

Essay on dogfight over europe - ryanair

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



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Introduction

Ryanair is considered to be one of the most lucrative low cost and fare airlines in the world. Even though in 1991, the company was near to bankrupting but till 1999 with drastic changes in strategy and promotion, the airline was able to recover back and became successful.

Moving from Bankruptcy to Profitable Airlines

Ryanair underwent serious losses from the year 1986 to 1991. One of the major reason for this was the strategy it had implemented of providing its customers with all the basic services but at low fare. The airline focused towards retaining customers and providing them with excellent customer service but keeping the fares low; that resulted in high operational costs. This model proves that it was inefficient, and the management needed to work on it on an emergency basis to keep the airline in business. Second

reason that nearly led the company to bankruptcy was the airline expansion and the deregulations of the airline industry in Europe. Ryanair expanded its route and the routes clashed with its major competitor's existing route. This led to a price war between both the companies. Since Ryanair was already following the low fare strategy and a further 10% discount as compared to its competitor's rate, the company experienced drastic losses and lost in the price war. (Rivkin, p. 2)

However, a drastic change in strategy helped Ryanair recover back and made it successful. It eliminated all the frills services it offered to its customers and simply became a low-fare airline like EasyJet. It started serving secondary airports and impeded the use of air bridges. Thirdly it innovated by implementing the system of online bookings through its personal website and reduced some additional employees working on this system. Furthermore, new aircrafts were introduced in the time when it was the recessionary period so it could get the aircrafts at cheap rates. This way the company was able to offer lower rates to its customers, which was the key to re-entering the industry. Another strategy that Ryanair implemented was dropping the loss-making routes and the airlines were redeployed on the routes that were profitable.

Would-be-imitators

The airline industry was not performing well in this era, and the airlines that were offering full services such as British Airways and Aer Lingus had extreme difficulty matching the low fares that Ryanair offered. By 1999, neither of two mentioned airline carriers were Ryanair's major competitor. Some strategic changes the would-be-imitators performed were that British

Airways withdrew its major operational route from the Dublin-London soon after Ryanair came back in business. Both the competitors tried to fight the low fare prices by offering full services but later on shifted their focus towards business travelers who were offered and charged for full-services. (Rivkin, p. 6) Easy Jet, on the other hand, was performing really well. A careful estimation of the company makes it the second largest low-cost carrier operating inside Europe, with the first being Ryanair. Not only does EasyJet appear on the London Stock Exchange. Debonair, another airline that operated with strategy of low fare with minimum restriction eventually grounded its fleet at the end of 1999 and filed for bankruptcy.

Most serious threats that Ryanair faces today

Threats that Ryanair and Easyjet are facing today is a change in customer dynamics and shift towards luxury travelling especially after the ease of immigration visas by UK, the rush of Chinese tourists and luxury travelers is increasing. This is an area that the low-fare no frill airlines need to focus and adjust to the changing dynamics before the competition takes over and shifts the low-cost airline out of business.

Work Cited

Jan Rivkin “ Dogfight over Europe: RyanAir ©” Harvard Business School (Mar-2006), p. 2 and 6

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