

# Challenges that cathay pacific airways faces

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Challenges that Cathay Pacific Airways faces With the integration of Dragonair into Cathay Pacific Airways in 2006, its influence over the domain of aviation has extensively elevated. From 2006 to 2007, the turnover of Cathay Pacific Airways has raised from HK\$60, 793 million to HK\$ 75, 364 million with a percentage increase of 24. 0% . Nevertheless, there are internal and external challenges existing as obstacles to its future development, such as labour conflicts, global financial crisis, high capital cost and emergence of low-cost airlines,.

In this essay, the latter two issues will be examined at length in terms of causes, effects and possible solutions. According to Mr. James Tien Pei-Chun, the chairman of Hong Kong Tourism Board, the rising oil prices increase the capital cost of global aviation industry, triggering difficulties in operation . In the first-half of 2008, the average price of aviation fuel that Cathay Pacific Airways paid was 60% higher than that in the first-half of 2007 . It is patent that the high capital cost is predominately attributed from perpetual high-priced air fuel which detrimentally influences Cathay Pacific Airways on the whole.

On 2nd July 2008, a profit warning announcement was submitted by Cathay Pacific Airways to Hong Kong Exchanges and Clearing Limited. It stated that high-priced aviation fuel posing a ' significant and adverse' impact on financial performance of Cathay Pacific Airways. Effective strategies of reduce the usage and wastage of fuels are urgent and prominent to offset the impact of high-priced oil for the interest of survival of business. To increase cost effectiveness in the short-run, Cathay Pacific Airways has newly adopted redeployment on flights according to capacity.

Owing to the significant demand, 8 flights are provided to Australia in addition and bigger aircrafts were used for 14 European countries. Besides, the number of flights of appreciable revenue potential to the Middle East like Dubai and Bahrain is increased by 4 per week, whereas 10 flights to North American are cut down. For sustainable and profit-maximizing development, targeted solutions of considerably reducing the wastage of fuel in the long-run are of paramount importance. It is worth noting that the weight of aircrafts determines the amount of fuel consumption.

Therefore, another initiative is to reduce the weight of aircrafts by technological improvement on designs. For examples, minimizing protrusions around the aircraft fuselage, enhancing the design of air conditioning air-intakes and installing large lightweight wing fairings. Cumulatively, higher wing efficiency and smoother airflow are resulted. Stripping the paint of aircrafts is also a direct way to reduce the weight. In the light of CSR report 2006 of Cathay Pacific Airways, it is expected to save 2, 730 tonnes of fuel each year approximately.

In addition to the weight of aircrafts, air traffic congestion and regional air traffic control restrictions provoke a substantial wastage of fuel which is 12% of total fuel consumption. In order to improve the air traffic control system, Cathay Pacific Airways work collaboratively with other airline companies and regulatory agencies to strive for opening of flexible entry or exit points into Russian and Chinese airspace and adoption of flexible, fuel-optimized flight paths according to wind variability.

According to the expectation of Cathay Pacific Airways, an estimated 32, 000 tonnes of fuel can be saved each year. Consequently, the capital cost can be

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reduced. Apart from these, a number of low-cost airlines have emerged in recent years such as Hong Kong Express and Hong Kong Airlines . Facing the threat of new competitors, Cathay Pacific Airways emphasized the high-quality service with well-trained employees and introduced various strategies to attract customers.

To enhance the service standard, it provides new arrival lounge at the Hong Kong International Airport with high-quality catering service, well-equipped shower suites computers with Internet access. Meanwhile, in order to attract customers to travel during current economic downturn, ' World Pass' with flight discount and a variety of choices on destinations is offered. Apart from these, special fares to senior citizens with a discount of 25% are offered to the elderly .

Not only would this help to attract customers, this improves the image of Cathay Pacific in terms of Corporate Social Responsibility which plays a fundamental role in retaining loyal customers. Building a lifelong and friendly relationship with customers is beneficial to maintain stable market share.. To conclude, it is obvious that the fast-changing external environment with numerous unknown factors poses threats to the growth of Cathay Pacific Airways.

High capital cost caused by high-priced aviation fuel and entry of low-cost airlines in the market are expected to be the major challenges faced by Cathay Pacific Airways in foreseeable future which lead to far-reaching influence on the revenue. Among those solutions stated, alliance with other airline companies to technically improve the design of aircrafts and monitor the air traffic system as well as developing lifelong relationship with <https://assignbuster.com/challenges-that-cathay-pacific-airways-faces/>

customers are the most effective strategies to address the problems in the long-term. (786 words) References: