

# The qantas group international and domestic air transportation services

[Environment](#), [Air](#)



## INTRODUCTION

The Qantas group's principal activities are operating international and domestic air transportation services for leisure and business traveling, freight and logistics services as well as associated support activities including information technology, catering ground handling, engineering and maintenance. Qantas with its dual strategy brand Jetstar flies now to more than 173 destinations in 42 countries and operates a fleet of 246 aircraft. The airline will operate a 20-strong airbus 380 fleet by 2015. The group is also a part of the Oneworld global marketing and code-sharing alliance, which consists of 11 leading airlines. Qantas' stakeholders are its shareholders, employees, customer, business partners and the community. Indirect stakeholders include the media, governments and non-government organizations. They all have a major influence on the business, its strategy and therefore its performance. It is to mention that Qantas group is in the unique position of having two outstanding and well established brands in both the premium and low fares categories with Qantas and Jetstar, consisting of the subsidiary brands Jetstar Asia being the largest low fare, "no frills" Airline in the Asia Pacific Rim, based and operating from Singapore. The Qantas group holds 49 percent of the Jetstar Asia shares. Jetstar Pacific is Vietnam's first low cost carrier operating since 2008. The Qantas group holds today a 30 percent stake through foreign direct investment.

### ORGANIZATIONAL STRUCTURE:

The headquarters of Qantas is located in New South Wales, Australia. It is split up into three main branches which include the Flying business, FLYing services Businesses and the Associated Services.

Mission Statement:

Qantas Group do not have an overall mission statement of the company. As qantas is divided into three main branches, each with its own subsections, Each division has its own mission statement. however, all of the department's mission statements share one common goal: ensuring high quality service in the most efficient way.

Vision:

The Qantas Group's long term vision is to operate the world's best premium airline, Qantas, and the world's best low fares carrier, Jetstar. To achieve this, the Group is focussed on five key elements:

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Macro Economic Challenges

Operating from within an exceptional challenging global environment australia's largest Airline revealed that it had maintained profitability in the year 2009-10, while competitors descended further into loss making areas under the effects of global recession. Although profitability remained, its annual

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## Comprehensive PESTEL analysis

### Political factors

Changes in the political environment affect the airline industry as it has great bearing on customers' travel habits. The demand for air travel to a country with an unstable political environment reduces as uncertainty is created in the mind of air travellers which in effect decreases demand for tourism/travel to that particular country. Example is the Thailand Crisis during May 2010, due to escalating violence in country, air travel fell by 20% and some airline operators had to refund tickets to passengers travelling to Bangkok (Telegraph, 2010).

### Economic factors

The global world financial crisis has impacted many, if not all, industries and has left many countries with high unemployment rates. This has subsequently reduced the demand for first class and business/company travel.

As a result, Qantas was forced into implementing different marketing mix solutions to meet the rising levels of unemployment and low demand for air travel. In 2009, the company launched "2-for-1" air fares for premium Economy and Business class seats (Qantas, 2010).

### Social factors

There are people from various incomes groups and as such airlines have to be aware of these individuals and cater for their needs. Qantas Airways Group operates Jetstar to serve the need for low income customers while Qantas offers more luxury travel experience.

#### Technological factors

The new implementation of the “ Next Generation Check-in” service for “ Frequent Flyers” enables the streamlining of domestic check-in process (Qantas, 2010). This is a quick process that allows members to check-in for domestic travel using a smart-chip enabled card. Qantas’ use of online services helps travellers purchase tickets online using credit/debit cards. The website provides quick and detailed information to customers and users as well.

#### Environmental factors

This factor is becoming a very important in the current world due to the threat of global warming. There are now increasing pressure from governments and groups for companies to reduce their carbon (CO<sub>2</sub>) emission. The EU Emissions Trading System proposed in 2008, aimed at reducing CO<sub>2</sub> within the EU region, has a huge implication for the airline industry as a whole (UK Environment Agency, 2008). Furthermore, In June 2010, the German government proposed an “ environmental” departure tax which will result in higher ticket prices for Australian passengers and as a consequence lead to lower sales for Qantas (The Australian Business Journal, 2010).

