

Overview and history of easyjet marketing essay

[Business](#), [Marketing](#)



Executive Summary: This report illustrates an in-depth look of easyJet and will also discuss an analytic research that was made to demonstrate aspects of the history of the airline, along with the marketing strategy and brand strategy used and implemented by the low-budget airline. The strengths, weaknesses, opportunities and threats, known as SWOT analysis, will also be illustrated along with the external environment better known as PEST analysis which consists of the political, environmental, social/cultural and technology factors of easyJet. In addition an analysis of the competitive market environment of easyJet will be shown, which includes an overview of easyJet's main competitors and the nature of business in which they operate by illustrating it through the Porters-Five Force model. The advantages and risks associated with their low-price strategies will also be discussed with an illustration of how easyJet achieved success using these low-price strategies. Finally there will be a conclusion by giving recommendations along with a critique for future ways to enhance and develop their strategies, which in turn will increase their profits.

Overview and History of easyJet: EasyJet is a public limited company which falls under an oligopolistic market structure and operates across the European continent with the vision of turning Europe orange. Their mission statement is " To provide our customers with safe, good value, point-to-point air services. To effect and to offer a consistent and reliable product and fares appealing to leisure and business markets on a range of European routes. To achieve this we will develop our people and establish lasting relationships with our suppliers." (Rae, 2001). They are also a no-frill airline operating mainly in Europe, with their headquarters based in Luton, the UK and it employs around 6, 107

employees (Datamonitor, 2009). EasyJet was founded and launched in 1994 by the son of a Greek shipping tycoon named Stelios Haji-loannou. The intention of easyJet was to be a low cost carrier, hoping to challenge regular airlines such as British Airways, among others. The airline has also surfaced to be one of the most flourishing low budget airlines in all of Europe. EasyJets' target market consists of people who pay to travel from their own income rather than their companies; they also target individuals visiting their relatives, managers and entrepreneurs of small business and leisure travelers making short trips. In 1997 easyJet. com was launched providing seat prices and booking information. Within 4 years of launching their website, the airline sold their 10 millionth online seat. In 2004, easyJet became the first low-budget airline that took advantage of the newly formed European Union and created flights to Slovenia and Hungary. By 2006, their strategy of speedy boarding was introduced, allowing passengers to have better choices when it came to their seating arrangements. In 2009, they had 18 bases operating throughout Europe, four in France, one in Switzerland, one in Italy and eleven in the UK. In 2010 easyJet was flying to 125 European, Turkish and North African airports in 29 different countries. (easyJet plc., 2010). By the end of 2010, easyJet re-announced their strategy of turning Europe orange. Even though easyJet's success could be placed exclusively on Haji-loannou's vision and adaptableness, what contributed to the success of the company were the market which it operates in and the business model that they have decided to follow. EasyJet's key marketing strategy is based on a fairly simple structure. (Sull, 1999). Marketing Strategy: EasyJets' key element of success was through their approach to

pricing. Stelios Haji-loannou introduced a low head line price in order to grab the attention of consumers and then prices were raised according to consumer demand. The marketing strategy of easyJet consists of the costs which are estimated in one way with a single and fixed price that is set for all the seats on a certain flight at any given point in time with no set restrictions. The prices of these seats however tend to change in accordance with the days that the bookings of these flights are made available till the date of departure (Koenigsberg, Muller and Vicassim, 2008). All bookings for easyJet are made straight from either telephones or the internet; this made it very easy to incorporate the web into its central booking system. By achieving this, there were no possible channel conflicts with other intermediaries, for example with travel agents Easyjet's website illustrates their pricing policy as being " based on supply and demand, and prices usually increase as seats are sold on every flight. Basically the sooner a person books, the cheaper the flight ticket would be". The web also states that the low cost scheme of easyJet is not tickets, no ties to other networks, no travel agents and no on-flight meals. (easyJet plc., 2010). A pin code is also given for each customer's booking that is done on the website which is given to travellers upon arrival at the airport. Brand Strategy: To gain a competitive advantage, most companies tend to implement a brand strategy. What makes easyJet stand out amongst its competitors is their image of a low-budget airline and no-frills services; this brand strategy is simple but strong. EasyJets' whole company is recognised by their unique orange logo, this color also forms part of the uniform worn by their staff, which in turn is a strong recognised tool by the consumers. It also tends to

