

Ryanair as a low cost carrier management essay

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



However, the key to Ryanair's success is its website, which serves as the primary distribution channel. Customers need to purchase tickets and check-in online and print their boarding passes at home. The implementation of web technology enabled Ryanair to eliminate unnecessary processes associated with customer service, which has a direct positive impact on key performance factors such as speed, flexibility and cost.

Even though Toyota and Ryanair use a different process system, their goal in terms of process design is quite similar, especially when it comes to reducing waste. A major advantage of their processes is the fact that "rivals will get little benefit from imitation unless they successfully match the whole system" (Porter, 2008, p. 63).

Supply Chain Management (SCM) "is the management of relations and integrated business processes across the supply chain that produces products, services and information that add value for the end customer" (Jespersen, et al 2005, p, 12). Effective SCM has become increasingly important, because it enables companies to respond faster to changes in the external environment than competitors (Stalk and Hout, 2003).

Toyota spends much time on evaluating potential suppliers in order to choose the right suppliers, agree on long-term relationships based on mutual trust. Likewise, Toyota continuously assesses each supplier's performance with regard to quality, reliability, creative proposal and costs. In the years to come Toyota intends to reduce 30% of costs throughout the whole supply chain and share half of the profits with its suppliers (Iyer, et al, 2009).

As such, a service company's supply chain is not totally different. Similar to manufacturers, service companies focus on the management and coordination of all activities in the supply chain, yet place emphasis on aspects such as service capacity, waiting time, distribution channels and quality of service (Wisner, et al, 2008)

Since Ryanair sells directly to end customers it has more power and control over ticket sales. In terms of the supply chain it is therefore particularly concerned with establishing mutually beneficial long-term relationships with major suppliers, negotiating price discounts and hedging prices (Ryanair, 2009).

Ryanair primarily depends upon three key suppliers, which are aircraft makers, airports and the oil industry. Boeing and Airbus are the biggest suppliers for high quality passenger aircraft and therefore have remarkable bargaining power. For example, in 2009 Ryanair

ended negotiations with Boeing to buy 200 new 200 new aircraft as Boeing didn't agree to certain terms and conditions demanded by O'Leary (BBC, 2009). Primary airports in the major cities in Europe also have remarkable bargaining power as they attract the majority of travellers. Only secondary airports may have less bargaining power, because they are usually less congested and depend on airlines to generate profit. Finally, especially low-cost carriers are subject to unpredictable increases in oil prices. Ryanair can hardly cope with higher prices for crude oil, otherwise it would be forced to abandon its no-fuel-charge policy (Ryanair, 2010a).

Human Resources Management

Human resource management can be regarded as a specific functional role carried out by specialist staff. There is no doubt that human resource planning and effective employee utilization are central factors that contribute to achieving competitive advantage (Gilmore, 2009).

In order to attract, motivate and retain employees Toyota offers incentives such as single apartments, home loans, paid vacation, private health and dental care, sport areas and insurances (Kong, 2003). Furthermore, Toyota uses a skill-based pay system to increase flexibility and decision making and avoid employee turnover and absenteeism (Gerhart and Bretz, 1994). In addition, it has also developed a reward system and a general gain-sharing programme based on achieving annual profit and quality goals for the organisation (Chalice, 2007).

However, Toyota's formula of success is more concerned with learning and development. In fact the adoption of the "Toyota way". Which encompasses the four P's – people, philosophy, process and problems – has enabled Toyota to establish a unique culture (Harbour, 2010). Vecchio (2000) contends that through social learning people develop their own capacity and ability which eventually increases productivity. In this respect, Toyota matches different development approaches to different needs (Liker and Hoseus, 2008). The model for developing people is called the "Job instruction method", whereas the technique for training staff is termed "Training with Industry" (Liker and Meier, 2007). As Senge (2006, p. 173) put

it, " There is nothing more important to an individual committed to his or her own growth than a supportive environment".

By contrast, in terms of employee relations Ryanair places much emphasis on keeping costs low (Bamber, et al, 2009). Nevertheless, Ryanair realises that its success is dependent on highly trained and productive employees which make a key contribution to operational efficiency. Thus. In order to attract and retain employees Ryanair's key staff, such as pilots, are paid wages above the industry average (Ryanair, 2009).

Ryanair's flight attendants, however, are employed on a performance -pay basis (Ryanair, 2009). They can increase a relatively low base salary by selling food, drinks and ancillaries during the flight. Ryanair's employees attend initial and recurrent training sessions including safety and fire drill courses, ground school training as well as pilot conversion courses (Sue, 2004).

Negative aspects of Ryanair's low-cost strategy include high work load and tight shift rotas as well as the fact have to pay for their own training, uniforms, meals and drinks and even mobile phones used at work (BBC, 2009).

(Ryanair, 2009)

In fact, Toyota's approach towards human resource management differs significantly as it invests a lot in training and development and provides attractive incentives. Ryanair, conversely, focuses primarily on cost minimization and therefore gives its employees just as much as is needed to

ensure a high level of productivity. If Ryanair was a full-service airline it would need to invest significantly more in its employees in order to ensure high employee morale and quality customer service.

On the contrary, a low-cost airline like Ryanair primarily focuses on process improvement in order to cut costs and increase operational effectiveness, fully neglecting customers' diverse needs (technology push). Instead of involving all employees in the innovation process Ryanair has adopted a top-down approach where any improvement initiatives are dictated by top management. Ryanair's core innovation was its website which enabled it to markedly reduce costs through automation and disintermediation (Ryanair, 2010a).

In fact, Ryanair's top-down approach adversely affects its culture, which is dominated by frugality and discipline, rather than commitment. In contrast to Toyota, Ryanair does not recognise that employees can be regarded as "the most effective consultants your organisation could ever hire" (Clemmer, et al, 1990, p. 69). It is arguable whether Ryanair could be even more successful if it adopted Toyota's approach.

Quality Management

Quality is an important concern for all companies. According to Natarajan (2002, p, 69) quality "means meeting or exceeding the requirements, expectations and needs of the customers".

Even though Ryanair has eliminated lots of activities compared to its full-service competitors, it does not extend to its low-cost strategy to safety.

Maintenance, training and quality control is a priority for the company (Ryanair, 2010a). Indeed, just a single serious aircraft accident involving Ryanair might lead to disastrous results, since this directly affects Ryanair's reliability and will put the safety of low-cost carriers into question.

Ryanair gives a great importance to hiring and training its pilots, cabin crews and maintenance personnel. Routine aircraft maintenance and repair services are made by Ryanair as far as possible or by approved contractors. Ryanair maintains its aircraft in accordance with the highest European airline industry standards. Moreover, Ryanair runs one of the youngest fleets with only one type of aircraft (Boeing 737-800NG). For this reason it is easier to ensure proper maintenance and cut costs at the same time (Ryanair, 2010a). Finally Ryanair has had no serious accidents in its 25 year operation history (Planecrashinfo, 2010).

Ryanair focuses strongly on the proper execution of all services. Indeed, though utilizing simple processes, it guarantees the lowest fares with no fuel surcharge, fewer delays and cancellations, fewer missing bags as well as commitment to air safety and the natural environment (Ryanair, 2010a).

Ryanair claims to "deliver to airline passengers what they really need, namely real commitments on pricing, on punctuality and on key services" (Ryanair, nd). To assure that it publishes its customer service statistics every month.

Customer's trust in the automotive industry really depends on perceived quality. Toyota claims to provide "high-quality vehicles at an affordable

price ” (Toyota, 2009, p. 3). While Ryanair uses a “ value based approach”, (Jones and Robinson, 2009).