

# Emirates airlines pest analysis tourism essay

[Environment](#), [Air](#)



In 1985 Emirates Airlines was established by Dubai Government with just two aircrafts. Today Emirates has 83 aircrafts flies to 78 destinations in 55 countries worldwide. It has a large number of cabin crews from 95 nationalities. It recently made an aircraft orders worth more than \$ 26 billion for 45 Airbus A380, which makes the company the world's largest purchaser of Airbus's super-jumbo. (About Emirates)

Emirates Airlines recently becomes one of the fastest growing airlines and the fifth-most-profitable airline in the world. It has been growing by more than 20% a year since the last 17 years making a profit of \$637 million in 2004-05. (BBC News)

Emirates Airlines is committed to achieve its mission, namely " offering consistently high-quality value-for-money service and to be the best airline on all of its routes". Accordingly, it is known as an innovative and customer-oriented provider of advanced services, such as offering personal entertainment system in all classes, 18 TV channels, 22 audio channels and online booking service which enables customers to book, search for flights and choose seats. (About Emirates)

Because of that excellence, it gained over 280 international awards, such as the prestigious CAPA airline of the year award 2005 by the Centre for Asia Pacific Aviation.

The airline industry is affected by political situations, namely wars and terrorism. For instance, terrorists' activities in different areas globally, namely USA (11th Sep), UK, Lebanon and Qatar made the regions

unattractive for tourists and business travellers and reduce the passenger's traffic.

The political instability affected businesses between airlines in Middle East and the world by facing a difficulty to join any international alliances with any of the airlines leaders such as American Airlines. (Growth phenomena, Nora & Byman)

### **Economical factors**

One of the factors behind any success airlines is having modern airports supported with latest technology to meet customer's requirements. UAE for example plans to invest in developing its main airports in Abu Dhabi and Dubai. The UAE's total investments on airport development over coming 20 years will exceed Dh 71 billion.

The benefits of developing airports are: enhancing economy, reducing depends on oil revenues by moving into new sector (tourism), increasing tourists' number and thereby driving profits to airline firms. Globally, alliance is considered as the main factor of many airlines companies success as it reduces the operation costs.

### **Social factors**

Some of those factors are: increasing world's population, tourists and number of educated people. For instance, the population is growing globally, in UAE the population in 2002 was 3, 754, 000 people and reached to 4, 320, 000 in 2004, this is because UAE is a multicultural country. As the number of expatriates is increasing, airlines firms' profits will increase, because those

expatriates need to travel to their homeland sometime. Additionally, many diseases influence the population in many countries, like Bird Flu, those killer diseases affect airline industry since they reduce population's level.

(Economic Development)

## **Technological factors**

The new technology affected airline industry negatively and positively. For example, the technology of teleconferencing reduced the need for face to face business meetings which affects on the number of business travellers and on the sales of business tickets. However, e-booking system makes the reservation easier and save many expenses such as reducing the printed tickets. (Current State)

There is a growth in internet usage worldwide. In the UAE, internet accounts are likely to grow from 251, 000 in 2001 to exceed 600, 000 accounts by 2006. Thus, local airlines industry should provide online services to get competitive advantage ex. Emirates Airline. (UAE to remain on top in Arab Internet market)

## **Internal Environment**

### **SWOT analysis**

#### **Strengths**

Member of the Arab alliance, known as Arab Air Carriers Organization promoting cooperation, safety standards among Arab airlines (Arab Air).

First airline in Arab World that offers online booking service.

Offering long-haul flights, like from US to Dubai.

<https://assignbuster.com/emirates-airlines-pest-analysis-tourism-essay/>

Offering self check-in service for customers at Dubai airport (Emirates expands).

At Dubai Air Show 2005, Emirates made an aircraft order of 45 Airbus by 2012 making it the world's largest purchaser of Airbus's super-jumbo.

Providing employees with training, rewards and performance programs, thus reducing labour costs and increasing employees' loyalty (People).

An official sponsor of 2006 Fifa World Cup, which will increase its brand awareness.

It has its own Frequent Flyer Program known as Skywards Miles that shared with Sri Lankan Airways.

It has recently chosen Dexterra Mobile Platform to enable front-office mobile solutions that will enhance customer service interaction (Unisys).

