

The objectives of the ryanair corporation

Environment, Air



The main objective of the Ryanair is to remain in Europe and to become a leading low fare airline by using regional and secondary airport with a point-to-point service. It is popularly known as the largest low-cost airline which can also be specified as no add-ons or a discount carrier.

Ryanair followed a strategy which was similarly followed by Southwest they also carry out direct point-to-point service. Ryanair flights have proven to carry out the shortest journeys out of all low cost carrier firms, helping to reach high level of success for the company.

Pestle Analysis:

PESTLE analysis “ is used for marketing and business development assessment and for decision-making” (Wisconsin, 2004). In analyzing the macro-environment, “ it is important to discover the factors that might affect a number of vital variables that are likely to influence the organization’s supply and demand levels and its costs” (Kotter and Schlesinger, 1991). According to Johnson “ PESTEL (PEST or PESTLE) framework can be used to identify how future trends on the following environments might impose on organizations”. (Johnson, G. & Scholes, K. 2002). These results are used to “ mark opportunity and also to make contingency strategy for threats when planning strategy for the business” (Cooper, 2000)

Political Issue

Airline industry will be influenced by political factors and policies in many ways, they can create advantages and opportunities for organizations and on the other hand they can place requirements and duties on organizations.

Ryanair operates mainly on Europe so European politics play a major role. There have been many changes in the security concerns of airline industry since the terrorist attack on 9/11. The Government has imposed lot more instruction so that the airline industries have become lot more restrictive and cautious. For example the security measures and the scare of airplanes being blown up in the UK on august 10th 2006 has fixed the level of baggage passengers can carry with them and ban of liquids, and the essential of carrying items in a clear bag. Immediately after the announcement of new rules there has been a huge loss for airline industry and particularly for Ryanair it has canceled 279 flights and refunded €2. 7m to its passengers and it estimated to suffer a loss of €1. 9m in reduced bookings. There was change in the restrictions in a short time by increasing the number of quick check-ins and full body scanners.

Economical Factors:

The economical factors within the airline industry involve areas concerning the local, national and world economy and the impact on market. It is a euro based business, so Ryanair will be affected by the changes within the currency. For example if the euro is stronger than the pound the company is likely to come across more customers travelling from Europe to the UK and vice versa.

Another major concern for the airline industry that has the potential to hit their economic market and lower profits significantly is the rise of oil prices. In spite of the hikes in the oil prices, companies like Ryanair are still managing to register good profits with smart strategies like, locking the oil

price, fit in proceed of the requirement. It has depended on cash assets to deal with the unrestricted oil price rise that affect profits. For example, British Airways adds an extra charge to tickets whereas Ryanair rely on periods of unrestricted price rises being short.

Socio-Culture

Refer Appendix-1

Technological Factors:

“ Technology must be considered as a prime factor in the analysis because it is a part of the organization as it is used for the creation of competitive advantage within the industry.” (Capron & Glazer, 1987).

The technology plays a crucial role in the airline industry because there will be improving constantly to provide improved and safe services for the travelers; and thereby reducing the rate of emission of carbon dioxide, decrease of water vapor levels and also reduce noise traffic and congestion within airports. If the technology in the use of aircrafts is improved it automatically increase our opportunities, Ryanair is currently using different types of Boeing aircrafts like 737-800 and 737-900 (www.boeing.com) as the pilots are highly skilled to fly the variant. If 737 goes out of production then Ryanair will be facing a lot of issues because 757 or 767, requires additional training with expensive aircraft simulator and line checks. As of now there is no risk for Ryanair because planes are manufactured for several decades before being discontinued.

Legal

Legal issues are more complicated for Ryanair because they are employing staff across Europe. Ryanair has several Belgian staff working for them and they were removed from the job after a year-long train period which was accepted according Irish law. A court passed rule stating that they belongs to Belgian rule even though they are recruited in Ireland and according to Belgian rule maximum trail period is six months (Rochet 2005) so it's unfair to remove them.

Every airline has to consider the data protection act where the protection of consumer's personal information is to be confidential. Ryanair recently faces a problem that their ability to meet Disability Discrimination act, they stated in their website that they will offer lower prices for wheel chair users but they had charged €25 for the use of wheel chair and he filed a case against Ryanair which have damaged the brand image.

Environmental Factors

The main environmental problem which was faced by Ryanair is Green House effect. It is reducing the fuel burn up and Co2 emissions by 45% by using the latest aircraft and engine technologies; and it is working constantly to progress its performance and to decrease pollution. Ryanair old Boeing 737-200 used to make a lot of sound pollution; by using 737-800 even reduced the noise by the aircrafts. According the business model of Ryanair it will not offer any free meals or drinks and this result in further reduction of waste.

