Founding of the ryanair airline company

Environment, Air

In 1985 Cathal and Declan Ryan has founded the company. The airline started with a fifteen (15) seater Embraer Bandeirante turboprop aircraft and it was flying between Gatwick London and Waterford. On that time London-Ireland flights held by Aer Lingus and BA (British Airways). The company added a new route between Dublin and London in 1986 and competition started with the AL/BA duopoly. Company was refused by the government of Ireland, but the conservative government of UK has approved this new service. According to some analysis Company was generating the loss instead of profit but the mean time number of customers increased frequently. By 1991 company started to thinking about to make airline profitable and this task has been given to the Michael O'Leary. Ryan the founder of company suggested and encouraged Micheal to study the US airline model ' No Frill/Low Fares), which was using by the Southwest Airline in US and after that the model was implemented in the Ryanair. In 1995 at the completion of 10 year of the company, the Ryanair was carrying 2. 25 million passengers. Ryanair overtakes the Air Lingus in the same year and became largest passengers airline between Dublin and London and largest airline on any route in the Ireland.

Mission statement:

Mission of Ryanair is

Provide Low fare Rate travelling at all the time for all the routes.

Key service commitment

Puncuality

Objectives:

Rynair believes on the following factors:

One way reservation to make flexible return for the passengers.

By controlling equipment cost, personal productivity and customer service cost operating cost keep low.

For peer groups best customer service

Maintain shor-haul routes frequently point-to-point flights.

Flight confirmation and reservation system availability on the internet.

No compromise on safety and quality maintenance of airplanes

By using ancillary service enhancement of operating results.

Focusing on the criteria of Growth, like more routes and increased frequency.

External Analysis

Political Analysis

Ryanair operates throughout the Europe and any political changes in any country can be effect the strategy of Ryanair. Ryanair has some dispute on each passenger flew at Newquay Airport with Cornwall Country Council.

Tax policy is another issue for Ryanair which can be create problems for the company.

Another political issue regarding the cash back that European Law is to fare return if any cancellation of the flight. This is not a big issue for Ryanair because Ryanair maintains their high quality service.

An announcement by the government of Ireland To break up the state monopoly may be brought some questions in European airline industry. However, if this plan implemented then Ryanair can be seriously affected It may block Ryanair future expansion in the Ireland.

Economic Analysis

Ryanair is European based company and so many of its operations are not affected by the exchange rate, as single currency operates many of these countries.

The only economical issue can the price of Oil, as Oil pricing are increasing frequently, this can be effect the low fare strategy of the company.

The taxation policy bring negative impact on the employees of the company as Europen Union has announced " EU deleted duty-free on intra-EU".

Social Analysis

European Union is and economic union of 27 countries. They developed a single market and single currency for exchange. A large number of people travel every day from one country to another country so they need a best solution and cheap fare travelling which is provided by the Ryanair.

Technology Analysis

Ryanair is taking the best advantage of technology by providing solution through the internet. But this trend is growing in the European Airline Industry and other airlines are establishing their website. By using the technology Ryanair save cost and open up revenue like advertisement income.

Environment Analysis

Greenhouse emission is the big issue which is facing by Ryanair. Ryanair strategy has a positive environmental impact. At present, aviation accounts for roughly 5% of the UK's emissions, but this is expected to rise to 25% by 2030 (Economist 2005: 35).

The other main environmental issue is noise, the 737-800 will to reduce this issue.

Legal Analysis

The reiterated rule against illegal state subsidies hoped to be establish fair deal for the airline industry of Europe. " EU decision was based on non-discrimination legislation preventing airport from offering differential deal to different airline operators." On the contrary, Ryanair may need to repay penalty for breaking rule.

Porter's Five Forces Analysis

Bargaining power of suppliers

Ryanair's main suppliers are Boeing. Two possible suppliers of planes for Ryanair in the market are Airbus and Boeing but Ryanair's main supplier is

Boeing. Tring to switch supplier would be very costly because pilots would have to trained for the new mechanics. Ryanair controls aviation fuel through prevarication Price. Small and regional airports can have little bargaining power as compare to big and commercial airports because they only dependent on one airline. Ryanair avoid big airports and work from regional airports such as Stainsted and Gatwick.

Bargaining Power of Customers

Customers are price sensitive. It is very easy for customer to switch from one airline to other airline. Due to the increasing trend of reservation through internet customer can easily change airline. Ryanair is providing very low fare to customers but customers are not loyal.

Threat of New Entrants

Rynair can handle this issue by following these steps

· Put Some barriers and obstacles to newentry:

· Availability of some restricted slots make more difficult to find suitable airports for new entrants.

· By Starting price war.

Competitive Rivalry

There is very high competition in the market. Too many service providers are in the rivalry. Ryanair has first mover advantage in this market bacuase when they started the service their was no service providers but now there are many airlines in the competition with Ryanair.