It offers training service to other airlines in Middle East which increase its profit.

## **Weaknesses**

High Operation costs due to huge investment on buying aircrafts and implementing new technologies.

Known of its high prices of tickets comparing to other airlines.

Not a member of any global alliances (UAE).

It doesn't have a hub in Abu Dhabi airport (capital of the UAE).

Young airline that was established in 1985

## **Opportunities**

The income per capita is growing in UAE.

Lots of investments will be made by the government of UAE for developing main airports in Dubai and Abu Dhabi.

There is an overall growth in the population of the world and in UAE.

World Travel & Tourism Council forecasts that there will be an annual growth in the number of UAE tourists.

There is an expected growth in internet users' worldwide and in UAE.

Aviation events such as Dubai Air Show promotes for Middle East airlines among other participates worldwide airlines and show the growing of aviation industry in Middle East.

## **Threats**

It is located in politically instable region and the terrorism activities have been increased in Middle East recently.

Increase of aviation security costs and insurance which increase the operational costs of airlines.

The increase of the fuel prices which raise the operational costs.

The airline industry might face losses of around \$ 3 billion if the oil prices did not reduce (IATA).

New entrants and the raise of low cost airlines.

The e-ticking system can be abuse by the hackers or it might be crashed by viruses, this will damage the company database and will cost a lot of money.

Passengers can be a threat to the company, as they have a strong power in the airline industry.

The natural crises such as the earthquake and hurricane. As mentioned by Al-Arabia channel, Dubai is threatened by an earthquake (2005). This will affect the tourism in this region, which will reflect in the Emirates airline.

There is a possibility of rapid spread of new acute diseases such as SARS and Bird Flue that affect tourism and airlines.

## **Strategic planning models**

There is no one perfect strategic planning model for each organization. Each organization ends up developing its own nature and model of strategic planning, often by selecting a model and modifying it as they go along in developing their own planning process. The following models provide a range of alternatives from which organizations might select an approach and begin to develop their own strategic planning process. An organization might choose to integrate the models, e. g., using a scenario model to creatively identify strategic issues and goals, and then an issues-based model to carefully strategize to address the issues and reach the goals.

The following models include: “ basic” strategic planning, issue-based (or goal-based), alignment, scenario, and organic planning.

## **Model One – “ Basic” Strategic Planning**

This very basic process is typically followed by organizations that are extremely small, busy, and have not done much strategic planning before. The process might be implemented in year one of the nonprofits to get a sense of how planning is conducted, and then embellished in later years with more planning phases and activities to ensure well-rounded direction for the nonprofits. Planning is usually carried out by top-level management. The basic strategic planning process includes:

Identify firm’s purpose (mission statement)

Select the goals your organization must reach if it is to accomplish your mission

Identify specific approaches or strategies that must be implemented to reach each goal

Identify specific action plans to implement each strategy

Monitor and update the plan

## **Model Two – Issue-Based (or Goal-Based) Planning**

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## **Summary of Issue-Based (or Goal-Based) Strategic Planning**

(Note that an organization may not do all of the following activities every year.)

External/internal assessment to identify “ SWOT” (Strengths and Weaknesses and Opportunities and Threats)

Strategic analysis to identify and prioritize major issues/goals

Design major strategies (or programs) to address issues/goals

Design/update vision, mission and values(some organizations may do this first in planning)

Establish action plans (objectives, resource needs, roles and responsibilities for implementation)

Record issues, goals, strategies/programs, updated mission and vision, and action plans in a Strategic Plan document, and attach SWOT, etc.

Develop the yearly Operating Plan document(from year one of the multi-year strategic plan)

Develop and authorize Budget for year one(allocation of funds needed to fund year one)

Conduct the organization’s year-one operations

Monitor/review/evaluate/update Strategic Plan document.

### **Model Three – Alignment Model**

The overall purpose of the model is to ensure strong alignment among the organization's mission and its resources to effectively operate the organization. This model is useful for organizations that need to fine-tune strategies or find out why they are not working. An organization might also choose this model if it is experiencing a large number of issues around internal efficiencies. Overall steps include:

The planning group outlines the organization's mission, programs, resources, and needed support.

