

Work related learning. company: jet2.com airline

[Business](#), [Company](#)



Introduction:

This report will be analysing, aiming to identify the main political and economical factors that will be affecting Jet2. com in the coming years. In order to structure the information, several management tools will be used such as:

SWOT analysis:

this will help to identify the strength and weaknesses together with the company's environmental opportunities and threats.

PESTEL analysis:

This tool will select the vital influences on the company's future development, which factors are most likely to change and which ones will have the greatest impact on the company.(Oxford University Press, 2007)
Porter's Five Forces: will determine the competitive intensity and therefore attractiveness of a market. (Porter, 2008). Finally it will be discussed the company's ability to interact with its stakeholders.

Background and company's mission statement

Jet2. com Limited is a British low-cost airline founded in 2002 based at Leeds Bradford Airport, England. It operates services from eight UK bases to 54 destinations. " Our aim is to be the safest, most responsive and reliable operator of low cost services in Europe" / " The North's favourite airline" /" Friendly low fares" (Jet. com, 2012)

Market structure of the low-cost airline industry

Market Share: The low-cost airline industry is dominated by a few large companies. (See appendix 1). Jet2. com's main competitors are Easyjet,

<https://assignbuster.com/work-related-learning-company-jet2com-airline/>

Ryanair and British Airways. However it is very difficult to determine all the competitors due the company's diversified presence in more than 10 countries. In the UK there are 7 other low-cost airlines which shape the market creating more competition.

Barrier of entry: There are very high barrier of entry, starting for the start-up cost, followed by the technological aspect and ended by its difficulties to exit the market.

Product differentiation:

Jet2. com is a private limited company, a subsidiary of Dart Group PLC (public limited company) which at the same time owns Jet2holidays. com and Fowler Welch, a long-established Distribution ; Logistics business. The airline also offers contract charter and air cargo services for royal mail, Tesco and others with 42 Aircraft (27 Boeing 737-300s, 4 Boing 737-800 and 11 Boeing 757-200s) of which 37 are fully owned by the Group.(civil aviation authority, 2012)

Company size:

By January 2011 the company had just over 1500 employees. The fleet consists of 43 aircraft located across eight UK bases. Philip Meason, the chairman of jet2. com has announced that for the year ended in March 2012, Jet2. com flew 4. 3 million scheduled service passengers and sold over 200, 000 package holidays.(Who is Jet2. com?, 2012)

Company's shareholders: around 40% still held by the founder and Chairman, Philip Meeson. Around 40% of the rest are mainly held by

institutional investors with the balance held by company staff and private investors. (Meeson, P., 2012)

Conclusion:

According to these 5 aspects listed above, the market structure of Jet2. com can be classified as Oligopoly. (See appendix 2)

Jet2. com Stakeholders

The common and traditional definition of a stakeholder is that of Freeman (1984): “ any group or individual who can affect or is affected by the achievement of the organization’s objectives” Another well known and more up-to-date definition is, “ those groups who are vital to the survival and success of the organization”. (Freeman, 2004) The low-cost airline industry is has a significant number of stakeholders; some of which belong to either the primary or secondary level of stakeholders Managers will attempt to make long-term decision that will accrue benefits to the majority of the stakeholders.

Primary Stakeholders:

Employees have a vital interest (stake) in the company for obvious reasons, if the company shuts down, they would lose their jobs. Jet2. com is owned by

a larger company (dart group) which makes it a primary interested since jet2. com together with jet2holidays account for more than half of its revenue. Costumers andtourism industry: Both benefits directly from the airline, without jet2’s destinations fleets many customers would not be able to reach some cities easily. At the same time those restaurants, hotels,

leisure activities located on current jet2's destinations would lose clients. Suppliers: Jet fuel plays a major role on Jet2; it uses kerosene type fuel (Jet A-1 grade). As jet. com expands, open new routes and acquire more aircrafts the demand for jet fuel will increase. Other important supplier is Boeing (Airplanes), since all their aircrafts are manufactured by them. Minor suppliers can be food and drinks.

