

# Dogfight over europe: ryanair – case study

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



1. What is your assessment of Ryanair's launch strategy? Ryan brothers took account about various factors when he launched his company, the key choices from were: first, they chose the most lucrative route possible (at the moment one of the most lucrative routes for their competitors), and with a potential growth if they can attract passengers from train or sea ferries. In second, his position as late-movers, allowed them to enter in the market with a lower price than its competitors.

A lower price is a good strategy to quickly gain market share. Last but not least important, thanks to his father's money, they had sufficient financial resources to maintain their prices. 2. How do you expect Aer Lingus and British Airways to respond? Why? The entry of a new competitor represents an entry price below the market's price.

Aer Lingus and British Airways had two different choices to react: maintaining their current level of prices, or start a price war with Ryanair. But both companies have a significant disadvantage, they have a cost structure very difficult to cut (Staff + Accommodation, ground... + Selling + Handling and catering represents more than 45% of the costs per passenger, approx 90L and they need to add landing fees and oil); also it was too difficult to start an strategy based in differentiation because Ryanair was trying to offer a service of a similar quality to these companies (first-rate customer service). 3. Draw the extensive form of the game between Ryanair and the two incumbents. What are the different payoffs to Aer Lingus / British Airways (treat them collectively as one actor) for different strategic actions? Said differently, how costly would it be for A to retaliate against

Ryanair's launch rather than accommodate it? In this game, Ryanair as the entrant company have to options: enter / no enter.

And AE/BA in response can choose between: lowest prices/maintain prices.

The payoff for the companies could be measured in function of market share

\* operating profit (half million passengers, 10L), in this case game tree and payoff matrix are described in the exhibit 1 and 2 respectively.