3. Ryanair's Resources and Capabilities

Resources:

Ryanair has following threshold resources

1. Financial Resources

2. Hub Set up in Regional Airports

3. Number of Aircrafts

Following unique resources make Ryanair distinguish from their competitors:

1. Website

2. Boeing 737 Aircrafts

3. CEO Michael O' Leary

4. Award of Best managed Airline

5. Dedicated Team of Management

6. Ryanair Direct Limited

Competences:

Threshold Competences:

Low Fares

Advanced Reservation System

Baggage handling

On time service

Operating expanses in Euro Currency

Advertising and ancillary services sales

Core Competences:

1. Efficient Staff – Low costs of staff training

2. Fast Turnaound time management

3. Free Seat Givaways – No fares

4. Good Quality Service – No1

5. Third party service outsourcing

6. Performance related pay structure

7. Labour costs lower than rivals.

4. Strategic Situation

SWOT Analysis of Ryanair’s Environment

Strengths of the Company

Brand name:

Ryanair has very well recognised brand name in the LCC market.

Low airport charges:

Ryanair has advantage of low charges for airport.

First mover:

This advantage acts as a barrier to new entry

Bookings on the Internet:

More than 94% booking on the internet contributes in low cost distribution

Aircrafts-Boeing:

Ryanair has A uniform fleet for maintenance.

High performance:

Punctuality, low baggage loss.

Utilization of Aircraft:

By keep maintaining Ryanair is able to flies longer and generating more revenue from assets.

Small headquarters:

Low on overheads

Weaknesses of the Company

Niche market:

Restricted expansion possibility

Distance of Airports:

Many regional airports are far from advertised destination.

Changes in-charges frequently

Opportunities

There is a lot of new destinations expected to open as European Union is going to be enlarge:

The market share would be doubled as there is still potential in the company to capture market share.

Recession can help as Ryanair offers low fare cost and can catch the new customers as economy is slow down.

Threats for the Company

Increasing price of oil is a big threat for company as fuel costs depend on the oil market.

· Low fare competition is increased

· Europena court dicision can make more difficult to make expansion.

· Growth in the South European market is limited

· Bargaining power increases on regional airports

· Customers are price sensitive

5. Strategic choice.

Options

1. Low cost strategies- First Otion is to Continue the low cost strategy to remain top of the Cost Leadership

2. New Investment: New investment can be made for modernised fleet. Will become more uniformed with only one model (737-800) which leads to cheap maintenance. Ryanair would use the next generation aircraft Boeing 737-800 as an opportunity to rejuvenate the image of the company. By using new quality infrasture and Boeing 737-800 the perception can be made false which is “ Ryanair is los cost service, it is also a low quality service.” Change in uniform can increase the confident level of staff and provide a good change for the customers. It will be inexpensive relatively and will not effect the company’s equity in wide range and company’s price leadership strategy will not be destroyed.

3. New markets: Look for the new places in the Europe to expand the business.

Michael Porter’s Generic Strategies

For Ryanair to obtain a sustainable competitive advantage, Michael Porter suggests that any company/organisation can follow either one of three generic strategies.

· Strategy 1: Cost Leadership.

· Strategy 2: Differentiation

· Strategy 3: Niche strategies

· Are you ‘ Stuck in the middle?’

Opt. #1

Cost Leadership Strategy:

To enhance growth of the company Ryanair should pursue Cost leadership strategy which is provided by the Porter’s Generic Strategy.

Cost Leadership could be done in the following ways:

· Increasing profits by reducing the costs, while charging industry-average prices.

Increasing market share through charging lower prices, while still making a reasonable profit on each sale due to reduced costs.

Bowman’s Strategy Clock

The ‘ Strategy Clock’ is based upon the work of Cliff Bowman (see C. Bowman and D. Faulkner ‘ Competitive and Corporate Strategy – Irwin – 1996). This is an appropriate way to analyze a company’s competitive position in comparison to the offerings of competitors.

Ansoff Matrix

Ansoff’s Product/Market Matrix

Opt. #1 Opt. #2

Opt. #3

Market Penetration

Option 1

Market penetration technique can used in the current market with current brand or product.

By repositioning the brand and or promoting the products Ryanair can increase its revenue.

Product Development

Option 2 Product development means bringing a new product in the existing market. This is where Ryanair will market their newest investment. Ryanair would lounge a new product to the existing market this will help to increase the profitability of the company and awareness of new brand can bring more customers towards the organisation.

Market Development

Here, Ryanair would try to open up new markets possibly some where in the Europe and can provide current product or service to those markets.

Implementation Methods of Options

The Following is a table showing the three options chosen above and the implementation method chosen for each option.

Option

Implementation Method Proposed

Continuation of low cost strategies

Organic Growth

2- 2-Investment in modernised fleet, which leads to less expensive maintenance

Organic Growth

Try to expand the European markets to accommodate more European countries and also open new markets servicing parts of North America, South America and the Caribbean

Organic Growth

Figure 4: Table showing Options and the Implementation method proposed

Organic growth

Organic growth refers to the growth that achieved by internally investments made by the firm inside the organization. Organic growth is rate of business expansion through increasing the output and sales as opposed to acquisitions and take-over by the other organisation.