characterise consumers' value for money. EasyJets main form of advertising is through its' website, which usually displays highlighted promotions to attract consumers and is displayed in 18 different languages. In 2008 easyJet launched a form of credit card by forming a partnership with Citibank allowing consumers to gain easyJet air miles. (Euromonitor, 2011). External and Internal Environment: The existence of easyJet is based on the balance of both external and internal environments. The external environment consists of the political, economic, social/cultural and technological factors (PEST analysis). Meanwhile the internal environment consists of the organisation's internal factors which contribute to the performance and success of the organisation which could be distinguished from the strengths and weaknesses of the swot analysis. Therefore the PEST analysis factors should be taken into account when marketing plans are formulated for easyJet.

Political Factors: A few of the political factors that could affect easyJet include threats of war in the Middle-East, this can affect the business of easyJet through rising fuel costs. Terrorism would also cause insurance cost to increase and safety problems for all travellers and the airline industry as a whole. Another political factor would be that the passenger numbers of easyJet increases due to a European Union east-enlargement which provides access to practical new markets. Within the airline industry, the scheme of air miles are not considered to be taxable by the government the way company cars are, if this change occurs it would allow easyJet to compete equally with other competitors. (Geiger, Schlottko and Schrade, n. d.).

Economical Factors: Some of the economical factors that may affect easyJet consist of an increase in fuel costs, other environmental factors that

contribute to the economy such as natural disasters would result in easyJet not being able to operate for a certain period of time. Another factor that can have an effect on easyJet is the recession, research has indicated that this recession is likely to last longer than expected, which results in less business travellers travelling due to an attempt to decrease the amount of spending. Globalisation may be seen as another factor, as it continues to enhance air traffic in the long-term. (Geiger et al., n. d.).

Social/Cultural Factors: The social and cultural factors that might affect the operation of easyJet are that French and German customers are unwilling to use their credit cards over the internet or phones or via the internet, this caused a problem for easyJet since they only sell tickets via the internet and phones. Another simple but affective factor that contributes to their operation is that the people are generally willing and not hesitant to pay for cheaper flights. (Geirger et al., n. d.).

Technological Factors: The key technological factors that contribute to easyJets' operations is the technological advancements which they try to integrate into their own systems such an example would be Galileo and Amadeus, which in turn makes online bookings more efficient and effective. (Bing, 2007). The use of internet on distribution and cost synergies from combined industries may help in counteracting costs and prices. Due to the technological environment that keeps on changing at a fast pace, easyJet should try and stay up to date on technological developments in regards to the e-commerce along with aircraft manufacturing, so that they may gain and maintain a competitive advantage. (Geiger et al., n. d.).

SWOT Analysis: EasyJets' strengths consist of their internal capabilities, helping them to reach their objectives. Their weaknesses consist of a number of internal limitations

that could restrict their ability in achieving their objectives. Their opportunities are the external factors that easyJet uses for their advantage. Their threats are emerging external factors that may challenge the company. (Jobber, 2008). Appendix 1 illustrates examples of easyJet's SWOT analysis.

Main Competitors of easyJet: If easyJet has an in-depth understanding of how their competitors operate, this might help them in improving their product, services and marketing strategies. This would also enable easyJet to set competitive prices and help them to respond to competitive marketing campaigns with their own initiatives. Every business within any industry has competitors. Below is a list of the main competitors of easyJet. Appendix 3 illustrates examples of some of easyJet's LCC competitors operating in Europe as genuine low-cost airlines.

