

Strategy management of ryanair

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European airline industry is one of the most competitive markets. What is the market position of Ryanair? This presentation will analyze. 2. 0 PESTEL analysis 1. Political EU set one rule, which was seriously influence European airline industry. " It was an overbooking delay and cancellation rule. If passengers were suffered from the above mistakes. Compensation must be repaid by airline". (P. 834) The cost of whole airline industry will be increased. However, " this rule didn't bring big impact to Ryanair", (P. 834) as it possessed good record and control to prevent fraud.

Moreover, " Irish government announced plans to break up the state monopoly". (P. 852) This plan may be brought some quassation in European airline industry. However, Ryanair will be seriously affected by this plan. It may block Ryanair future expansion I its home base. 2. Economic " EU deleted duty-free on intra-EU". (P. 843) The above taxation policy directly affected European airline industry development. It will bring negative impact on airline profit and staff morale. Of course, Ryanair was also affected by this policy. There were three significant challenges to Ryanair. " A loss of revenue, a drop in incentive to flight attendants and increased landing charges". (P. 843)

Furthermore, there were another major economic problem for European airline industry, " which were foreign exchange and fuel risk". (P. 836) It is because there were energy crisis and various currency policies. It will prevent European airline industry development. Equally, Ryanair was also influence by the above risk. However, " it removed some of the risk through foreign exchange hedge and fuel risk management policy". (P. 836) 3. Social Europe was a huge market, " since there was a large population base."

(P. 845) Good transportation was an essential for every European citizen. It created great opportunity for European airline industry to expand its business. Simultaneously, Ryanair was also to be benefited greatly, as this factor can assist them to open up European market.

Besides, there was an interesting phenomenon. " A lot of passengers seek less expensive travel alternative", however, there was a trend of high fare in European. The utmost divergence was created in European airline industry. Different price policy was implement by mainstream and budget airline. Nevertheless, Ryanair can obtain this advantage to develop its business, as the direction of Ryanair fitted the market. 4. Technology There was a trend in European airline industry, which was website establishment. The improvement of technology can aid European airline industry development and competition.

In view of Ryanair, creation of website can help to save cost and open up revenue such as agent commission cost, computer reservation cost and advertising income (P. 845 & P. 850) 5. Environment There were many competitors operating in European airline industry including mainstream and budget airline. Ryanair was difficult to survive in the competitive environment. A lot of problem will be face by Ryanair such as cost and distribution.

" Some of the budget airline established an organization (ELFAA) in order to concentrate the resources against EU issue"(P. 847) It brought various impact to mainstream and budget airline respectively. It will accelerate competition to reach the climax in European airline industry. Ryanair also

faced great challenge in price competition. 6. Legal EU commission had been reiterated a rule against illegal state subsidies. It hoped to establish fair deal environment in European airline industry. " EU decision was based on non-discrimination legislation preventing airport from offering differential deal to different airline operators." (P. 833) The interests of European airline industry were protected by non-discrimination legislation. On the contrary, Ryanair may need to repay penalty for breaking rule.

3. 0 Five Forces analysis 1. Bargaining power of supplier There were only two major suppliers in the aircraft market, which were Boeing and Airbus. (P. 836 & P. 849) Boeing and Airbus concentrated the hold market. It made high level of switching cost whichever mainstream or budget airline. It is because they can't freely change product. High information cost will be faced by mainstream and budget airline. In general, airline industry obtained economic of scale through bulk purchase. European airline industry stood at weak situation.

2. Bargaining power of buyers European airline industry was a substantial market, since there were large population base. The buyers can easily obtain information owing to technology improvement. Information cost was lower. Moreover, there was a low switching cost, as there were many similar airlines in European airline industry including mainstream and budget airline. Besides, There was a service differentiation between mainstream and budget airline. It is because they executed different operating direction. However, " in hard time demand for premium service tends to decline as more passengers seek less expensive travel alternative." (P. 845) It meant

that passengers were price sensitivity. Consumers buying pattern were changed from service premium to low price.

Under the above forces, mainstream and budget airline also stated at weak situation. However, budget airline possessed some advantage which was better than mainstream. 3. Threat of substitutes European airline industry faced a lot of pressure. It is because there was not only heat internal industry competition, but also encountered by other travel industry pincers movement such as cars, ferries and high-speed train. Mainstream may has the most pressure, as buyer inclined low price than service premium. The above substitutes may be better than mainstream.

However, the current trend was created a hardship environment for substitutes to survive. " It is because the pattern of competition was the low cost show." (P. 846) the performance of budget airline was greater than its. " they faced falling passengers volume", (P. 846) even through more passengers seek less expensive travel alternative." (P. 845) Passengers have low switching cost in competitive environment.

Under the above forces, mainstream stood at weak situation, but budget airline place at strong place 4. Threat of new entrants Since the incident of 911 was happened, it created a great challenge for European airline industry. A lot of competitors hoped to seize the opportunity to invade aviation market. However, it was difficult to enter European airline industry, since high initial investment and fixed cost were an essential to establish an airline (P. 848 Exhibit7)

Moreover, economies of scale were the major factor to prevent competitors to take part in European airline industry. For budget airline, " it was difficult to sell lowest airfare and make profit. For mainstream, it was also difficult to provide premium service at minimum level. The only way to perform minimum efficient scale was through bulk purchase of aircraft fleet, good management and appropriate distribution. Under the above forces, mainstream and budget airline stated at strong situation.