There are some benefits of this method

Latest Technology

Cost Spread

Choice of Location

No Inappropriate Cultural History

The above options can be evaluated for suitability, acceptability and feasibility and then these can be successfully implemented.

Suitability means wheather a strategy fulfil the requirements those are needed to remain operating an organisation. Moreover whether the chosen options are in the line of mission, vision and objective of the organisation.

To test suitability following should be determined:

Examine whether the organisation possess the key resources to pursue the option.

Analysis of the organisation's external environment, whether the option is suited for the organisation.

Determine the competitive advantage and if go ahead with the option would it lead the organisation to a good financial performance.

2. Acceptability

Acceptability concerned with the expected performance outcome of the strategy.

A financial risk analysis should be done here.

The effectiveness of the impact on the following:

Employees

– Bankers

– Customers

– Suppliers

Stakeholders

– Shareholders

–

3. Feasibility

Feasibility examines the following options:

– Internal constraints which would restrict the implementation of the option and also the weakness that would constrict the option

– Would the option improve performance level within the resources?

– What resources are possessed and additional requirements to pursue the options

– Commitment from managers and human resource and the physical constraints e. g. industry-rights and air-space legislation.

Suitability –

Life Cycle Analysis

Life Cycle Analysis showing Ryanair’s position

The above figure shows the Life Cycle Analysis for Ryanair. Ryanair is providing services from the last two decades and we can say that the company is in its maturity stage, it can be seen from the above figure.

Keeping continue low cost strategies Ryanair can increase the sales and defiantly profitability of the organisation can be increased.

Ryanair should use the next generation aircraft as an opportunity and new fashioned uniform can be give the better dynamic look of the organisation.

Climate change is playing a critical role. Due to change of climate Eastern Europ contries are becoming tour places and attracting the visitor to there. Thousand of visitors are travelling to Eastern countries every year just for only visiting the places. Skyroute aviation has already started flights for some of these places but still there are opportunities for Ryanair.

Value Chain Analysis

Infrastructure

HRM

Techn. Dev.

Procurement

Inbound Operations Outbound Marketing Service

Logistics Logistics & Sales

Figure 6: An Illustration of Ryanair’s Value Chain

The main core competencies of Ryanair are:

– Their unique cost cutting policy

– Robustness

– Culture

Implementation of option 1:

Continue following the low cost strategies, takes into consideration all of Ryanair’s main core competencies. In terms of robustness, competitors of Ryanair can imitate but if not implemented in the right way, could prove detrimental to competitors.

Implemention of Option 2: New Investment: New investment for modrnised fleet, leads to cheap maintenance: will become more uniformed with only one model (737-800). Large amount of finance should be needed for the option because buying new aircraft is not a cheaper solution. But Ryanair can afford this solution and can go ahead with thic option. Being such a large airline, with £300 million profit only in 2007 and having a high level of dominance in the European market, this option proves to be the most suitable for the organisation.

Option 3: New Markets: By expanding business into new market can be profitable as we discussed above in this report there are some opportunities in Eastern European countries where a large scale of profit can be seen easily. Ryanair should go for it and by expanding business into new countries and new markets within the Europe will help to generate a large amount of profit.

The most Suitable strategic option to be implemented is Option 2: Investment in modernised fleet, which leads to less expensive maintenance: will become more uniformed with only one model (737-800), also newer planes will require less maintenance.

Acceptability

Option 2: New Investment: Acceptability for option 2 which leads to less expensive maintenance: will become more uniformed with only one model (737-800), also newer planes will require less maintenance.

This is large profit generating option and the return will almost one and a half times the profit of 2007.

The aim of product development is to fulfil the requirements and follow the changes need by the customers. To satisfying the customers about the service of Ryanair that Ryanair is providing them a better quality service as compare to others. In this option Ryanair also introduced a new fashioned uniform for the employees so they can feel change and this will build a good relationship between customers and staff.

Benefit to Stakeholders:

Following this option all shareholders will get benefit because their share value will increase. Banks also get benefit in terms of large amount need to implement this option, so bank defiantly will involve.

By following this option public perception accordingly get changed. They feel the change as new uniformed aircrafts, fleets and new dressed staff is ready to welcoming them at airport and airplanes.

Feasibility

Option two is perfect for the company because Ryanair possess all the resources which are needed for the option such as finance.

The above diagram shows the 2055 to 2008 there was two times growth in Ryanair's revenue and more than 50 percent profit increase. So it is cleare that financial capabilities of Ryanair can support this option and hence it is feasible for the company.

Ryanair is paying better to their employees over the last year. The employees of Ryanair are getting highst pay among other airlines operating in Europe. With the implementation of option 2 Ryanair can continue to provide hundreds of new jobs and tens of promotional opportunities.

Ryanair is a Europe's major airline which is 50% cheaper than any other European airline. Ryanair is continue to grow. Accordint to IATA (Internation Air Transport Association Ryanair is world's largest international airline which carries Largent international passengers.