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Business Strategy Report for Go-Ahead plc

Executive Summary

The report gives brief information about the Go-Ahead company, its current market position and the market segments it operates in as well as describing the operations of the company. The analysis given in the report uses PESTEL analysis, Five Forces, SWOT and other micro economic concepts in brief terms.

The report has different sections describing different concepts of the research on Go-Ahead Company. The organization's strategic position will be analyzed and critically evaluated using findings from research conducted.

The Go-Ahead's strategic direction will be analyzed using two of the Ansoff, BCG, and McKinsey models or frameworks. These models will help in identification of methods used by the company to pursue its strategies.

The report will further critically evaluate the company's strategy on the basis of Suitability, Acceptability, Feasibility, and Sustainability (SAFS framework.). Conclusions will be drawn from the analysis and discussions in the report and recommendations suggested about the Go-Ahead company like the best approaches that it can adopt to increase its market share.

Go-Ahead is a leading company in the UK transportation market operating two key sub divisions; railway transportation and road transportation using buses. The company targets to provide high quality services to the population living in busy urban areas. The success of the company is attributed to the formulation and implementation of a sustainable strategy.

The success of the strategy of the company has been contributed by research conducted to establish customer needs. The understanding of

customer needs has enabled Go-Ahead to satisfy their customers by providing them with high quality level of service. The company believes that their strongest point in the track to attract more customers is to provide them what they demand most on time.

Analysis and Critical evaluation of the Company's Current Strategic Position

- External issues

The company has invested immense in the railway sector in the country. The strategy to put more investment in the transport industry helped the company to position itself in the market and thus remain competitive. The government had for a long period of time wanted to expand the infrastructure especially in the railway sector. This prompted the government to fund and offer any required support to any company that ventured in this industry. The company therefore was given a conducive and enabling environment to invest in the railway sector. Their expansion strategy came at the time when the UK government was drawing a long term plan to expand the transport sector in the country, hence receiving unconditional support. The implementation of the company's strategy was smooth and realizable within the set timeline.

Economic Growth Strategy

The “ Go Ahead” Plc Group continues to flourish in the market that is characterized by declining growth and company harvesting. This is attributed to the recent economic recession that was witnessed all over the world in the year 2008-2009 (Robbins, 2010). Most governments were hit by this

economic meltdown and more so in the Eastern Europe and they had to be bailed out of the crunch by the European commission. But the company posted a significant growth and profit margin notwithstanding the hard economic times. The continued sustainability and stability of the Group is as a result of its economic growth strategy.

Corporate Social Responsibility

A thorough examination of the “ Go Ahead” Plc reveals a company that is committed to upholding social responsibility. The company has placed itself strategically in ensuring that throughout its operation they are socially responsible. The company strives to minimize the level of carbon emission into the environment, practicing high levels of safety standards and general environmental awareness. This works to fulfill their social strategic plan (Maignan & Diana, 2002, p. 400). The company was given an award for being the best environmentally friendly company.

5-forces Analysis

This company holds the best brand for a very long time. The company plans to maintain the quality of their brand, therefore, eliminating any competition in the market. “ Go Ahead” Plc Group strives to satisfy their customers at all costs. This has worked for the company as they have the most loyal customers in the country. Customer satisfaction and loyalty implies that the company is guaranteed of their share in the market as well as growth (Paula, 2008). The existing customer will influence other clients to the company (Mak & Sockel, 2001, p. 265). A loyal customer base has acted to make the “ Go Ahead” Plc Group very competitive in the industry.

- Internal Issues

The “ Go Ahead” Plc Group relies on their internal competence to be competitive; this is essential in increasing employee motivation and consequently service delivery (Colquitt, 2010, p. 129); (Rynes, Gehart and Minette, 2004, p. 389). The strategy was that employees hold high standards of operational quality in their service delivery. The Group’s human resource is composed of a team of professionals who use their skills to ensure customer satisfaction and deliver innovative products; consequently improving the services offered by the Group (Fernandez & Pitts, 2011, p. 205). The company has visionary strategies for quality service and improvement. These strategies have placed the company in better position in the market to record the highest number of passengers.

SWOT Strategic Analysis

The company has more strength than weakness in the market it operates. This is attributed to the quality of the service they offer to clients and their growth and innovative strategy. The company has strived to reduce any weakness and utilize opportunities at its disposal to be the leading employer and best customer trusted company. The threats that the company continues to deal with include legal issues, operating costs and poor economic conditions. This implies that the company strategy on SWOT analysis is effective and continues to help the company in its position as a market leader. The other implications include future growth of the company in the market and improved customer relation so that the company sustains its operation.