Main Competitors of easyJet: | Nature of Business: | Location: | Ryanair: | Low-cost Airline, offering less on flight services. (Example, pay for on flight food and luggage). | Dublin and London's Stansted Airport. | Debonair: | Low-cost but not a no-frills Airline. | London Luton. | British Airways (GO): | Offers reduced in-flight service and much lower fares. | London Stansted Airport. | Virgin Express: | Low budget Airline. | Brussels National Airport. | KLM: | Offering high quality flights at low prices. | Amsterdam Amstelveen. | Lufthansa Light: | Low-cost Airline. | Germany Frankfurt. |(Sull, 1999).

Porter's Five-Force Model of easyJet: A competitive analyse of easyJet will be illustrated through the Porter's Five Force Model, as this model is used for industry analysis. This model implies that risk-adjusted rates of return have to try and stay the same throughout companies and organisations. However studies have confirmed that profitability can be continued by different industries, which is described by

the industry structure. This model was provided as a framework by Michael Porter which models an industry that is influenced by these five forces, therefore in order to gain and maintain the competitive advantage over rivals; easyJet uses this model to understand the situation and framework of the industry in which they operate. (QuickMBA, 2010). Appendix 2 illustrates a graph of Porter's Five Force Model. The following is an explanation on how easyJet places this model into practice: Bargaining Power of Supplier: The bargaining power of suppliers falls under a moderate to high scale, as there are only two airplane suppliers (Boeing and Airbus). The market for planes is controlled by these two suppliers. Once a decision of purchasing a new aircraft for a certain model is made by the organisation they must stick to it, as the cost of switching to another model by the same supplier would be expensive. However switching to a different supplier, the cost would be even more expensive, due to the need of retraining pilots and mechanics, along with reorganising the whole supply chain for spare parts. Airports are another vital set of suppliers, as some LCCs attempt to avoid high fees from large airports, however easyJet relies on larger airports and main hubs to try and reduce their costs by flying at off-peak times. (Geiger et al., n. d.).

Bargaining Power of Buyers: The bargaining power of customers/buyers falls under a moderate to high scale within the LCCs market, because there are a lot of other airlines that are available for customers to choose from and passengers will always shop for the best bargains. The customers are seen as the main source of profit for easyJet, therefore if a lot of passengers decide not to book and fly with easyJet, it will pose as a threat, as buyers would prefer to purchase from its competitors. EasyJet developed a website

named RightNow Service throughout all of its European websites, which helped in managing growth in customer communication. By using this service, customers who visit easyJets' website are able to ask questions and receive answers immediately. EasyJets' low prices is a powerful weapon for the organisation, this makes it difficult for customers to desire other competitors. With the pricing strategy done by easyJet " The earlier you book, the less you pay" (easyJet, 2011), this places them in a leading position within the market, as it is much more appealing for customers. (Mason and Alamdari, 2007).

Threat of New Entrants/Barriers to Entry: The threat of new entries into theLCC market is low. The initial cost of entry for a new airline within the industry is extremely high and requires a lot of capital investments, due to having an adequate number of aircrafts and maintenance facilities along with launching campaigns. If a new carrier decides to enter the market and fly on existing routes, a price war would be set immediately and would have a heavy load on profits. (Sismanidou, Palacios and Tafur, 2009).

Threat of Substitute: Threats of substitutes within the industry are moderate to low. Since low-cost airlines are meant to be fast travelling with cheap prices, that means any type of transportation that would be able to compete whether through timings or prices, would be a threat to easyJet. An example of a major substitution threat for easyJet would be the train system which is very well connected, fast and cheap form of transportation that covers all of Europe (ex. Eurostar). One advantage of the rail service is that travellers can enjoy the scenery but the railway journey is more time consuming. . (Geiger et al., n. d.).

