personalized tailor made services.

Focus as middle class and budget travelers.

Tie ups: This point requires further consideration by leadership of airlines as till date - It has a policy not to tie up with big airlines. It is because that it consider that the divisions of such alliances are usually tilted in favor of big airlines members.

Threats

Rival companies in the area i. e. Middle East are major threat out of the five airlines with two areas i. e. Gulf Airways and Ethihad are supported to be real

threat. Gulf airways are the principle airline of another kingdom of UAE, Bahrain, with HQ. at Muharry, and k45 destination at us across Asia , Africa and Europe. It has got Code share agreements with other airlines which Emirate does not having a hub in the same area it pores a real threat to Emirates. Ethihad Air line is another competitor for Emirate with a fleets of 57 aircraft operating for 64 destinations with 42 countries with 147airly flights covering almost world-wide network, along with it cargo division, i. e. Ethihad crystal Cargo. It carried more than 7 million passengers in 2009.

The second threat for Emirate comes from within itself in the form of its inability to keep it ups innovatively, and in the form of its failure to recognize its demand.

Apparent compliance of Emirate can be used by the rivals especially in middle East Area, to their advantage

Rising fuel cost.

Coming of low cost area like Air Arabic Jazeera Airways, Jet airways and Fly-dubai a new low cost airline has a plant to operate.

Aircraft with almost same destinations as Emirate Airline in Europe, Asia Africa and Middle East , It operates from terminal 2 of the saw Dubai international airport, from whose the Emirate operates from terminal.

(Industria Analysis Of Emirates)

EMIRATE ENGINEERING: It is the subsidiary of emirate airways to look after the fleet of airbuses and doing aircrafts of the former, with support to the

outer 30 airlines operating at Dubai international airport. This division has an engine test cell facility with implementation capacity of all aircraft everything support. It has state of the art emirate engineering centre, which was opened in 2006 (being of GFE) at Dubai international airport and has a capacity. It is handling business up to 150, 000 pound; finally it should be realized that although the money dominates the market it is management which letters when it covers to a large corporate establishment like AirMauritious airlines. A good corporate governance will benefit to share loads and opportunities for invests on the other had a bad management which may result into crash down and bankruptcy respectively into collapse and shut down.

This discusses and deals with the economic management of emirate airline are contemporary context with special difference to the reply economic crisis world-wide.

An assessment of the data available with the airline, UAE government, international agreement and relevant websites indicate the rare important findings.

Firstly, the impact of economic crisis was not as damaging for emirate airlines as it was for European and America ones there was only a dip in profitability in 2008, which can be attributed to other factors too. Still there was no longer as occurred in other airlines .

The Emirates Airline could save itself for the harmful effect of Global Financial Crisis due to its relative freedom from the forces of so called developed or western economic model.

A large network of destination world-wide too, had played a major role to save the airline from the effects of the financial dip. However it should not be conducted that the airlines in an all time immune organization for such types of occurrences in economic world. Preventive measures must be considered to foresee and avoid such harmful effects.

Conclusion

Emirate airlines form the core relevant of aims to propose UAE for non oil based era and to shift it as tourist hub as fore see by Dubai strategic plan 2015. Sound politics and favourable geographic location had favoured Emirate Airlines a lot. The factors of sound politics being liberal economic laws cosmopolitan environment free trade agreements with most of the Asian economic powers including china and India , One of the best infrastructure of in world and favourable , efficient public service and very low income tax business model of Emirate Airline is developed on following technical features:

Balanced airline-passenger mix with present with transfer traffic in passenger share from 50: 50 to 60: 40.

Story cargo traffic generation of 20% of i. e. revenue. It is superseded only by LAN which achieved 40% turnover in cargo business.

It's presence in the secondary markets which and its competitors like BA, LH and AF.

It's presence with the market which is not connected to the global air transport network like Middle-East , India, Asia, Pacific and Africa.

It has got a high frequency rate i. e. more than twice daily.