

critical analysis of british airways essay sample

[Business](#), [Customers](#)



1. 0 Introduction

Research has suggested that in order for a brand to achieve profitable success, it is essential to attain strong operational effectiveness as well as a favourable strategic position through providing a unique added value to a product or service that is similar to that of competitors within the same market (Michael Porter 1989). Since the organization was privatized in 1987, British Airways (BA) has gained unprecedented financial growth within the increasingly competitive airline market. BA is now considered one of the pioneering airlines in green technology adaptation and environmental friendly strategic decisions. With flights to more than 300 destinations, carrying close to 33 million passengers; British Airways is one of the largest internationally scheduled airlines in the UK.

This report conducts a critical analysis of the British Airways organization in the context of its competitive environment, by evaluating the route of their competitive advantage over other airlines within the same market. The report will begin with a Segmentation, Targeting and Position (STP) analysis in order to evaluate how well they achieve customer orientation. In addition, a PEST analysis as well as Michael Porter's Five Forces analysis will be conducted, highlighting potential macro-environmental and external factors that may influence BA's future profitability. Lastly, a SWOT analysis will be conducted which will connect BA's objectives to potential, actionable tactics to be carried out for the future. The report will be summarized with a conclusion, identifying the activities that contribute to their cost leadership and product differentiation abilities, as well as potential weaknesses in their

current strategy, in order to guide strategic decision-making processes for the future.

2. 0 Route to competitive advantage

2. 1 Vision

'Compete 2012' is a strategic initiative developed by British Airways that intends to achieve their organizational vision of becoming "the world's leading global airline". The scheme entails a 360-degree view of targeted consumers, which includes viewing customer history, establishing context and initiating desired actions. The strategic plan also focuses on environmental aspects, relationships with suppliers and the BA tradition of supporting consumer friendly initiatives.

2. 2 Mission

British Airways' mission statement is "To be the undisputed leader in world travel for the next millennium" (British Airways 2012). With the objective of becoming the world's largest leader in global premium airline services, British Airways continues to focus predominantly on customer service at every level of a customer's journey. The organization has proposed a series of strategic objectives in order to attain their mission. Firstly, BA intends to harness mass global appeal to all passengers – whether it is for leisure or business travel, in order to increase customer retention and acquisition rates for the future.

British Airways also aim to ensure that a premium service is provided to all customers so that all specific demands and needs are met and that they receive the highest quality service promised to them by BA's brand values. British Airways will continue to explore the latest options and products suited for individual market segments in order to enhance customer loyalty. Lastly, BA aim to upsurge the global city growth of the organization by expanding their consumer reach within the more economically developed countries through airline mergers and partnerships.

3. 0 British Airways in the context of their competitive environment

3. 1 Strategic Position

Despite established research affirming the benefits of a favourable strategic position on an organization's competitive advantage (Hooley et al 2005); alternative research suggests that the effect of strategic marketing management on a company's overall business performance remains an elusive concept (Morgan et al 2002). This may be due to the fact that the outcomes of strategic marketing are subject to an array of internal and external influences. In examining British Airways' strategic positioning subject to potential internal and external factors via a strategy formulation, such as the environment, government policies, trends in the company's sales and financial growth as well as their overall corporate reputation with targeted consumers; the company may be able to devise a strategic implementation which could assist their desired and foreseeable positioning for the future, through capitalising on current and potential strengths (O'Sullivan and Abela 2007).

The British Airways brand continues to focus their strategy on enhancing customer experiences through the provision of high quality in flight services. New advancements in modern technology have enabled the company to expand on their current strategies through the introduction of mobile application services to their business class customers during on-flight hours. Modernization of air travel and GPS technology have also permitted increased on board passenger capacities and shortened routes on BA flights, enhancing efficiency and comfort values to the highly quality service provided to BA's targeted customers. Partnerships with American Airlines and Iberian Airlines have also increased profitability, corporate responsibility and provided an extended consumer reach.

3. 2 Market Orientation

Market orientation techniques involve tailoring of products and services in order to meet the constantly changing demands of customers (Sharma et al 2006). Effective marketing campaigns has enabled British Airways' to meet the needs and desires of their customers through their product mix, which is both powerful and engaging. British Airways recognises the value of customer retention and loyalty by rewarding customers with mileage awards and additional service benefits. The benefits of choosing BA are then communicated to customers through co-ordinated mass media advertising and direct mail campaigns, which communicate specialized service and product benefits to specific consumer segments.

