

# E commerce at yunnan lucky air

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



Yuan is one of the most attractive tourist destinations of Southern China, the airline attracted a lot of customers and started producing profits within just three years of its inception. This huge success was the result of a viable strategy of the company that included just one type of airplane to reduce maintenance and costs, short haul and point to point routes and just one seating arrangement. There was no in-flight entertainment as well but as the airline was dealing in just short trips, these factors did not adversely affect its revenues.

Presently, the company is facing a niche competition after the introduction of many new low-cost airline companies in the already saturated market and to keep itself ahead of the competition, Lucky Air needs to revisit its business model and come up with a plan of action that would help in its progress. This task is unduly challenging as it faces many competitors and any error or lapse of judgment may adversely affect the future of the company. E-commerce in China: According to (Kettle et al. 2012) 'The digital revolution has created an Information Age that promises to lead to more accurate levels of production, more targeted communications and more relevant pricing'. In western countries e-commerce is not only a great asset in the business world, it is becoming the most dominant factor of gaining advantage and expanding their range within the sector. The Internet usage in China, however, is fairly limited and there is still a lot of potential for penetration inside the different remote regions of the country.

This factor endorses the fact that the use of internet to have a competitive business advantage is currently minimal. The Internet service at this time, especially in the airline sector, is unsophisticated and slow. The

advancements in this sector are however enormous. Although only 1% of the population in China use the internet for their convenience, his situation is going to change soon considering the speed at which this commodity is gaining influence in the country. Lucky. Net: Kettle et al. (2012) state that 'companies can improve their cost efficiency by skillful use of the internet'.

This forum can improve logistics and operations to not only improve the accuracy and service quality but gain enormous cost savings as well. The biggest advantage that Lucky Air has is its association with Hanna Air that ensures that it is linked to one of the best IT support in the country. Lucky Air uses just . 15% of its own net income on its IT investment. Having this aid at their disposal has made them get an edge over their competitors and the company is the first of kind to back end operations that delay and frustrate the customers. In addition, the company also provides information on destinations, flights and news updates.

The on-line communities also help increase brand loyalty through blogs and forums. Options Open to Lucky Air: There are many different options available to Lucky Air to improve its standing in the airline sector. Some of these options include A. Revitalization of e-commerce to establish itself as the online travel leader. B. Expansion of the airline's operations to include long haul routes C. Merger with other smaller companies to have a wider range of resources and capital available and improve its position in the highly competitive market Factors to be considered: Kettle et al. 2012) see management 'entering a new "Age of Turbulence" in which chaos, risk and uncertainty characterize many industries, markets and companies'. A lot of

factors need to be considered by the executive team of Lucky Air. An ill-devised or poorly implemented marketing plan would not only hinder the company's growth, it would also result in the loss of the edge they have over the other companies. The four cost components of the airline industry – fuel, landing fees, aircraft leasing and taxes – has made operating Lucky Air in a productive manner a constant challenge.

Even though the company has a high competitive advantage being linked to Hanna Airlines, it still needed to upgrade its business strategy on a regular basis to ensure maintaining the lead they had over the other airlines. The company like all its counterparts face a myriad of restraints including heavily regulated governmental laws, limitation to price reduction, a low potential for rapid expansion due to government restrictions and heavy taxes. Lucky Air being new in the field and operating on a small geographical area has to burden a lot of costs.

The restriction on expansion of the company makes it necessary for the airlines to lease the airplanes at a high cost and the taxes ranging from 2%-10% makes it a challenge to manage its finances. The monopoly of 'Civil Aviation Oil' for fuel and "National Development Reform Commission' for aircraft leasing puts a burden on the budget of the airline companies as they may dictate the terms of their services as they see fit. Another factor that Lucky Air has to keep in mind while devising its business strategy is the distribution and sale of the tickets for each flight.

The sale of the tickets had the highest variable cost to the company's finances with 80% of the company's ticket purchases being done through

authorized agents who commissioned from 2-10%. In addition, the company also had to pay the 'GAS' fees taxed by the government. The government restrictions and taxes induced are also major aspects of business in the airline sector. E-commerce is still not the norm of the business sector as there is a constant threat of fraud and errors in online buying, along with the high process being charged by the banks for using their services for payments.

The executive team needs to take this factor into consideration and formulate a plan that would help keep Lucky Air exploit the resources as the e-commerce becomes more common in the country. Kettle et al. (2012) believes that marketers may use the Internet as a powerful information and sales channel as it can collect fuller and richer information about markets, computers, prospects and competitors. Recommendation: As far as the short term strategy is concerned, the biggest benefit would be gained pursue as soon as possible as it would determine the future benefits of the company in the long run.

It would not be able to survive in this market unless it moulds its business strategy in this respect. For the long term, the company needs to expand its range of operations and introduce long haul and international destinations with time. The marketing executives of Lucky Air should base their strategy on the 'Holistic Marketing Concept' which according to Kettle et al. (2012) is based on the placement, design and implementation of marketing programs, processes and activities that recognize their breadth and interdependencies.

This concept believes that everything matters in marketing and a broad, integrated perspective is often necessary. It recognizes and reconciles the scope and complexities of marketing activities (Appendix A). The adoption of this strategy would include 1. Use of Web 2. 0 to improve the customers' online experience. 2. Set up a ' Customer Relationship Management' as is the norm in the western companies. 3. Acquire and maintain a detailed ' Customer Product Review to help keep track of the customers' changing deeds and preferences. 4.

Introduce a ' Customer Self-service' option to decrease wait time during processes. 5. Set up a ' Corporate Account' that would aid the companies to keep track of their employees' travel records and give them access to the different deals and destination packages. 6. Introduce and aggressively promote a ' Loyalty Program Membership' that would help maintain customer interaction and foster brand loyalty. 7. Introduce discount tour packages giving discounts in hotels and travel services even though the government does not allow reduction in the fares. 8.

Improved discount rates, product mixes, promotional channels and special deals for students provided at sanctioned breaks and holidays. Conclusion and lessons learned: Analyzing the situation that the airline companies and specifically Lucky Air finds itself in, it can be deduced that to maintain their position in the ever increasing competitive market of airline industry, it is necessary for Lucky Air to revamp its business strategy. Considering the changing trends of the market, it cannot hope to have and maintain a positive impact on the market unless it expands its mode of operations.

As e-commerce is the key to future success, it would be prudent for the company to devise its business strategy focusing on this aspect. On the other hand, Lucky Air should also think about expanding its business to other provinces and with time to other countries as well. Considering the vast number of airline companies opening shop in China, expansion is the only way to survive. The expansion, however, needs to be brought about strategically so that the competition may not be able to exploit Lucky Air's weaknesses and errors. This is true for every low cost airline company in China and globally.