(Friedman, 2006)

Secondary

Stakeholders:

These are those who are affected by the company but either have a little impact on its development or can be easily swapped such as: Minor shareholders/investors: These have an interest on the company since the value of their stocks depends on the success of the company. Media: Nowadays, media has a relatively significant influence on companies. Competitors: they are constantly affected by the company and quite often they have to change strategy or modify aspects within their organisation. Government and regulators: The government has a say on everything: agreements between countries: some airlines cannot operate on specific routes. It also establishes the internal rules and regulation such as airline deregulation which allows airlines to fly more freely, establish fares, etc. Government is also looking after the impact on the environment and the safety of airports. (gov. uk 2012) The public in general.

Academics.

(Friedman, 2006)

SWOT Analysis of JET2. com

Andrews (1987, cited in Kenneth, 1960) describes “ SWOT as an analysis of the strengths and weaknesses present internally in the organisation coupled with

the opportunities and threats that the organisation faces externally”

Strengths:

In 2008, Jet2. com became the first low fare airline to offer a direct route to New York and their route from Manchester to Tel Aviv is the only direct flight from North England to this location. Regularly winning awards for punctuality, more than 85% of our flights take off on time. This gives the company good image and seriousness. Its 8 bases are very well spread throughout the UK and from which it operates across 168 routes and currently has a fledgling fleet of 39 aircraft. Since it is a relatively young and small company it has a great power of expansion at least for the next 2 years. Its internet-based airline company makes it easier to travellers to book and more profitable for jet2 since they do not spend money in branches.

Weaknesses:

Domestic air travel is a very competitive industry with Jet2. com’s biggest competitors being EasyJet, BMI (British Airways), Ryanair. These are far more spread than Jet2. com. They can restrict and shape pricing policy on some routes as Jet2. com seeks to compete with their competitors. Jet2 only operates within Europe apart from the New York route. This makes it no competition for non-Europe airline companies. If you want to fly outside Europe jet2 lacks of offers. Their ageing fleet is a key issue. The combined

average age of their B737 and B757 fleet is 22.5 years (airfleet.net) aged fleet means more consumption, maintenance and servicing cost.

Opportunities:

Possible opening of alternative routes to major cities in Europe. A key route could be from Leeds Bradford to Madrid to the UK, as this has a large potential for business travellers going to UK. Having connected Leeds to New York was a big step; they could expand to other American airports such as Washington DC., again with business travellers potential. Threats:

Raising the fuel prices could lead to a major problem with their low cost policy. Jet2's major competitor is easyJet's, but the minor competitors are increasing rapidly within the low cost airline industry. The current economic climate is a threat to most of the business so it certainly is as well for jet2 since the majority of their flights are aimed to casual flyers and holidays destination.

PESTEL analysis: Key drivers for change.(see appendix 4)

Economic, Political and Legal:

Despite recent government claims of being out of recession (Gross Domestic Product: Preliminary Estimate, Q3 2012) some people still have less disposable income and become more cautious when it comes to spending in holidays, as a result are less likely to travel abroad. Jet2's chairman, Philip Meeson, (June 2012) suggests that another aspect to bear in mind is the fluctuating oil prices which could affect the cost of the ticket putting it out of the "low-cost" fares. "Profits in Leisure Airline fell, despite capacity and load factor growth, mainly due to increased jet fuel prices which they were not able to pass on to their customers" yet. Europe's economic climate is not be

<https://assignbuster.com/work-related-learning-company-jet2com-airline/>

forgotten and its raises in taxation in order to cope with the crisis. BBC news Business (2011) indicates that the rise in VAT from 17.5% to 20% will mean another price rise estimated at around 3.5p to the cost of a litre of both petrol and diesel that the UK government keeps on increasing. Many other European countries have been forcing through labour reforms, backed by sharp rises in VAT, this year: Spain has increased its VAT rate by 5% to 21% in the last three years. Italy has planned to increase its VAT by 2% to 22% by July 2013. Finland will increase its upper VAT rate to 24% at the start of 2013. (2012, International VAT ; GST Services)

Because Jet2. com travels people to all these places above, this will have a major impact in the next 2 years on jet2. com mainly related to monetary issues as they are forced to either risk profits margins to remain competitive or rise their fares which could lead to customer losses.

