

# Missions and goals at british airways

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



## **Introduction**

The British Airways (BA) is the flag carrier airline in United Kingdom it was founded on 31st March 1974 by merger of BOAC (British Overseas Airways Corporation) and BEA (British European airways). It is the largest airline in UK based on the Fleet size. Their main hubs are Heathrow and Gatwick airports where their operation cover world rout over 300 destinations in 90 countries to carriage of passenger, mail and freight.

## **Mission and Goal**

British airways mission is to become a world responsible airline to achieve their mission they have five key goals (British Airways 2009)

Be the airline of choice for long haul premium customer

Deliver and outstanding service for customer at every touch point

Grow BA present in key global cities

Build on leading position

Meet customers' need and improve margin through new revenue stream

These goals focus build on terminal 5's strength to increase customer experience continue to make the business more cost effective and they have the challenging goal for reduction of carbon emission, reducing and recycling waste and minimize air and noise pollution

To be world first class air line, specialize the workforce and develop number of key operation for example to be punctuality, exceeded punctuality and

baggage target across the net work. Modern air craft offer services and develop the cargo services. They have two strategic groups for short haul and long haul. Short haul offering scheduled flights within region and competing on cost the long haul offering quality environment services to range of destination.

## **EXTERNAL ANALYSIS**

### **PESTEL**

Pastel analysis is the useful strategic tool for understanding market growth or decline, business position, potential and direction for operation (Kotler, 1998)

### **Political**

Terrorists attack in London in 2005 has caused the introduction of new security regulation from the EU that decreases the customer in significantly. Customer seek guarantee for their comfortable travel if it is not they only do trip which is most important. In order to influence on product plan and price strategy government controlled the airline where they can fly. Open sky agreement restricted EU airline flying transatlantic trunk line as well continue to be denied access to US internal domestic market (IACA).

### **ECONOMIC**

Economic downturn in the European countries decreases the demand for flight that could be affected by low income because demand for the plane travel is highly income elasticity changing small amount of income by downward decreases the number of people who wish to travel by plane.

Uncertainties of capital market reduce the number of business travelers. Customer very price sensitive always looking for value for money, the loyalty for brand is very less, for these reasons the people demanding for travel is high quality at low cost in order to make saving on the travel but BA does not offer quality service at low cost . Continuously increasing oil price could affect the price of BA ticket

## SOCIAL

Social factors are different from country to country which is very important factor to airlines. They consider the demographic and cultural aspect of the country where they fly because customer demand is decided by cultural factor. In European economy increasing aging people and unemployment rate reduce the number of people who desire to travel by plane for their entertainment and holiday at the same time growing middle class family in East Asian countries passion to travel by plane on their holiday, study and migration towards the European country. BA has to adopt the strategy to get these customers.

## TECHNOLOGY

BA focused on improving its customer service with modern technology. First class seat can be modified into bed this is preferred by most people flying by first class. To get the competitive advantage BA online sale have to flexible for the customer and also make sure their serves are easy to access the people without any traffic, conform that via the call centers.

## ENVIRONMENT

BA have meet local , national and international environment regulations. The Air line industry expects in future pollution tax will have been increased because the global warming become a most influence factor for many environmental causes. When BA expand their serves they have to aware of the environment because nowadays people react against the environment pollution so need to be aware of that. BA expects pay for the environment cost (APD in the UK) will have increased by 210 percentages from current level. EU will be looking to introduce a system of payment for carbon emission that will impose to the Air line industry to bring the strategy in efficiency way.

## LEGAL

After the tragic event of September 2001 in America, BA decided to cut 7000 job in their all department.(case study) (appendix 1)that affect BA operation by the continues strike because employee collective bargaining power come through trade union activity.

## **PORTERS 5 FOCES MODEL**

**<http://alfrancobakerhughes.wordpress.com>**

## **COMPETITIVE RIVALRY**

BA faces the competition for their two different market long haul and short haul. Long haul competition come from the largest air lines such as Air France, American Airline, and Royal Dutch Airline Who competes on route, service and comport. Both Air France and BA only have the Concorde operation. Open sky agreement has altered the competitive landscape on transatlantic routes

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Short haul competition has been driven by price and faced on air and ground comes from Easy-jet and Virgin Atlantic. Smaller airlines have benefited from being lighter on their feet and adopting themselves rapidly to changing market conditions (www. bbc. com). The BA ' favorite airline' had been maneuvered by these smaller air lines by produced lower price.