Analysis of the Organization's Strategic Direction

- Ansoff Matrix

The 'Go Ahead' Plc Group currently controls 30% market share in the passenger segment for railway services (Go Ahead plc., 2012). The company also caters for approximately 1.7 million passengers every day in the United Kingdom (Go Ahead plc., 2012). These figures show that the company has a relatively high penetration in both the buses and railway services market. It is, however, imperative that the Group focuses on diversifying its product mix to increase its revenue and reduce the risk of running out of business in case one of its core products fails (Reinertsen, 2009). The strategy to introduce ticketing services in the Group's product mix is a valid and effective one. This is due to the reason that the company's experience in the transport industry will give it the knowledge required to market this new product (Sutton, 2004). The establishment of ticketing agencies as part of the Group's diversification product is also likely to succeed since the new products is closely related to the already existing products. It is essential to highlight the need for a company to develop related products even during diversification. This is advantageous when it comes to marketing the product as the company can rely on its current market to buy the products (Wheelen & Hunger, 2011). The strategy to also sell tickets for events is a medium risk diversification approach. This is because the company can use its buses and trains as points of sale for the product; however, since the product is relatively different from the transport services the Group offers, it is bound to experience challenges in marketing the new product. The diversification strategy of introducing supplementary transport might prove to be counter-

productive for the company. This is because the growth of the supplementary transport may result in the decline in market share for bus and rail transport.

The last decade has been characterized by various growing trends among consumers that have had a significant impact on the way businesses operate (Robbins, 2010). One of these growing trends is green consumerism which involves the desire by customers to buy products and services from companies that promote sustainable use of resources and environmental conservation (Kotler & Armstrong, 2008, p. 51). It is based on green consumerism that there has emerged a market for hybrid transport (Moriarty & Honnery, 2008, p. 1717). The ‘Go Ahead’ Plc Group should pursue this market as it is a new niche in the transport industry that can have high profitability. The Group’s strategic direction to venture into this market, therefore, has a high probability of success. The CCTV and Eye Witness Program are relatively risky and unstable markets. This is because the competitive edge in these markets is determined by which company has the latest technology; due to the rapid innovation in this sector, today’s market leader may be made irrelevant tomorrow by the emergence of improved technology (Robbins, 2010). The Group should, therefore, be cautious when approaching these two markets to avoid losses. The Group should also invest in an innovation program before venturing into the markets; this program will help ensure that the Group is abreast with emerging technology (Chua & Khoo, 2000).

‘Go Ahead’ Plc Group decision to offer new routes in existing markets are a strategy in the right direction. This is because this product offers

convenience which is a useful strategy to differentiate their product and enhance customer satisfaction (Jonathan & Paul, 2004, p. 86).

- GE Matrix

The result of the GE Matrix above correlate to 'Go Ahead' Group's financial and market performance. As stated earlier, the company has about 30% market share in the rail services industry. The Group should set objectives that are geared towards customer retention and new market penetration. When a company adopts these two strategic directions it will ensure its market share does not go lower than 30% while at the same time seeking to increase it to above 30%. The 'Go Ahead' Group should use its high brand power and market share to gain a more controlling position over the market than it currently has. This will be beneficial in ensuring that the Group operates as a market leader.

Critical evaluation of the Organization's Current Strategy

Among the few basic pillars that are looked at in order to determine the success and performance of any organization or corporation, include its sustainability, acceptability, feasibility and finally, its suitability. The ultimate performance and appeal of these four basic tenets are some of the most essential aspects that every corporation's management ensures good performance (Kotler & Armstrong, 2008). At the same time, they are some of the aspects that every stakeholder looks at in an organization before investing in it, for example through buying of shares and taking part in any other investment activities within the organization. These are some of the essential factors that this paper will look at for Go-Ahead Corporation, one of the leading road and rail services providers in the United Kingdom that has

been in the business for twenty five years now.

- Go Ahead Sustainability

The Group lays significant emphasis sustainability in their operations. Go Ahead's sustainability approach addresses and covers five main areas, and these are safety, the environment, passengers, employees, the community and economic impacts. In order to achieve this, Go Ahead carries out high quality services and within the safest environment possible. At the same time, it is within the corporation's concern to offer its services within a socially and environmentally acceptable settings, as well as an acceptable manner, taking into account and consideration all the legal, social and environmental expectations that govern the environment. For example, from an environmental perspective, Go Ahead is playing a major role in reducing the environmental carbon dioxide combustion by encouraging more people to adopt the use of buses and trains as opposed to private transport means. This will play a major role in ensuring that there is less congestion in the roads, as well as minimized levels of carbon combustion into the environment (Go Ahead Plc, 2012).

- Suitability

- Acceptability

Go Ahead has been performing fairly well in the United Kingdom transport market, from a look of its returns. To start with, within its twenty five years of operation in the market, it has achieved a bus passenger satisfaction score of 90% and with a £70. 2 million bus operating profits in the year 2012 alone. This shows that the corporation has been doing fairly well, and its market has been consistently growing and developing. At the same time, it is

also necessary to note that the corporation spent £29. 3M on acquisition, meaning that the market is growing and promising.

- Feasibility

Considering that Go Ahead has already invested £29. 3M in acquisition in 2012 alone, this means that it seeks to establish more services across the UK region. The transport industry, being one of the best defined industries in the region, will therefore create more room for investment, and Go Ahead stands a better chance in establishing more of its services across the region's rail and road services, considering that it is in control of almost 90% of the entire market, with about 70, 000 passengers using the corporation's services daily, and £450, 000 generated daily, from the same. Lastly, Go Ahead is the 10th best corporation in the European region, and this gives it an upper hand even in establishing its services in new markets (Go Ahead Group Inc, 2012).

Conclusion and Recommendations on New Strategic Positions

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