Rivalry among competitors: moderate Airlines operating within the LCC market need to include low

pricing strategies in order to be successful therefore competition is seen as high to moderate within the LCC industry. Due to a few LCCs operating in Europe and which offer European wide flights, they are in direct competition with one another. However there are a number of regional LCCs that compete only in their own market segments. Innovative ideas and enhancement of operations could easily be copied by competitors due to the number of different airlines within the industry. EasyJet is seen to be the largest in the UK and the fifth largest within the European airlines in terms of the number of passengers they carry, which gives a clear indication of their strong competitive power, in comparison with their rivals. Competition within this industry is considered to be very high due to consumers always having the choice of different low-cost carriers. (Geiger et al., n. d.). Advantages and Disadvantages associated with easyJet: Within any industry every company has advantages and disadvantages that need to be taken into consideration. EasyJet have a number of advantages and disadvantages associated with them, a few of these advantages include low fares no frills airlines, high frequency flights, point to point service, and flights to secondary airports (Emerald, 2006). EasyJet are well positioned within the market, their unique advertising and branding strategies are also well established within the market due to the fact that they have used eye catching and striking colours to attract customers. Their marketing mix also gives easyJet an advantage within the industry as the key element to their success is their approach to their pricing strategy. The routes that easyJet takes could be seen as an advantage for the company as well as the customers since they fly the same routes as regular airlines, however their turn-around time is much faster and

their prices are much lower than other airlines taking the same routes. This method could be seen by the company as an effective way to have a successful competitive advantage within the market and gain a higher market share. Another advantage for easyJet is that there is a shortage of other LCC options within the UK market, meaning that easyJet has potential growth opportunities within this sector. Due to the high number of business travellers within the market this could be seen as an advantage for easyJet since their target market consists more of business travellers rather than leisure. EasyJet's flights offer the consumer value for money as the benefits gained from the transaction relative to price appear favourable in comparison to their competitors. Heterogeneous views, with regard to the demands for the service, indicate that, 'one service meets all demands' may lead to mistakes in the competitive strategy. Within the airline segment there will be consumers who are price sensitive and thus demand the 'low-cost' alternative. Hence, easyJet are following the customer matrix price strategy in order to attain sustainable competitive advantage. (Kupka, and Jamart, 2009). On the other hand, the disadvantages associated with easyJet are, that there are no seating arrangements on the flight as compared to regular airlines, because most customers prefer booking certain seats in advance in according to their preferences, for example some customers might prefer or even need more leg room than others, while other customers prefer window seats over ones that prefer aisle seats. The booking methods and procedures of easyJet may be seen as a risk as they might lose customers such as the French and German market who do not trust using their credit cards over telephones or online. Though there are growing

opportunities within the LCC industry in Europe, low-cost travel in Europe is still less widely spread than in the US, making it a risk to have greater competition in the future. A final disadvantage would be an increase in fuel prices. (Shrager, 2007). Critiquing and Future Recommendations: After conducting an analytic research in regards to easyJet, it is seen that there are a few positive and negative strategies and plans that the company is using. Their strategy of having a faster turn-around time and moderate landing charges with all airports, allowed easyJet to gain a bigger market share when it comes to business travelers. However, it is advisable that easyJet should also try and target more leisure travellers as business often demand frequent flights to a wide range of destinations, in which they seek quality service, frequent flyer programmes and are willing to pay a premium for these benefits. EasyJets' pricing strategy with the use of diverse fare prices has also helped the organisation gain competitive advantage, which also gave easyJet a higher market share. On the other hand by not opening and creating offices within different countries and only expecting customers to book flights through phones and the internet, this strategy made easyJet loose a high number of customers who do not trust giving their credit card details. As for the future recommendations some could be considered as long-term and others as short-term depending on easyJets financial capacity and the external market environment. In order for easyJet to maintain or gain a higher market share they should first try to co-operate with other easy businesses such as easyCar, to provide deals for pick-up and drop-off services to airports, and easyFinance, who can probably offer 0% interest loans for flights. Second, easyJet can try to increase the number of routes

and countries they are flying to. Third, easyJet could build alliances with transatlantic operators for example, to provide connections with easyJet flights. This would build a better relationship with more transatlantic operators, which could help easyJet create more awareness to potential customers and more routes. Fourth since the number of LCCs is growing within the market, easyJet could try and create a member loyalty card. This could be used by customers for certain discounts when purchasing tickets, or if they have achieved a certain amount of points on their miles, they would be entitled to a free trip provided by easyJet. Fourth, easyJet to open actual offices, perhaps in airports, in order for people to be able to book flights at these counters and gain the market segment of potential customers who do not like to use their credit cards over phones and the internet. This would make their operation in specific countries more efficient and effective, increasing their performance, which will increase profits for the airline. Fifth, with regards in enhancing their market power both long and short-term, easyJet should look to move into newer mediums for advertising, primarily using television broadcasting. Finally, easyJet need to further consider developing the levels of efficiency and motivation within their wide employee base and by fomenting such other dimensions of this business will help maintain another key element which still, other rivals fail to recognise.