#### BARGAINING POWER OF SUPPLIER

The supplier power is very high, The air line industry suppliers are generally air craft manufactures, aircraft leasing company, air craft labor union, foodservice company, fuel company and airport local transport service and hotel. In the air line industry have 2 air graft manufactures so that they have high bargaining power. Ticket price is depending on the oil price that can not control by the BA an they are restricted by sole supplier of fuel to air port.

#### BARGAINING POWER OF CUSTOMER

High degree of buyer power, if they are not happy with the product, customer has ability to change product choice. Increasing competition reduce the price in air line industry. In low cost market buyers power is very strong that means among the competitors customer has selection power which is offer good service at low cost. Before booking their journey people makes the price comparison to get which one offer real value, the online price comparison is very supportive to people to do.

#### THREAT OF NEW ENTRANCE

BA has the dominant role in the Airline industry in the global level however new entry appearing in short hauls like Easy jet in low cost operation threatening for the BA. Highly competitive environment reduces profit, if any one wants to enter in this industry they have to make available innovative service at low cost. But switching cost for this industry is very high because of expensive machinery. so these are the main barrier to the new entrance as well recently collapse air lines such as Zoo and Oasis Hong Kong which are low cost competitor for long haul threading for new entry High regulatory requirement and high capital cost are restricts new entrance.

## **THREAT OF SUBSTITUTION**

That means customer ability to switch to alternative product. No substitution for the long haul travel in the terms of time and cost. For the short haul Euro star, coach, rail and ferry are main substitutions. Train operations in UK are taking bigger share of the air travel market.

## **INTERNAL ANALYSIS**

“ Internal analysis is a process of evaluating an organization’s resources and capabilities. It provide important information about an organization assets, skill and work activity that what is good and what is lacking”(Coulter, 2010)

## **RESOURCES AND COMPETENCES**

### **RESOURCES**

British airways currently operate 245 aircraft in short haul and long haul. To be world favorite airline maintain international customer database.

Reputable brand and sole access to Heathrow terminal 5 that world class transports interchange connecting road, rail and air transport. Well trained human resources. Merger with Iberia air lines bring more Subsidiaries

## CAPABILITY

Quick check in service, secure online booking and ability to pre-booking that club world passenger can check via BA website from 24 hours before the flight is scheduled to departure. Strong brand recognition allows borrowing large amount of money so BA has huge amount of investment in the air line industry and brand is to be robust and reliable for customer. In the Air line industry BA has Ability to fly various routes and manage passenger safety. Efficiency communication system, to received consistent message to every work force at same time BA develop corporate e mail via communiGare pro system.

## CORE COMPETENCE

With strong brand recognition spent large amount of money in the air line industry and provide different service to customer on the long haul introduce new business class seat on long haul and a restyled first cabin as a bed. however regular strike through collective bargaining power of employee bring more difficult to BA . Nearly 13500 Cabin crew staffs labor union activity struggled nearly one million passenger causes BA booking went to virgin and easy jet.

## COMPETITIVE ADVANTAGE



The product differentiation through the technology development in the long haul brings more business class travelers. The low fare competition in the short haul manoeuvred by other airline such as virgin and easy get

## BCG MATRIX

The Boston Consulting Group (BCG) growth share matrix classified business units or product portfolio in to four distinct categories based on market growth and market share measured against competitors.

**Source: <http://literalthinking.wordpress.com>**

Star : Maintain high performance

Cash cow : Mature market leader but low growth

Dog : Cash trap

Question mark : has the potential becoming star or dog

In this diagram, the British Airways at cash cow, they have leadership position in the airline industry by having high market share (43%). However there is long term possibility of loosing market share due to increasing competitions there for they need to adopt new strategy to win the market in future.