Viewing themselves through their customers' eyes is an integral part of BA's marketing strategy, which is portrayed through developments of technological enhancements and mobile applications for both quick and

efficient online bookings as well as in-flight Wi-Fi and entertainment for business class passengers. Recent social media campaigns have also been employed to appeal to younger target audiences, in order to compete with budget airlines such as EasyJet for short-haul flights. The use of formal customer-based performance measures such as in flight questionnaires are also provided to gain customer feedback. This ensures that changing customer needs are understood and responded to quickly.

4. 0 Customer Analysis – Segmentation, Targeting and Positioning

In order to understand an organisations key market and communication drivers, it is essential to identify the place which the service a company offers occupies in the mind of their consumers relative to competing firms, through analysing British Airways' competitive positioning. This will in turn help to assess British Airways' current and future competitive market position. Through analysing the context of British Airways' current marketing communications instalments (Fill, 2006), the company may be able to effectively differentiate itself from their competitors by capitalising on both their current and potential strengths. This provides the foundation to any strategic marketing plan as it gathers the information needed for the company to provide consistently better value to their customers than its competitors (Cano et al 2004).

Similarly, an analysis of British Airways' customer segmentation strategies will determine a more accurate perception of the British Airways brand to the consumer, in the context of its competitive environment. In understanding BA's current company position and market segments, this would allow new

efficient marketing strategies for the future in order to please customers as well as deliver a superior service. These include better managed costs in supply chains as well as improved promotional designs in order to appeal to specific market segments, so that customers with similar needs and characteristics may be focused. Segmentation

Demographic variables- British Airways segment their targeted customers based on a range of demographic variables such as sex, age, geographic segments and sub-cultures. In doing so they are able to adhere to the specific demands of each segment and match the services they provide to each unique customer's needs. The demographic segments include affluent professionals, predominantly ABC1's – with a high disposable income. These customers primarily exist within the 25-45-age range. Another segment includes the over 50's market or 'baby boomers', again with a high disposable income consisting of primarily ABC1 individuals seeking comfort and luxury when they travel. Recent segments that British Airways has targeted are individuals within the younger demographics aged 18-25. Although this segment may not have access to a higher disposable income, British Airways have introduced a pricing strategy in order to appeal to a wider range of demographic segments in order to compete with low cost airlines.

The premium strategy gives high quality in high prices for executive and business users. With this strategy, British Airways is able to compete with the business class of its competitors in overseas and international flights such as Virgin Atlantic. Alternatively, the low price strategy has been

developed to offer a more basic product similar to that of EasyJet or Ryanair, alongside extra benefits, which add a superior quality, and are in keeping with the BA brand image. In order to focus more precisely on the different customer segments, BA introduced the concept of branding to the industry in 1988. Sub-brands such as Club World, Club Europe, World Traveller and Euro Traveller, were also incorporated in order to meet differing customer needs, whilst reflecting the airlines premium brand values (British Airways 2011). In terms of geographic segmentation British Airways segments their consumers within the global market via various divisions that represent each region of the world. These consist of the UK, Continental Europe, Africa and the Middle East, The Americas and the Far East and Australasia.

Psychographic variables: Customer lifestyles and attitudes- With reference to consumer preferences, BA has segmented their passengers based on their means for travel, whether it is for business, leisure or for both. For business customers, British Airways have ensured that they empathise with their needs and preferences through the provision of Wi-Fi and internet in-flight, as well as access to private lounges for peace and quiet. Leisure customer preferences may include in-flight luxuries such as high quality food and drink, comfortable and spacious seating as well as attentive and friendly on board staff. Customers within these consumer segment should be made aware of the benefits of flying with BA in order to reassure them that the brand empathises with their on board demands. Targeting

British Airways target an array of affluent citizens, consisting of a primary market of ABC1's, willing to pay extra for the 'enhanced experiences' that

British Airways have to offer within their business – a commitment to consistently high standards of service (British Airways, 2012). These individuals are often considered to be within the upper and middle class social scales, between the ages of 26-45. Consumer's within these social and occupational categories may also cover a wider range of ages such as the over 50's age demographic, often consisting of retired upper-middle class citizens seeking comfortable and high standard airline services for leisurely short haul getaways.

Individuals within the grey market provide a secondary market for BA as there is a significant percentage of retirees with money to spend on luxury getaway flights, thus providing a more lucrative market share for the company which may provide highly anticipated profits. (*) The airline adheres to six main brand values: Safe and secure, Professional, Responsible, British, Warm and Thoughtful, designed to 'refresh the brand' as a whole as well as represent the upgraded experience offered to their customers (British Airways, 2012). British Airways target this set of customers for two reasons: high quality airline services are a popular lifestyle choice amongst these groups of people, especially those who travel often and appreciate luxurious comforts, and secondly because they have a higher disposable income so can afford to pay extra for the premium services offered to them by British Airways (Mintel, 2013). In recent years British Airways have focused their efforts in attracting a more diverse set of consumers through the expansion of their short haul market, with additional routes located throughout the UK and parts of Europe (R. Maslen, 2012).