5. Competitive rivalry There were many competitors operating in European airline industry. they snatched the same resources and consumers. It made as intensifying competition in European airline industry, as the environment led them to struggle for marketleadership. Passengers will have more choices, so they can freely change another airline whichever mainstream or budget airline. It is because there was low level of switching cost.

Moreover, European airline industry became crowded with competitors. It will create industry stakeout. New entrants increased supply, however there was insufficient demand to support the market. Finally, intense competition, price war and failure were released in European airline industry (P. 846) Although mainstream stated in passive place, it had relatively strong force. It is because they possessed advantage in long term. On the contrary, budget airline may state at weak situation, as hardship operating environment.

4. 0 SGA In graph one, X and Y factors were load factor and total operating expensive. In graph two, X and Y factors were passengers and destination. In strategic group analysis, Aerlingus, Easyjet and Ryanair obviously defined as competitive grouping European airline industry. They possessed similar

market position. 5. 0 ICA 1. Physical In the group, Easyjet possessed more aircraft than Ryanair and Aerlingus. Aircraft was an important asset for airline. Ryanair must consider scale of aircraft fleet for future development.

2. Financial In the group, Ryanair possessed net profit, which was greater than Easyjet and Aerlingus. Substantial net profit can provide stable finance for Ryanair future development. Furthermore, Ryanair also had well cost control that another two airline were deficiency. 3. Human

Resources In the group, Easyjet and Aerlingus possessed more employees than Ryanair. A staff was an important asset of airline, so Ryanair must consider employing more staff. Furthermore, Ryanair possessed Michael O'Leary. He was a brain of Ryanair. He always created mysterious strategy to turn defeat into victory

4. Reputation In the group, Ryanair was the most famous airline, since it provided less expensive and convenience service. When consumers thought less expansive travel method, Ryanair is the first choice. Besides, Ryanair obtained the trust of investors, as it had good reputation and earning ability. It was greater than the above group competitors.

The critical success factors of Ryanair were low price and well management. It was not easy to implement and obtain both factors. However, Ryanair can perform it. It is because it possessed stable finance to implement low price direction. Moreover, Ryanair possessed well management- Michael O'Leary. He can bring Ryanair to achieve low price and make profit. Those were the basic behind the critical success factors. Ryanair will utilize its resource to

create value to passengers through value chain. Primary activities 1. Sales and Marketing.

Ryanair invested resource to establish website for passengers. It made passengers more convenience. Ryanair can cut some cost, so it can set competitive price to passengers. 2. Operation Ryanair placed resources to strengthen its core business such as satellite television, Internet service and arcade game, so the passengers can enjoy the trip. Support activities 1. Human Resource management Ryanair employed Michael O'Leary to be CEO. He can utilize Ryanair resources to operate low price strategy. 2. Procurement Ryanair acquired similar budget airline Buzz. It can create synergy effect in the market, so low price direction can be operated efficient and effective.

Competitive advantage European airline industry was the most competitive market. Ryanair can occupy this market. It depended on its competitive advantages such as good management and strong revenue growth as well as low price strategy. Disadvantages Ryanair offered less expensive and convenience service, but it didn't satisfy with passengers' need such as Toilet and legroom. Moreover, there was too less employees for Ryanair to operate its business. It will make Ryanair business less efficient and effective.

6. 0 Opportunity There was a large expansion space in European airline industry, since large population base and transportation need. Ryanair can launch new route. If Ryanair implement outward development in other countries, it can reduce Ryanair dependence on the UK-Ireland

market Moreover, there was a necessary for Ryanair to expand its aircraft fleet to accommodate substantial volume of passengers. New airplane possessed latest entertainment and safety system. The enlarged fleet was not only to alleviate existing capacity workload, but also assist Ryanair to expand its network capacity. Advance technology can improve Ryanair service, so Ryanair must seriously consider possible of expanding aircraft.

Besides, there were a lot of competitors place in the aviation market. Ryanair can increase its market share through takeover and merger. It was not only making gradual inroads on the budget airline industry, but also on the mainstream airline. 7. 0 Threat The cost of fuel was continuously increased, due to rising oil price globally. It will seriously affect Ryanair the speed of development and earning ability, as operating expenses of Ryanair will be raised unceasingly. It may cause Ryanair to disproportionate its sales volume.

Furthermore, weak employees relationship and high salaries may bring potential problem to Ryanair. It brought two difficulties to Ryanair. Former, weak relationship caused less production efficient and effective. It may waste or overlap airline resources. Subsequence, high salaries will increase airline-operating cost. Next, there were a lot of competitors placed in European airline industry. They made a pressure to Ryanair such as price war. If Ryanair didn't concentrate, it may be foul out in aviation market.

8. 0 Conclusion To conclude all the analysis, Ryanair must conduct an innovation to contend heat competition in European airline industry. 9. 0 Recommendation Ryanair should establish one reliable hedge system to

eliminate fuel price. It is a seriously problem challenging Ryanair profit. Secondly, Ryanair must employ more staff and skillful management, since there were human resources insufficient in Ryanair. It may block Ryanair development.