PESTLE

IMPACTS

Political

High

Economical

Very High

Socio-culture

Low

Technological

Medium

Legal

Very High

Environmental

Very High

Porter's Model

According to Porter (2008), “ Businesses have to understand the dynamics of its industries and markets in order to compete effectively in the marketplace” and is conducted on airline industry.

Threat of New entrants:

It is not easy for a new airline industry to enter into the airline market. It is very expensive to start because finance places a major role for starting an airline industry however we can start the basic operations initially by buying a small plane or leasing; like Ryanair it has started with 15-seater plane. The competitors will be very high in the beginning for example Ryanair has British airways and Aer Lingus (www.ryanair.com). Newly set up airlines have to choose new routes which may lead to the loss of money and also they should get permission for landing and takeoff slots. As we are new to the industry to attract customers by offering them tickets for attractive prices which are of fewer cost than the existing airlines.

Power of suppliers

Switching cost of suppliers is low and it has little risk and more over airplane materials are supplied by Airbus and Boeing and its having a huge competition among them. There is a high demand for fuel as we can see the fuel price will be always fluctuating as oil is limited. Ryanair maintains better relationship with suppliers so that they can have better deals which other competitors may lack. For achieving the backward integration we can put pressure on competitors by creating our new methods for distributing services to customers and bargaining with consumers.

Power of Buyers

Switching cost of buyers will be very high because of the high brand names, which can be used by some companies like Ryanair. As the web is well developed and consumers have right to access the data they can check all

the options and choose an airline ticket. Consumers mainly purchase their tickets considering price, punctuality rather than features. Customer retention is only possible by means of extraordinary service and a good quality all these features are acquired by Ryanair so still there are more passengers choosing it; and more over it is using small airports with a very less air traffic and minimizing the delays.

Threat of Substitutes

“ Technology plays a major role in the airline industry so as to have competitive advantage and is widely recognized by various literatures on strategic management” (Capron and Glazer, 1987; Johnson and Scholes, 1993). The main substitutes of airlines which Ryanair need to consider are rail services because they have become much more suitable and easier for travelling and they are also available at low-cost. Some will have passion of driving and will be choosing cars and bikes as their transport. To overcome these threats Ryanair has to compare these transports and advantages of choosing flights.

Industry Rivalry

Rivalry among the competitors will be very high and it will be having a high risk also so this factor has higher importance. There is a difference between the strategy of Ryanair and competitors they offer at low-cost and also point to point services. The main disadvantage of Ryanair flights is for example Frankfurt flights go to Hahn which takes two hours of road journey to reach Frankfurt so people wish to pay more for direct route. Customers are important, So Ryanair has to adopt location based discounts to attract

existing customers and potentially new customers and in that way they can have slight difference with the competitors.

Porters Models

Impacts

New Entrants

Medium

Bargaining power of Buyers

High

Bargaining power of Supplier

Low

Industry Competitors

Very High

Substitutes

Medium

Strategic Group Analysis

“ Strategic group analysis can provide insights into the competitive structures of industries or sectors and opportunities and constraints for development (Johnson, G. & Scholes, K. 2002)”. As the Ryanair is having 1000 routes and it is serving 26 countries it is placed on the top of the table.

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Next to the Ryanair; Easy jet is having 500 routes and serving 28 countries. Among all the airlines Norwegian is serving maximum countries of 28 and with fewer routes of 210. Fly be is serving 13 countries with 194 routes. To know the barrier of entry it can be explained by Mobility barriers. (Refer Appendix-7)

Ryanair

More

Easy jet

Fly be

Routes

Norwegian

Less

Narrow globalization broad

Mobility Barriers

“ The key to the strategic group concept is that differences in profitability between groups persists because of the existence of mobility barriers that stop firms entering or moving between groups and thus competing away profit differentials” (Johnson, G, Scholes, K. and Whittington, R. 2008). To increase the number of countries served, Ryanair has to serve up the major airports, this is difficult to achieve as the cost will be increased if they are serving major airport. For an efficient airline the countries served should be

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more and the number of routes should be decreased for Ryanair it is difficult to achieve as there are already established airlines following the major routes and there might be EU regulation to control the air-traffic.

Ryanair

More

Easy jet

Fly be

Routes

Norwegian

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Narrow globalization broad

Business Strategy of Ryanair.

As Ryanair follows the no-frill strategy, to control over the prices it is mainly focused on how to reduce their costs and it reduces their cost by considering the following factors

Advertising Costs

Ryanair is marketing themselves through their website, newspaper, radio and TV. Ryanair preferred to use their website for selling tickets rather than approaching a travel agent; so they decreased the commission of the agent.