This prohibits those from wider range demographics to experience the ‘premium luxury’ British Airways has to offer (British Airways, 2010).

Customers associate well-known, strong brand identity’s with higher service qualities, with brand affiliation being an essential basis for customer loyalty to that brand (Cobb-Walgren et al. 1995). In March 2014, BA consolidated the brand’s entire advertising activity, from TV to CRM, into one agency, BBH (MarketingMagazine 2014). Following the release of the ‘Dreamliner’ Boeing 787 aircraft, the brand launched a recent digital campaign, “#racetheplane”, which saw people on Twitter racing the new aircraft in real-time on its inaugural flight from London to Toronto. This was an innovative attempt to engage a younger demographic with the brand, which led to BA topping the list of best consumer superbrands for their use of social media. Positioning

In terms of the positioning of the British Airways brand, the way in which consumers of the air travel services, relative to competing airlines, view it is a service of high-quality, providing a sense of superiority above other airline companies. It’s seemingly higher prices alongside its luxury benefits, affluent consumers and premium in flight services provide BA with the groundings to support its marketing platform, “ We’re here for the long-haul”. British Airways’ ability to renovate their forms of communication via social media and segment their product pricing strategies allow them to be more communicable with consumers, as well as affordable.

5. 0 Competitive Market Analysis

The resource-based view of strategic management focuses primarily on the resources and capabilities of the organization, allowing the increased profits to be made as well as a sustainable competitive advantage within the market in which it operates (Capron et al 1999). Barney 1991 stated that a firm's competitive advantage is based solely on their resources in the form of assets as well as their inherent abilities to do better than its competitors through cost leadership, product differentiation in order to meet specific consumer needs; as well as superior customer relationships (Michael Porter 1998).

5. 1 PEST Analysis

A PEST analysis is the framework used to analyse the external factors (Political, Economic, Social, and Technological) in order to assess the impact they may have on an organisation (Pickton and Boderick 2001). In understanding the macro-environment a company is competing in, they may recognize the implications certain external changes may have on their business. Factors such as these may then be easily responded to when incorporating a competitive strategy for the future (Hooley et al 2005).

Factors

Analysis

Political

Air control and security have seen increase in safety and anti-terrorism actions as a result of the September 11 air hijacking in the United States and the London bombings of July 2005. Heavy regulations on airline schedule and a limitation on scheduled passenger flights above United Kingdom region

have also affected operations for most airlines operating inside the European continent. Compliance to new government regulations is essential if British Airways to remain profitable so that customers trust the brand to make them feel safe and secure when they travel. The EU Emissions Trading Scheme (ETS) is a market-based “ cap and trade” mechanism for controlling emissions. Under the UN’s Kyoto Protocol, the EU was required to cut its CO2 emissions within the year 1990 by 8% by the year 2013. Phase 1 of the ETS commenced in 2005 and covered a wide range of emission sources including air travel, energy production, iron and steel production.

The European Parliament and EU Governments concluded that aviation would have to abide by the EU ETS Protocol from January 2012, enabling the aviation sector to take responsibility for its carbon emissions in the most cost effective way. The UK government have also implemented schemes in order to improve the airline traffic services as a result of increasing demand. The National Air Traffic Forecasts (NATS) have been legally required to utilize air traffic forecasts in order to predict demand for air travel services up to the year 2020, so that the government are able to plan services for the public in a much more efficient way (UK GOV Aviation Policy Framework 2013).

Government instability within the Middle East and North Africa which affect routes operated by many airline companies will also have an effect on British Airways services as a result of flight cancellations (Connell et al 2011).

Economic

Deregulation and liberalisation of the airline industry easier the entry to new competitors. This has stimulated for more competition and price

wars between airlines. (Mintel 2011) Cheaper ticket prices are imposing need of maximum capacity in order to make a profit. 2010 recession was a major factor contributing to the downturn in demand for air travel, which is distinguished by high income elasticity. In 2010 UK's GDP decreased to the level of 0.7%, which resulted in a trend for passengers to fly more with low cost airlines (LCA's) (Mintel 2011). People from a wider range of demographics also now have the financial means to travel, so BA must be innovative in their marketing channels in order to maintain their competitive edge against LCA's. Furthermore the global economic and financial crisis alongside continued high fuel prices has accelerated consolidation in the airline industry. Many passenger and cargo carriers have either become insolvent or have been bought by other global, more profitable airlines such as Virgin Airlines and Lufthansa.

