

A strategic study of emirates airlines

Environment, Air



This report conducted on Emirates Airlines which discusses a strategic study about global airline industry, particularly Emirates Airlines. 1st part of this report will be tell us in detail about Emirates airline company with internal and external analysis of the company. The last section is about current situation of the company with conclusion and also expressed main problems that Emirates Airlines should address with recommendation.

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Profile:

Emirates Airlines was established in 25th October, 1985. Presently Emirates Airlines has 142 fleets aircrafts and destinations over more than 102 countries worldwide. Recently it made an order for aircrafts worth \$ 27 Billion for 45 Airbuses A380, in this way cit become the world's largest purchaser of Airbus's super-jumbo. (Regarding Emirates)

Emirates Airlines is very fast growing airlines. Emirates have 5th number over the world in profitability. Emirates earned profit on March 31, 2010 is more than \$3, 538 since last 17 years and it's growth ration more than 20% a year. (BBC News)

External Environment

Airline Industry Analysis

Airline industry Profile

Presently airline industry growing very well and world top level profitability industry where from we can earn profit . On the other hand political and some other economic factors are affected on this industry, after 11th September there was a great change in the trend of abroad journey for visit, studying and business purposes etc. Another big factor is rapidly rising in oil prices over the world specially in middle east as well, due to this cost increased of airline industry and in this way profit has been decreased and these losses has been reached round \$ 6 billion in 2009 (IATA) 6 billion in 2009 (IATA)

Eventually, the airline industry has been restored number of passengers. We are watching again the trend of tourism, international trade and development of globalization and in this way numbers of passengers has been increased and exceed 2. 3 billion by the end of 2009.(IATA). Thus, for winning and strong image in aviation market its compulsory for airlines that cut of their prices and improve their services.

Life Cycle of Airline Industry.

The Product Life Cycle refers to the sequence of stages a product goes through. Any new product in market go through a sequences of stages from introduction to maturity , growth to decline and this sequence of all stages is called product life cycle. We can also say the stages through which individual

products build up over time is called” The Product Life Cycle”. (Saaksvuore. A and Immune. A, 2008)

The classic product life cycle has four stages are:

Introduction Stage or Development stage

Growth stage

Maturity stage

Decline stage

Airline Industry Life cycle:

According to product life cycle at the movement airline industry on its maturity stage due to big and perfect competition in the market. In this Maturity stage competition is more hostile in order to increasing advertisement and promotion activities. Further more many competitors increased their budgets on Research and development (R&D)

Through increasing customers’ brand loyalty many companies want to differentiate them from their competitors in their services and products. In this stage companies starts cutting their operating cost mean profit margin decreases result least efficient companies are not more in market.

Accordingly, many companies’ use offensive strategies instead of defensive strategies by using methods of changing their market strategy , product development and marketing mix for stay alive and compete during this aggressive stage. “(Development of new product)”

Porter's 5 Forces

Threats of New Entrants

The new entrants in any industry face some threats from existing companies because new company offer more attractive product with low cost etc. In airline industry threats are low as comparatively barriers are high. Some challenges under below due to new entrants..

Capital Requirements. We need huge capital for this industry for purchasing new crafts and also for starting new projects and also need for attractive to customers.

Brand name & Customer loyalty: Airlines companies with excellent goodwill and strong image in market will easily compete with new threats at the time of entry. #

Bargaining Power of Supplier's

Suppliers can easily change market trend through their high demand and control on prices and quality of their products & services. Boeing and Airbus are globally suppliers of the airline industry.

Bargaining Power of Buyers

Buyers are also can change the industry trend due to their demands for high quality , demand for low prices and also have skill I reduction of the cost.

Buyers are more powerful due to huge amount of passengers in market and approximately 1. 8 billion yearly. (ITAT)

Threat of a Substitute Products or Services

Another big threat of substitute product due to availability of substitute in the market for any product. For example people use their cars and use trains and buses within the same area or country.

Rivalry amongst existing firms

The trend of rivalry in the airline industry is very famous and high due to availability of large numbers of airlines in the market which also offering best services, best cost etc. For example a lot of companies want to increase their share price and want to increase their image want to gain best goodwill among the customers only due to offer best services, cost and also others lot of promotions to attract and attain the customers. (Thompson & Strickland, 1995)

Key Competitors (Strategic Group analysis)

1st British Airways is one of the biggest in the world. 2nd Qatar Airways getting success from its aggressive growth plan. Singapore Airlines have very good reputation in market as most respectful travel brands in the market and was established in 1947. American Airlines established in 1930 and largest airlines over the world due to yearly passengers of this airline more than 80 million.

Strategy

Strategy is the long term planning to achieve business objectives through arrangement of resources of organization within a difficult environment, to fulfill the market needs and also satisfaction of stakeholder's expectations".