Social and environmental:

The UK population is ageing and is projected to continue ageing over the next few decades with the fastest population increases in the numbers of those

aged 85 and over (2012, Office for national statistics). By 2035 people of 65 and over will reach a peak of over 35 percent of the population. Since the older group tend to have more disposable income (2012, Thepovertysite indicators) the market for jet2. com may change, aiming for a more international corporate with bases out of UK and intercontinental destinations rather than a European a low-cost company.

Technological:

Jet2. com has a multi-channel strategy to promote its flights and holidays on <https://assignbuster.com/work-related-learning-company-jet2com-airline/>

and offline across web, TV, radio and press. Ninety seven per cent of all Jet2.com flights are now booked online via the dedicated website. (2012, Planespotters.net publishing). This way they save money in branches, administration

One of the greatest impacts that any business has, come from the increasing influence of consumer review websites such as Tripadvisor.com, Airlinequality.com etc. This combined with the currently common use of the mobile technology which gives easy access to consumers to those sites previously mentioned enable them to describe and rate their experiences. Having good reputation on the sites can boost jet2's sales as well as having bad can cause great damage to their revenues.

Porter's Five Forces

(See appendix 5)

Porter, M. E. (2008) The Five Competitive Forces That Shape Strategy, Harvard Business Review, January 2008

Appendix 1: Airline industry market share

Source: Airline network news and analysis, (2009) easyJet and Ryanair battle for supremacy in UK short-haul market

Appendix 2: Market structure

Market control

Number of competitors

The further right on the scale, the greater the degree of monopoly power exercised by the firm. The further left, the higher number of competitors.

<https://assignbuster.com/work-related-learning-company-jet2com-airline/>

Appendix 3: SWOT Analysis of Jet2. com

Strengths:

No cost of leasing aircraft as own most of them.

Monopoly at Leeds-Bradford airport

Unique routs to New York and Tel Aviv

Punctuality

Well spread on UK bases

Internet bookings (97%)

Weaknesses:

Relatively small and not well known compared to its biggest competence

Ageing Fleet, aircrafts average age 22. 5 years.

Not many routs out of Europe, loses of customers.

Opportunities:

Potential for expansion over the United States.

Acquisition of new aircrafts.

Threats:

Ryanair, British Airways and Easyjet

Global economic crisis

Increasing fuel prices

Terrorism.

Political

Economical

Social

Technological

Environmental

Legal

Deregulation

(1984)

Economic Climate.

World's economic crisis

The UK population as a whole is aging.

97% of all Jet2. com flights are booked online.

The development of eco-friendly aircrafts such as the B757-200s The rise
VAT in mayor jet2's destinations.

The fluctuating oil prices.

Flights affordable for more people

Consumer review websites

Open skies regulation

Competition from low-cost airlines

Internet access through mobile technology.

Appendix 4: PASTEL Analysis

Appendix 5: Porter's Five Forces

Porter, M. E. (April 1979) " How Competitive Forces Shape Strategy" in
Harvard Business Review 57, pages 86-93.

Reference List ; bibliography

Attwooll, J (2012) Holidaymakers face increased costs in Spain.[internet]
{accessed 22/11/2012} BBC News (2011)VAT rate rises from 17. 5% to 20%

[internet] available at: [http://www. bbc. co. uk/news/business-12099638](http://www.bbc.co.uk/news/business-12099638)
{accessed 22/11/2012} Civil