Identify what's working well and what needs adjustment.

Identify how these adjustments

### **Model Four – Scenario Planning**

This approach might be used in conjunction with other models to ensure planners truly undertake strategic thinking. The model may be useful, particularly in identifying strategic issues and goals.

Select several external forces and imagine related changes which might influence the organization, e. g., change in regulations, demographic changes, etc. Scanning the newspaper for key headlines often suggests potential changes that might affect the organization.

For each change in a force, discuss three different future organizational scenarios (including best case, worst case, and OK/reasonable case) which might arise with the organization as a result of each change. Reviewing the

worst-case scenario often provokes strong motivation to change the organization.

Suggest what the organization might do, or potential strategies, in each of the three scenarios to respond to each change.

Planners soon detect common considerations or strategies that must be addressed to respond to possible external changes.

Select the most likely external changes to effect the organization, e. g., over the next three to five years, and identify the most reasonable strategies the organization can undertake to respond to the change.

### **Model Five – “ Organic” (or Self-Organizing) Planning**

Traditional strategic planning processes are sometimes considered “ mechanistic” or “ linear,” i. e., they’re rather general-to-specific or cause-and-effect in nature. For example, the processes often begin by conducting a broad assessment of the external and internal environments of the organization, conducting a strategic analysis (“ SWOT” analysis), narrowing down to identifying and prioritizing issues, and then developing specific strategies to address the specific issues.

Another view of planning is similar to the development of an organism, i. e., an “ organic,” self-organizing process. Certain cultures, e. g., Native American Indians, might prefer unfolding and naturalistic “ organic” planning processes more than the traditional mechanistic, linear processes. Self-organizing requires continual reference to common values, dialoguing

around these values, and continued shared reflection around the systems current processes.

General steps include:

Clarify and articulate the organization's cultural values. Use dialogue and story-boarding techniques.

Articulate the group's vision for the organization. Use dialogue and story-boarding techniques.

On an ongoing basis, e. g., once every quarter, dialogue about what processes are needed to arrive at the vision and what the group is going to do now about those processes.

Continually remind yourself and others that this type of naturalistic planning is never really "over with," and that, rather, the group needs to learn to conduct its own values clarification, dialogue/reflection, and process updates.

Be very, very patient.

Focus on learning and less on method.

Ask the group to reflect on how the organization will portray its strategic plans to stakeholders, etc., who often expect the "mechanistic, linear" plan formats.

## **Managing risk**

Risk management is a process used to avoid, reduce or control risks. Some risks can be insured against, others cannot. Organisations deal with their insurable risks but can be applied to all risks. Ignoring the risks which apply to hospitality and tourism business activities or the events business have planned could impact on the following:

the health and safety of employees, customers, volunteers and

participants

reputation, credibility and status

public and customer confidence in the organisation

financial position

plant, equipment and the environment

A systematic approach to managing risk is now regarded as good management

Practice. Following is the best example from International Hilton Group (IHG).

## **Process and framework**

IHG has an established risk management process and framework embedded in all regions. The long-term strategic goals are aligned with the IHG core purpose Great Hotels Guests Love and include these key elements:

safety and security of guests, employees and other third parties

brand strength supported by operational excellence in risk management at all hotels and corporate locations

Maintenance and promotion of the reputation of the Company.

Our approach has been to enable and support hotel owners, staff and corporate functions to manage risk effectively. This is accomplished by giving them a systematic approach and framework to follow and by providing them with tools to do the job.

The Risk Management function aims to share specialist knowledge and capability globally.

## **Safety and security in hotels**

A strategic framework for hotel safety and security has been designed for owned and managed hotels and is illustrated below showing the identified groups of risks and describing the management activities carried out to mitigate the risks.

The red wheel illustrates the groups of risks which IHG's risk managers around the world work on with IHG general managers and their management teams in order to minimise the risks and keep the hotels safe.