(Dibb. S, Simkin. L, 2008)

Emirates Airlines Strategies:

Emirates Airlines has a good and effective business model which is very helpful to gain company objectives and help to company become leader in the airline Industry . following are strategies of the emirates airlines strategies.

Quality Control strategy:

This is the basic and fundamental strategy to achieve goals of any organization so in this way airlines have very attractive and best strategy to control its quality and standard of the brand.

Extensive Aviation Training strategy.

This is another fundamental and key strategy of the Emirates for Aviation training . In this way company get maximum benefit through extensive training of its employees . In this way not only keep their employees with it but also open new opportunities for outsiders as well.

International Airline Information Technology Development Strategy.

This is another fundamental and very important strategy of the company for development of its e-business system, self check services system and also maximize the profit through its advancement in Information technology system in this way it make a lot of contracts with very big companies of the world.

Resort, Hotel and Tourism Strategy.

This is also another fundamental strategy of the company for increased the numbers of tourist in this way it assist to local bodies and advice for development of new Hotels, Restaurants, new buildings etc.

Growth strategy

New Bases.

Expansion of existing bases.

More opportunities available as airlines close/ consol.

Cost, cost, cost (long term minimization).

Efficient facilities.

Demographics.

Geographic.

Strategic.

Auctioned winter capacity.

Increasing communication of benefits.

Strategic Capabilities of Emirate's

Strategic capabilities means the skills are abilities to accomplish the stage for the surveillance in the market. It may be in two forms; (1). Resources and (2). Competences

Emirate has its threshold resources which include its flights, office equipment, head quarter, finance resources and employees. Emirate also has core resources in the form of management team, Ahmed Bin Saeed Makhtoum (CEO/Chairman). Same as resources Emirate has threshold competences which includes online booking, operations of on time delivery and point to point routing. While in its core competences includes IT development, no frill strategy and route policy strategy.

Key Success Factors

Differentiation

Airline companies can be differentiated by offering latest and modern services like big comfortable seats, advance aircrafts and new e-ticketing system. These all thing not only distinguish the companies also helpful to attractive new customers for the company.(e. g. British Airways).

Strong brand name

Strong brand name with loyal customers is very important for career of any company. It's proved with strong brand name companies are most untactful for customers.

Alliances

In Airline industry establishing the alliances between different companies is very important trend in this way different companies will share their resources through strong network and will gain benefit of wide range customers network and will develop many others routes. In this way operations cost also will be decreased.

Relations with supplier

Strong relations with suppliers are compulsory for Airline companies through long term agreements companies remain safe in order to any future change in pricing strategy.

PESTEL Analysis.

Political factors

The Airline industry is very sensitive industry and immediate affected by and changing in political conditions including wars and instability in economic situation in different countries. The recently political and economic instability in pacific Asia region disturbed the business Middle East and rest of world due to this Airline companies unable to join any International Alliances with top Airlines companies like American Airlines. (Growth phenomena, Nora & Byman)

Economical factors

Modern airports along with latest technology are important factor for success of airlines business. UAE have been planed to big investment on development of Dubai and Abu Dhabi airports. This investment on airport development will exceed up to Dh 71 billion over coming 20 years.

Developed airports can give us following benefits: enhancing economy, increasing tourists' overcome the dependency on oil revenues by alternatives business strategies.

Social factors

There is rapidly increasing world population and in this way increasing in number of tourist and educated people. For example, globally growing population especially in UAE according to The National Human Resources Development and Employment Authority Tanmia, UAE population in 2010 has been reached up to 7.557million from 5.63million, increased by 1.9million people as per the official population statistical report issued 2006.

A number of emigrants are increasing in UAE, airlines firms' profits will increase due to travelling of those emigrants to their home countries. Furthermore, diseases also disturb the population of different countries, big example of this Bird Flue which is a killer unprocurable disease. (Economic Development)

Technological factors

The latest technology also affected in both ways positively and negatively. Negative impact is that teleconferencing decreased the need of physical and face to face business meetings which directly affects on the sale of the company and decreased the passengers. On the other hand positive impacts of e-booking system make reservation system very easy and accessible to any one and it has very good impact on the sale of the company. (Current State)

Competitive advantage of Emirate's

Emirates Airlines implement differentiation generic strategy by offering high quality services in order to gaining benefit among its competitors and getting palce in market as Leader Company. For this purpose the emirates airlines

was the 1st Airline in the world who offered TV screen in its all airline and 1st time introduce e-ticketing system in UAE.

Thorough segmentation of market it also gained another competitive advantage. It was only company in UAE which providing training by using latest technology called plane simulator. The purpose of all changes only become the leader company in over the world in this order enhanced brand name awareness by locally, regionally and also world level and in this way it will increase profit and goodwill as well.