Their website alone gets 95% of bookings even it helps for hiring cars, travel cover and so on.

Airport Charges

Ryanair has managed to decrease landing cost, parking cost, noise charges by providing their services to secondary and regional airports. Second hand airports help to reduce cost and time delays and thereby we can provide effective customer services.

Productivity and Staff costs

The pay for the staff is based on the whole company performance. EU put an end to the duty free sales, so employees get payment for duty paid selling.

Service Contracts

Services such as Aircraft management and contract work are given to the third party so that safety and quality of machinery are checked thoroughly.

Strategic Capabilities

Ryanair needs an effective strategy to improve within the industry. An effective strategy helps to “ Focus on profitability not just growth, an ability to define and make tough trade-offs in what not to do” (P. Kotler, 2005)

Resources

Competences

Threshold Capabilities

Threshold resources

Planes

Crew

Threshold Competence

Internet booking

Point-to-point services

Less turnaround time

Capabilities for CA

Unique Resources

Excess usage of flights

Secondary airport

Core Competence

Reduced cost

Brand

Core Competence

“ Core competences are activities or processes that critically support organizations competitive advantage” (Johnson, G and Scholes, K. 2002).

Ryanair core competencies are the selection of destinations and routes which offer services in the Europe, the rapid amount of flight and sufficient capacity. Ryanair is reducing its cost by selecting its secondary airports and

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it's giving less commission to its third party agents. Ryanair has mainly operating point-to-point services because of that it's paying lesser amount for airports and reducing its cost. In the view of customers Ryanair has a good brand identity because of its use of its latest planes and well trained crew staff. They serve variety of destinations and they increased their market share and it helped them to sustain competitive advantage and it can be clearly explained by using the following

Value Chain

The main focus on the surroundings (including external and internal) of Ryanair, which help to produce their service. The values of such procedures are analyzed to see if Ryanair is able to produce best service or not. The primary focus of value chain is to provide low cost and high quality service. (Refer: appendix-8).

The following factors show how Ryanair adds value in the internal operations which in turn reflects to the customers.

Inbound Logistics: The aircrafts and service materials purchased from Boeing are implemented and transferred to manufacturing sector. This involves quality training, low cost suppliers and airport agreements.

Operations: The products are created from materials and processed into finished goods through manufacturing process. It focuses on low cost and no frills.

Outbound Logistics: The finished materials and products are brought from individual airport and ensured that they are in order for Ryanair to operate properly. It focuses on reliable service and quick turnaround.

Marketing and sales: The products and services are then to be advertised through marketing campaigns and promotional techniques like newspapers, magazines, and website. It looks at low cost promotions, free publicity, yield management etc.

Service: After sales, the company should continue providing value to the customers. The company should aim at achieving this through limited resources, low cost and thus high productivity.

The secondary factors include:

Procurement: The best functionality of the company is to be ensured by attaining relevant materials like plant and machinery equipment.

Technology development: Both goods and technology are developed within the company. Internet is one of the technologies utilized for sales, marketing, gathering information etc.

Human Resource management: Deals with managing employees, giving appraisals, rewards, recruitment. Aims at low cost training, limited crew, proper management control etc.

Infrastructure: Involves services which are part of company's economic activity.

Bench Marking.

Bench marking concept is used to analyze the strategic abilities of Ryanair and how they overcome their competitors by its performance. It is also used to identify the position within the industry. “ Successful benchmarking for an organization can be analyzed by its own performance and then compare its performance in several areas against competitors (David Campbell, George Stonehouse and Bill Houston, 2003)”

For further information refer Appendix-9

Porter’s Generic Strategy for obtaining Competitive advantage.

The main strategy of the Ryanair is cost-reduction and it works as the strongest agenda of it. Porter’s Generic Strategies can also be used for identifying strengths of Ryanair in the market place. By applying these strengths we can write three generic strategies:

- Cost Leadership
- Differentiation
- Focus

Cost leadership strategy is based upon a “ business organizing and managing its value- adding activities so as to be the lowest cost producer of a product within an industry (Campbell, 2002)”

The above three strategies gave an opportunity to Ryanair to reduce the cost to a great extent and to gain advantage over its competitors. Ryanair aimed

to offer the lowest fare at the beginning but the enormous expansion of Europe and the recession made Ryanair to think upon the other critical factors that would help them to survive among its competitors.

Differentiation strategy appears to be less advantageous as it's easy for the competitors to imitate and then attract the customers towards their side.