Over the years we have developed risk management strategies to assess and treat individual types of risk. This has involved developing policies, standards and guidelines, raising awareness levels, training staff on the controls and systems which have been developed for their use and reviewing

and reporting upon progress and continued risks. These management activities are represented by the purple wheel. Hotel safety framework

Security risks, particularly the threat of terrorism, have increased. In recent years, IHG has developed an increasingly sophisticated response that is intelligence-led and risk-based. The security risk environment is highly dynamic and needs to be managed both centrally and locally in hotels. In common with all risk strategies, there are three elements that must be developed and maintained: physical and technical systems, people capabilities and processes and procedures.

## **Corporate risk management**

The management activities shown above are being adapted and applied to manage corporate risks. This initiative is led by the Executive Committee, facilitated by the Risk Management function and integrated with quarterly strategic reviews.

IHG's Risk Management function has recently reviewed the way in which corporate risk and the major risks to IHG are managed and are seeking to develop a framework to improve risk management capability further, represented diagrammatically below: Corporate risk management

Each year, risk identification workshops are run with the senior IHG management. The output is a ' Group Risk Register', divided into areas of accountability for each member of the Executive Committee.

The Executive Committee uses the findings to identify the major areas of risk for IHG and to assign accountability for cross-functional leadership between

them. The Executive Committee prioritises and co-ordinates efforts to optimise the management of major risks to IHG.

Risk 'owners' then identify existing controls as well as the ability, benefit and cost to improve them. This work is documented in Risk Action Plans that support the risks that are reported in the Group Risk Register.

Executives review the risks at quarterly strategic reviews as part of their business review with the Chief Executive and strategy team. Global Risk Management also submits periodic incident reports and two major reports each year to the Executive Committee and the Board on hotel safety and security as well as a further report on the major risks to IHG.

The Internal Audit function is separately responsible for providing assurance across the Group. They report their findings to the Audit Committee. This ensures separation of duties between the Risk Management and Internal Audit functions and hence supports good governance.

The Board is ultimately responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. In order to discharge that responsibility, in 2008 the Board considered the most recent Major Risk Review which involved extensive consultation throughout the business.

## **Strategy and ethics**

The hospitality industry is made up of many companies who are run by business people. Business people who put short-term profits ahead of concern for the long-term health of the company or who make additional



profits by failing to spend the money necessary to handle toxic waste or pollution resulting from the manufacturing process, are not professionals and harm the reputation of the industry as a profession. The scandalous behaviour of some business leaders in the past decade has damaged the reputation of business with the community. The former “what is good for business is good for the country” has been replaced with a virulent distrust of big business.

Corporate social responsibility requires organizations to demonstrate responsible business conduct that does no harm in the marketplace, in the workplace, in the community they operate in, and to the natural environment. The actions of business impact the local, national, and global community, so businesses have a responsibility to ensure that the impact is positive.

Corporate Social Responsibility also involves “achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment”. There is no universally accepted definition of CSR, but most of the definitions have to do with business having a positive impact on the community and meeting or exceeding public expectations of good corporate citizenship.

## **Ethics in Tourism**

Ethical principals apply to all individuals, communities and societies; they also apply to all the bodies in tourism in their respective specific roles. This entails both rights and responsibilities. Concrete and specific ethical

standards for behaviour and practises in tourism must follow the broad principles as outlined here.

Solidarity with those who are directly and strongly affected by tourism and who suffer from unjust structures connected with tourism, and solidarity with those who need material or political and philosophical support in defending their interests and rights which are threatened by tourism development or which are ignored in decision making processes;

Justice in a world tourism order, an aim which intends to change all structures of injustice that exists in the fields of economics, politics, social and cultural life;

Respect of diversity in the various areas of life - societies, environment, cultures, religions and politics - which calls for sensitivity to difference and the practice of tolerance.

Authentic information for all people involved or interested in tourism. Such authentic information is a basic need for a just world tourism order. This places a particular responsibility on the media to be objective, fair and truthful when reporting on tourism. Professionals engaged in tourism education should also promote need for authentic research and information to develop sensitised and aware personnel in tourism.

In order to improve the present situation in tourism and to minimize its negative impacts, firms must urge all (nation) those involved to contribute the best of their knowledge, abilities, and skills towards a tourism that is in line with these ethical principles.

The tourist's board must involve the governments, other public authorities, decision makers and professionals in the field of tourism, public and private associations and institutions whose activities are related to tourism, tourists and local communities to adopt the realistic principles and work towards the mutual objectives.