Conclusion: After conducting this research, it is seen that easyJet has constantly tried to identify itself to its consumer base as the best form of budget travel in Europe. The company recognised the demand for this form of travel and its marketing strategies have been primarily geared around providing more efficient, low-cost flights, while maintaining as a high levelled

quality of service as possible. Through easyJets' clear and effective website, they have strived to make it increasingly easy for customers to deal with the company, while strategically positioning their advertising to be directed at the market they served. Policies for expansion have been the driving force behind easyJets' significant growth and have enabled them to eliminate key rivals from the industry. However, with the emergence of new, strong competitors in the industry and the increasing demand for low-cost travel, it is evident from this report that easyJet must remain innovative in its marketing strategies and allocate sufficient resources to secure a long-term position as the market leader.

Appendix: 1SWOT ANALYSIS of easyJet,

Internal: STRENGTHS: | WEAKNESSES: | * Overall cost leadership model (the use of diverse fare pricing). | * Operating in a vigorous market, maintaining cost leadership is difficult. | * The brand name 'easyJet' is not easily forgotten. | * Due to competitive pressure and diverse opportunities within the low-cost carriers (LCC) industry, easyJet's business model may become unclear overtime. | * Travels to main European airports, which attracts business travellers. | * In order to keep their competitive advantage within the industry, they have to maintain their innovative ideas towards e-tailing. | * Having low prices guides them to a higher occupancy. | * EasyJet does not have any methods to retain their current customers nor do they have any methods to build customer loyalty and new customer relationships. | * Having only two different models of plans reduces their costs in training, supervision and maintenance. | * easyJet's long term strategy does not include expanding outside of Europe (Ex. Asia, Russia and possibly parts of the Middle East). | * They obtain a strong brand image through television and

advertising. | |* The first airline to have 100% e-tailing, decreasing distribution costs by taking out the middle man. | |* Has a competitive advantage by attaining faster turnaround times and moderate landing charges with all airports, maximizing asset use. | |(Air scoop, 2010). SWOT Analysis of EasyJet, External: OPPORTUNITIES: | THREATS: |* Due to the expansion of the European Union (EU) it helped in opening new markets for LCCs, this would also increase employment for job seekers across borders, promote tourism and in turn would lead to economic growth. | * Natural disasters and terrorism can lead to a decrease in the number of people travelling and a loss in infrastructural support. |* Joint ventures and mergers could help easyJet to release some of the pressure in regards to their fares and costs. | * Outbreaks of different types of diseases contribute to a decline in air travel. |* Research has predicted a vast growth of business and leisure travellers in the coming years. | * Increased environmental taxes could also result in an increase in cost. |* During travel recession seasons, easyJet's new fleet could be leased out. | * EasyJet is susceptible to fuel price fluctuation and increased unpredictability in its costs, due to its restricted fuel distortion policy. |* EasyJet may start flight to Scandinavian countries such as Helsinki or Stockholm where the immigration rate is rising. | * The tactics of cost cutting by competitors may affect the number of passengers on popular routes. || * Traditional airlines can imitate the main features of 'no-frills' travelling the same routes, which would give a distorted image of any LCC. |(Air scoop, 2010) and (Macmillin, 2009). Appendix: 2Porters Five Force Model: Image source: http://courseware.finntrack.eu/strategios/strat_process.htmAppendix: 3LCCs operating in Europe as

genuine low-cost airlines: Image Source: " Impact of Low Cost Airline" Mercer Management Consultancy 2002 (cited in Kupka and Jamart, 2009).

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