Overall, the global aviation market remains weak (Mintel 2013). Unwarranted or excessive taxation on international air transport has a negative impact on economic and social development. The international Air transport Association (IATA) runs a number of on going campaigns in order to persuade governments to reduce or withdraw such taxes (IATA 2014). As a result, the UK government has announced that the two highest Air Passenger Duty (ADP) taxes are to be removed by the year 2015 (BBC 2014). These reforms mean passengers on long-haul flights to destinations such as India and the Caribbean islands will pay a lower tax rate (BBC 2014).

British Airways are in favor of the reform and believe that the APD should be abolished completely in order to reduce further economic downturn, enabling

those from a wider range of demographics to enjoy a taste of luxury travel, and allowing the “tourism industry to flourish” (BBC 2014). As a result of the ash crisis in Europe, British Airways recorded £90-120 million loss during the weeklong time period when it cancelled services. The employment disputes in which the airline was embroiled throughout 2010 further aggravated its financial stability. In January 2011 however, British Airways finalised their merger with Iberia, to create International Airlines Group. Based on revenues, the new company is expected to be one of the biggest schedule airline groups globally. (Euromonitor 2013). Social

The aging populations in Europe are likely to spend more in leisure and offers good business potential (Euromonitor 2012). In addition, the European economic downturn, leading to critically high levels of unemployment increases the companies bargaining power as an employer (Conrady, Buck 2012, 11). BA have recently branched out campaigns through Facebook and Twitter in order to better engage the younger demographic, so that they are able to compete with the low cost airline services, whom younger generations would be more inclined to book with. The UK’s increasingly ageing population also provides BA with the chance to tap in to the more lucrative grey market, as older people has more time in hand to travel and for leisure.

Due to BA’s strong brand presence compared to other airlines within the industry they have managed to obtain a strong level of trust and differentiation to their primary consumers. This reflects the brands efforts to go beyond the norm in offering high levels of comfort and customer service

(Mintel 2014). A large investment in customer service, combined with extensive marketing and social media campaigns that engage a variety of demographic target segments; should provide British Airways with a reputation for quality and customer-centricity (Mintel 2014). Technological

A recent survey revealed that an increase of 34% of consumers is now using online price comparison sites (Mintel 2011). Online check in and booking services, which were once a novelty boasted primarily by BA in previous years, are now currently available to the majority of consumers to use for most airline services, making competition between airlines much greater (Klososky 2011). Among leisure travellers there is significant and increasing demand for in-flight Wi-Fi, however most consumers may not be willing to pay for such a service. A report conducted in march 2014 into consumers for long-haul flights found that 28% of people consider free on-board Wi-Fi to be an important feature when taking a flight that is longer than six hours. This feature is particularly significant within the under 25 age demographic which rises to 41%. (Mintel 2014). British Airways has announced negotiations with Inmarsat - owners of the UK radio spectrum, to become a launch partner, offering a Wi-Fi service to all UK passengers on domestic routes from May 2015 (Mintel 2014).

In applying modern technology to the service provided by BA, the company have provided a unique added value to their customers, allowing them to compete with more globally recognized airline services with extended consumer reaches. Whilst pursuing technological innovation, BA must also consider their target market within the over 50's demographic, or ' baby

boomers' who may not only have a higher financial means, but are also more likely to utilize ticket purchasing and check in procedures the traditional way. This will ensure loyalty to the brand from a wider range of demographics.

Alternatively, contemporary research has seen a recent increase in the number internet sites and portals aimed specifically at the over-50's demographic, attracting around 2.1 million users each month (Intel 2014). Users are largely ABC1's, aged between 45-60, with 67% of users likely to purchase from these online sites. As a result, the sites have attracted regular advertisers such as Jaguar, Bupa and British Airways- a mix of premium travel and health brands for which the over-50's market is particularly important (Euromonitor 2014). The increased interest of modern technology within this target market may therefore pose a lucrative gap for which BA may utilize in order to better engage their secondary market and increase their competitive edge.

5. 2 Porter's Five Forces Framework

Michael Porter's five force's framework will be used to critically analyse the level of competition within the airline industry (Michael Porter 1997). This will assist the strategic direction and formulation of British Airways and aid business strategy developments for the future.

Threat

Likelihood (High, moderate or low)

Analysis

1) Threat of new entrants

Low

Threats of entry of the airline industry are low as a result of the following factors: 1) The capital requirement of entry.