## **Strategic VS operational conflicts**

Just like any other business, Tourism Business planning always have a 'strategic' and an 'operational' element to position the strategies. In order to make the intangible and highly sensitive industry firms must be able to balance the different roles and utilize strategic and operational plans.

A Strategic Plan is an organization's summary of the development process and the presentation of core directions

An Operational Plan is an annual work plan explaining how the goals of the strategic plan will be implemented and what budget and processes are required.

Strategic planning helps the organisation to pull back the lens, get a big picture view and consider future scenarios. It gives you the best opportunity to maintain control, avoid serious pitfalls and capture opportunities. Thinking strategically about business involves creating a vision for where you want to be in 2, 5 or 10 years, Strategic planning is not just for big companies and has benefits no matter what the goals. The defined goals might include increasing the sales or market share. Goals may also include environmental and sustainability targets or to sell the business.

Operational planning focuses tightly on the day to day operations with no more than a 12 month cycle. Depending on the farm's activities, the manager might want to further break things down to daily, weekly, monthly or seasonal active. Operational planning focuses on adjusting and developing controls, increasing efficiencies and reducing time and investment.

## **Conclusion and Recommendation**

The airline industry is a huge market as there are 900 airlines' companies internationally with total of nearly 22, 000 aircrafts, nevertheless it has a low growth rates as it is in its mature stage of life cycle. (The economic & social benefits of air transport).

For any new entry the airline industry is considered to be unattractive, because the demand is low, the competition is strong and the operation costs are increasing. However, for Emirates Airlines it is attractive as its strategy and market position creates a good defence against its competitor. For example, it created a strong brand name and customer loyalty in the market by implementing the latest technologies in its services to be positioned as a pioneer in the airline field. It also achieves high profits yearly as it focuses proficiently to enhance its market position by differentiating in its strategies that would be used to attract customers such as flyer frequent program.

Also, it has many chances to overcome with all the obstacles that might occur and affect the airline industry such as political or economical problems, etc. as it is a member in Emirates Group which enables sharing resources

and reducing the company's expenses, thus leading the company to protect its position in the market.

Overall, Emirates has a great market position plus it's a profitable airline which is measured as a competitive advantage, since it has the opportunity to compete and expand its business to gain higher profits.

Emirates Airlines adopts differentiation generic strategy to gain a competitive advantage amongst its competitors by offering the highest quality services in order to be the best company in the market and differentiates from its competitors. For example, Emirates airlines was the first airline that offered TV screen for all aircraft's classes. Also it was the first company in the Middle East to serve the e-ticketing.

In addition, it gained a competitive advantage by focusing in new segments in the market. For instance, it provides another airline companies such as Qatar Airways with training courses by using the most modern machines, called plane simulator to be the only company in the Middle East that offers such service. The aim of such changes is to be the leader in industry by increasing the brand name awareness regionally and internationally which will increase the demand and the profit as well.

As the Airline industry is in the maturity stage, there is a strong competition between airline firms. Each firm should use offensive strategies besides doing analysis for internal and external factors that may affect its position. The research and analysis for Emirates airlines address following recommendations:

The operational cost is increasing due to huge investments of Emirates on aircrafts and services and increase in fuel prices. Emirates should reduce the costs by making operational improvements, namely improving maintenance processes, maintaining high aircraft utilization and making effective flight scheduling. It could also be reduced by investing technology in distribution channels to reduce labour costs.

In response to the threat of low cost airlines, Emirates shouldn't lower its fares after years of offering advanced services, instead it has to offer new low cost brand as a subsidiary of Emirates group serving economic travellers who are now customers of new low cost airlines, thus expanding the market share.

Extending routes is recommended especially there is a growth in tourism UAE. There are main regions in the world that Emirates do not have routes in, namely Canada, It has to extend destinations worldwide (especially attractive areas). Joining a global alliance enables increasing its destinations, offering more fare options for customers helping to solve problems of new low cost airline.

Investigating technology is recommended for improving customer service and Emirates has to sign contract with an e-business company that offers airlines technology solutions.

Generally, Emirates should do analysis for internal and external factors and its competitors and develop new strategies to stay competitive in the maturity stage.