Internal Environment

SWOT analysis

Strengths

Membership of the Arab Alliance, which is known as “ Arab Air Carriers Organization”

First Airline company in the Arab world who introduce e-booking system

Self check-in system at airport offered by Emirates

Emirates Airlines world biggest purchaser Airline company by order of new 45 Super jumbo Air Buses.

Providing qualitative training, benefits and rewards’ and very impressive salary packages and benefits to his employees and also cutting labour cost increasing employees’ loyalty (People).

Latest March, 2010 held Festival of Literature and in 2006 sponsored Fifa World Cup in both way he gained its brand awareness and also makes its goodwill in market.

Balance sheet looking sound and showing Profits for 2009-2010 grew four-fold to \$964m inspite high oil prices and tough trading environment.

Latest progress of Emirates Airlines rolls out flights to San Francisco. It is ready to rule the roost to take world leader in Airline business with the latest technology in hand.

Weaknesses

High operation cost due to big investment on purchasing aircrafts and application of latest technology.

High Prices as comparatively other airlines companies.

Non membership of any International Alliances.

Non availability of hub in Abu Dhabi.

As establishment not much old just in 1985 , so it's young airline.

Opportunities

Good growth in Per capita income in UAE.

Huge investment plan by Government on the development of its airports in UAE.

Growth in population of the world and in also in UAE .

Forecasting of World Travel & Tourism Council that tourists will be increased in UAE due its best locality, huge beautiful buildings, safe and secure environment luxury hotels and restaurant and good economic condition after 2010.

Rapidly enhancement in internet users over the world and in also in UAE.

A different Aviation event like Air Show of Dubai good promotes Middle East airlines in the whole world.

A lot of international companies want to shift their headquarters in Dubai due to safety and sound political situation so in this way bright chances for increasing in number of passengers.

Threats

Emirates airlines located in the region where politically instability going very high due to terrorism activities has been increased.

Rapidly increasing in the operations cost due aviation security.

Recently increase in fuel prices which is also cause of high operations cost.

Due to non controlling of oil prices in this way might be Airline industry suffered loss by \$ 3 billion (IATA)

New arrival of airlines companies with low cost..

Modern online ticketing system can be hack by hackers and can be crashed by virus so in this way database of the company will destroy and eventually company will suffer huge amount of losses.

The natural crises and disasters in the region like earthquake, flooding and hurricane. Latest worst flooding situation in Pakistan as before he faced crises by earthquake as well which was worst impact on the sale of airlines companies.

The quickly increase of fresh sensitive unprocurable diseases like as SARS and Bird Flue that have very bad impact on airline industry sale.

Summary of Internal Environment

With the help of external environments, organizations or companies able to recognize their internal factors. Recognizing of that factors and make companies in this position that companies utilize their strength's, overcome their weaknesses, get advantages from opportunities of the companies and can easily avoid from threats of the companies.

Current situation of Emirates Airline:

Any new arrival or entry in any industry is considered unattractive due to very low demand, high prices and strong competition. But attractive for Emirates Airlines due to its good strategy and strong market position. Also, it has many opportunities to handle any uncertain situation because it is member of very strong Emirates Group which share its resources and reduce the company expenses.

Overall, Emirates enjoying with great market position along with high profitability rate which is considered as competitive advantage of the company and high profit rate of the company of its best competing strategy and other expansion strategy.

Conclusion and Recommendation

At the time of strong competition which refers to maturity stage of Airline Industry so each company should approach offensive and use the offensive strategy after in detail review its internal and external environment and all related factors which directly effect the company position. The following recommendations are for Emirates airlines.

Operational cost of Emirates is very high only due to huge investments on technologies, aircrafts and best quality services. Emirates should control its cost and should decrease its cost through improvement and development of operations activities . Emirates should improve maintenance process, effective and efficient flight schedule of the company and better utilization of the company resources like aircrafts etc. Another way for reduction of cost is advancement in its technologies by investment in technologies and in this way cut of labour cost. For example it is strongly recommended to new installation of self check service system on all airports.

In reply to the threat of low cost airlines in UAE market. Emirates should offer advance level services and control cost and this way no need to reduce the prices and in this order it should introduce its new brand as subsidiary which should be base on low cost. a subsidiary

Extension in routes strongly recommended and should be special growth in tourism UAE. In this order to it should extend its route worldwide most attractive areas and Canada one of them. Joining with global alliance will help to increase its worldwide destinations in this way should offer more impressive and effective strategy for competing low cost airlines.

Advancement in Information Technology is most important for progress of emirates airlines and in this order it should make contracts with E-Business Company for improving its services and increase the customer's satisfactions. E-CRM is the latest technology and adopted by Emirates this strategy since increasing in numbers of the internet users and this way out for keep long term relation with customers. (Jiang, 2003).

Eventually, Emirate's Airlines make comprehensive analysis and review of company internal and external factors and its competitors and should develop new strategies for staying and keep good position in airline industry at this maturity time.