A large amount of capital is required to set up an airline company. For example, a Boeing 737-800 cost £29.5m – £38.5m. Few organizations can boast such capital. 2) Relevant previous experience of an airline industry is a pivotal aspect for any consumer to want to use their service. For example, staff training and the co-operation of each department, i. e. customer service. British Airways' superior customer services have been integrated into their premium brand message, thus making it harder for other airlines with a similar service to provide to affluent consumers to want to enter the market. The main experience consumer's want is a safe flight history, which cannot be established until passengers have tried and tested the airline. Furthermore, the currently saturated long-haul markets, which are dominated by airlines such as British Airways, Emirates and Virgin Atlantic, will also inhibit other airlines from entering the market as larger more established airlines currently monopolize major domestic routes and hubs, providing them with higher power.

Similarly, the short-haul route market is equally saturated, with airlines such as EasyJet and Ryanair dominating all domestic short haul routes; thus increasing the overall competition. 3) Failures of previous airline services such as Zi and Zoom are likely to deter other potential airline services from entering the market (The Times 2008). 4) Current barriers to exit the market have been implemented, which will again deter any future airline service from entering. 5) The current and increasingly high competitive environment

of the airline industry will also deter others from entering the market as a result of the long term consumer loyalty and profitable success from airlines such as Virgin Atlantic, whom British Airways struggle to compete despite their own long term profitable success.

2) Threat of substitutes

Low

While it is fair to suggest that there is no real alternative to long haul air travel in terms of time and monetary savings, the alternatives for short-haul destinations do exist, and vary from coaches, Eurostar, car and other rail services. British Airways' primary market dominance however is within long-haul services, which no substitute forms of travel for passengers currently exist within that market. Alternatively however there are several 'non-luxury' airlines that offer cheaper fares for more price conscious customers. As BA is a premium airline service that often charges higher fares, this could potentially increase the threat of substitute services for them for the future.

3) Power of suppliers

High

British Airways suppliers possess high power. The airline faces a supplier risk from around 25 suppliers. Disruption of these limited suppliers operations would severely undermine BA's organizational operations. BA is currently working with aeroplane suppliers such as Boeing and Airbus to adjust their contracts in light of the current financial instability (British Airways 2012).

Power of buyers

Moderate

Due to the fact that there are very few substitute services that provide a premium customer service for long haul destinations – customers seeking a comfortable and safe journey across the globe have no other choice but to use an airline service. Furthermore, availability on seats for a premium airline such as BA are often limited and in high demand, therefore BA can afford to offer relatively high fixed price rates. Within the short haul market however, buyers have considerably higher power due to the presence of low cost and budget airlines such as EasyJet and Ryanair, with which BA have to compete. As a result of the varied selection of cheap travel alternatives provided to consumers, BA may be forced to alter their pricing strategies. Due to technological advancements, the increased access of the internet provides consumers with quick price comparison sites, with 56% of UK airline customers booking tickets online (Mintel 2013).

5) Competitive Rivalry

High

British Airways caters for customers within the long haul and short haul market, which therefore increases the number their overall of competitors. There is also very little pricing differentiation of the services provided to BA's targeted consumers than that of their competitors within the long haul market; thus increasing the overall competition. Virgin Atlantic customers are provided with equally high quality customer services at reasonable prices which exemplifies the fierce strategical and innovative tactics from successful competitors within the long haul market.

6. 0 Analysis of the Marketing Strategy

6. 1 SWOT Analysis

http://www.academia.edu/5285221/British_Airways_Strategic_Management

<http://www.ukessays.com/essays/marketing/company-analysis-and-market-review-for-british-airways-marketing-essay.php> Critically analyse a real world company (British Airways)

use multiple sources of info (Intel, ons. gov. uk, nexus, Bloomberg, data-stream) use at least 5 journal articles. Student progress is measured by a 2000 words Essay, which critically analyse a real-world case study. Students may choose their favourite brand, product, or company as a real world case and then critically analyse it. The essay encourages students to demonstrate their understanding of the subject area, to show the ability to think critically and to construct logical arguments. The skills required to analyse a case study will be introduced and practiced through specific lectures and seminars. – Cover at least one chapter for each part as well as follow the key points. – Be critical, creative and innovative in your structure

– Tables not part of the word count

– No need to follow the order structure given on the table – be creative in your own structure in terms of what will be a relevant form for your specific company. – Look at chapter 6 – identifying the marketing resources for further info on what the relevant techniques would be for your company.

Conclusion:

1) Are they better than their competitors at doing the things they have in common with their competitor?

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2) Do they provide a unique type of value to the customers?

3) Is their current strategy a sound foundation for the future?

Creating sustainable competitive advantage is essential for all companies.

This entails placing attributes over competitors with available or yet acquired resources.