BA strategy has to focus on utilize cash cow to promote question mark become a star. For utilizing cash cow BA has to commitment with workforce to avoid regular strike, providing training and development to the Staff in order to get high performance, making agreement with supplier and uses

loyalty program. Promote question mark uses new technology, continues on quality service and through merger finding new market

If BA wants to protect market share they need to offers service at low cost but it going to be bad them because if they adopt low fare strategy it will not cover their quality service in long term it may affect BA brand reputation.

## **SWOT**

SWOT analysis explore the relationship between the main environmental influences and the strategic capability of the organization.(Johnson, G and Scholes, K). The Organization's opportunity and threat mainly depends on the environment, the strengths and weakness are decided by the organization resources and capability. Here we discuss the British airways operational strategic through the SWOT analysis.

## **STRENGTHS**

One of the longest established air line in the United Kingdom it has long reputation in the airline industry always regarded as industry leader therefore it has strong brand recognition in the world. They had more than 30 years of high level customer experience help to achieve customer loyalty. Online booking available for club world business traveler from 24 hours before flight is scheduled to depart. British Airways operating one of the leading cargos in the world.

## **WEAKNESESS**

The punctuality is main weakness for British Airways. Most of the time they are failed to departure on time as well delayed and cancelled flight affect

many customers, especially business people are failed to be present on time on their occasions. High cost for extra luggage and lost luggage are another important factor people avoid on BA travelling (Channel 4 news). Regular strike disturbs the passenger not only current flight purchasing but also their future travelling plan.

## OPPORTUNITY

There are some opportunities to grow near future. Increasing Demand for transatlantic flight by growing economy around the world, people desire to travel by plane. Merger with Iberia airline greatly increase the number of destination choices available to customers (press. ba. com). sole access to terminal 5.

## THREATS

Increasing fuel cost affect ticket price, strong competition in the airline industry reduces the profit. If BA dose not have innovative service to customer they change their attitude toward the BA direct competitor who provide excellent service at low cost. Threatening from the terror attack many customer avoided travel by plane. Natural disaster like volcano ash becomes a big challenging for air line industry.

## STRATEGIG OPTION

## ANSOFF MATRIX

Source: <http://www.anythingresearch.com>

Ansoff matrix suggests the business attempt to grow depend on whether it market new or existing and product new or existing. There are four growth strategies

Market penetration: business focuses on selling existing product on existing market. BA use this strategy maintain their market share in airline industry by offering holiday service at low cost than others and try to increase number of travelers by loyalty program.

Market development: Business seeks to sell existing product on new market. In recently British airways apply this strategy through merger with Iberia airlines BA look for to capture American customer with their long haul service. Non-stop daily flights between San Diego and London Heathrow as a first benefit of the official launch of the new joint business agreement with American Airlines and Iberia. To attract business customer operates JFK Concorde service to New-York. Create a center of attention of young people introduce 'Mtrotwin' strategy that new online community recommend of best places to visit in London and New-York it success fully attract young people.

Product development: Introducing new product in existing market BA use this on their long haul. Long haul first class only product of British airways and introduce flat bed in club world business class.

Diversification : New product in new market Their new strategy cover innovative all business class service from London to New-York

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## PORTERS GENERIC STRATEGY

Porter suggests three strategies for outperforming other competitors in the industry.

Cost leadership

Differentiation

Focus

The cost leadership strategy does not set British airways because the cut throat competition in the air line industry reduces the price for air travel. The smaller air line offer service at low cost such Ryan air and Easy -jet. After the World trade centre attract in 2001 in America BA trying to survive without cost reduction to be full fare airline with high quality service.

The British airways mostly apply differentiation strategy for their product that little different from their rivals in the shape of seats , comfort and rout it will Mainly target business traveler and young people it can be make profit to British air ways by brand loyalty and lower price sensitive.

Moreover British air ways Focus on develop their service in Asia Pacific, Eastern Europe which is high growth countries to make profit and merger with Iberia airline try to focuses new destinations.

## IMPLIMENTATION

## STRUCTURE

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CULTURE

LEADERSHIP

STAKE HOLDER AND ETHICS