## Legal factors

The aviation industry is one of the most highly regulated industries in the world and airline operators have to follow agreements and procedures to meet legal requirements on issues such as safety, security. Qantas operates more 850 international flights per week; flying to 38 countries (Qantas, 2010). Their operations have to be based on regulatory and industrial frameworks. Under Bilateral Air Services Agreements, for example, (“agreements which set out entitlements available to carriers of each country”) established by the Australian government with foreign countries, Qantas must apply to the International Air Services Commission, an independent statutory authority, for allocation of capacity.

## Comprehensive Porter’s 5 forces analysis

The Porter’s 5 force analysis (Porter, 1985) is used to analyse the competitiveness and attractiveness of the airline industry of which Qantas operates. It analysis consists of 5 fundamental competitive forces:

### The rivalry among existing players

Qantas is faced with competition within the domestic airline industry in Australia from Virgin Blue and Tiger Airways and international competition from all major airline operators including British Airways and Deutsche Lufthansa (all three airline operators are national flagship carriers). The fierce rivalry has resulted in high cost of competition, lower profits and slow market growth.

### Bargaining power of Buyer

The airline industry is very competitive as they are competing for the same passengers and switching cost between airline operators is low. As a result, the buyer power is high in this industry. There are various choices presented to customers; which usually means brand loyalty or price is the main factors when selecting an airline. Qantas has the frequent flyer program which rewards loyal customers and increases switching costs for a passenger selecting a rival airline operator.

### Bargaining power of Suppliers

The main factors which determine the bargaining power of suppliers include switching costs, substitute suppliers, threat of backward and forward integration and supplier concentration. The airline supplier market for aircrafts is very concentrated as there are two main suppliers, Boeing and Airbus. Their bargaining power is high in this industry. This restricts Qantas, along with its competitors, from exercising control over their suppliers to generate higher profit.

### Threat of entry of competitors

The airline industry is currently so inundated it is virtually impossible for newcomers to enter the market and has made the threat of new entry low. The cost of entry is by far the biggest contributor. The high cost of buying and leasing aircraft; operational activities including safety and security

measures, customer service and manpower; makes the airline industry one of the most expensive industries.

The availability of substitutes

The threat of alternative solution to international airline travel is somehow limited. However, the threat for domestic airline travel includes train, bus or car travel which is determinants of money, preference, time and convenience of the traveller. The ease of switching to a substitute increases competition. Hence, when switching cost is relatively low, the competition becomes higher and price becomes even more important.

The airline industry is very competitive and as a result, profit margins are usually low. Also, the bargaining of the supplier is very high which undermines companies in the airline industry to exercise control over their supplier. With high entry cost, new competition into the international airline market is very low. Qantas can continue to dominate this market while still competing with domestic market using the Frequent Flyer programme increase loyal customer.

Detailed SWOT analysis

Strengths

Qantas has a globally reputable brand (it was voted the 7th best airline in the world (Skytrax, 2010) which has excellent brand equity coupled with exceptional customer loyalty (in April 2010, Qantas' Frequent Flyer Program membership breached 7 million (International Business Times, 2010).



## Weaknesses

Qantas is heavily dependent on the business and first class passengers for profits. During the great financial crisis, when business travel slowed, in April 2009 the demand for business-class seats were down 15-20% (Traveller, 2010). Qantas need a more flexible but robust business model.

## Opportunities

The success of the frequent flyer program was as a result of the partnership with Woolworths Ltd. Customers were rewarded through their daily shopping. This could be extended to retail shopping and hire purchases. With free trade agreements between Australia and India under consideration (DFAT-Australia, 2010), Qantas can plan to meet demand for business travel when negotiations are finalised.

## Threats

In 2005 and 2006, Qantas was voted 2nd best airline in the world. Currently, it is the 7th in 2010 (International Business Times, 2010). This apparent trend in decline could be a result of cost-cutting measures implemented by Qantas in the wake of the great financial crisis (ABC, 2009).