Ryanair with its strategies has now become the first low fares, no frills carrier. The strategy of Ryanair was not clear as it wanted to be a cost leader but was more focused. Ryanair generic strategy used to be unclear as it lies in between focuser and cost leader and it was more nearer to a focuser.

They were not sure about which one they wanted. But as soon as competitors started flourishing Michael O'Leary decided to follow cost leadership. Ryanair has the purest form of low cost airline in Europe low fares, no frills carrier. Differentiation strategy is considered as a danger strategy because it may lead to imitation by competitors and change in desires of customers.

Bowman's Strategy Clock

The "Strategy Clock is based upon the work of Cliff Bowman (C. Bowman & David Asch 1987)." [Refer Appendix-10] Bowman created his strategic clock to identify the company's position by comparing with their rivalries.

According to him Cost and differentiation are used to achieve real advantages of companies. In the last decade there was a dramatic change in the Ryanair; their no frills and low-fare strategy helped to gain high profits and achieved a significant value of growth.

In Bowman's Strategy Clock all strategies of Ryanair can be plotted between options 1 to 5 and it can be never plotted at the failure part of Bowman's clock. Now a day's Ryanair is placed between 1-2, which regards low price. We can easily recognize it as the best position for the Ryanair . It has to update their lowest price strategy with a standard service then they can become strongest company in the competition

Sustainability

Ryanair have progressed immensely over the years. The company can enhance many areas of their organization by implementing the strategic changes recommended, which have been a cause for concern over the past years. The main strategy which made it to be the leader in the low cost airlines is it's no frills strategy and it selects secondary airports as its destination and thereby reducing airport charges. Hedging techniques are followed by Ryanair to avoid problem when there is hike in the petrol prices. It has well trained crewmembers and by using the latest airplanes has increased the reputation of Ryanair and by following all these methods Ryanair can be sustain in the future.

The company is able to meet the number one demand of their customers . It is offering tickets at low price to customers. Frequency of flights is good so the turnaround time is less and as a result of this there are no flight delays. Every traveller will be expected to reach their destination as early as possible and it was achieved by Ryanair as they are serving point-to-point services . If the customer does not carry any luggage the wont charge so for

frequent and business travellers are well benefited. Thus by offering all these services Ryanair can sustain in future.

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Appendix

Appendix-1

The socio-cultural factors include demographics, disposable income, changes in buying pattern (Pearce and Robinson, 2005).

It is mainly operating in European countries which are having less population. Education rate increased a lot when the people moved to urban areas; as there is a huge change in the life style and frequent travelling increased, consumers got attracted to the lower-cost strategy of Ryanair.

Appendix-2

Appendix-3

Appendix-4

Appendix-5

Source: <http://www.ryanair.com/en/about/ryanair-and-the-environment>

Appendix-6

Swot Analysis

Strengths

The first low cost carrier in Europe is Ryanair which helped them to gain a strong market position.

Well established Routes and Networks.

Ryanair used well developed aircrafts and high capacity of seats as well as decreasing the gas emissions.

Customers are well satisfied for the company's value of money.

Strong public image.

Established market share and strong financial expansion.

Weakness

Staff working in non hygienic conditions.

Customer services are unstable.

Food is not provided in the airlines.

Charging high insurance fee from each person.

Unfriendly relationship with the competitors.

Highly dependent on Michael O Leary.

Opportunities

Looking for a joint venture with Air Lingus which will help Ryanair to expand its flights to global areas.

Decreasing the cost of flight ticket. (<http://news.bbc.co.uk/1/hi/business/1638562.stm>)

Expansion of Elfaa. (<http://news.bbc.co.uk/1/hi/business/4266771.stm>)

Threats

High competition

Substitute Transportation.

Because of poor customer service bad publicity was spread on Ryanair.

They are not expanding into Non EU states.

Appendix-7

Airlines

Routes

Destinations

Ryanair

1000

26

Easy Jet

500

28

Norwegian

210

28

Fly be

194

13

Source: http://www.elfaa.com/Statistics_December2009.pdf

Appendix-8

Appendix-9

Historical benchmarking “ looks at the performance of an organization in relation to previous years in order to identify the significant changes” (Johnson, G and Scholes, K. 2002), and is used to analyze the Ryanair performance in the previous years. This method tells us the how the performance is improved and it helped to Ryanair to anticipate within the industry to compare with its competitors.

Best-in-class benchmarking “ compares an organization performance against best in class performance-whenever that is found” (Johnson, G and Scholes, K. 2002), and it is the best option for Ryanair because in this we can compare other company success and can apply in a better way in the company.

Source: <http://www.ryanair.com/en/about/ryanair-and-the-environment>