

British airways business strategy business essay

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



Summary: Purpose of this report is to identify the business strategies of the UK's leading airways which is British airway. A British airway is the leading in operational research in comparison of all other airlines. In the last decade competition is increasing a lot and it divides market share which is highly affective for British airways. In the analysis all about the external and internal strategies of BA has included. Some recommendations for BA has included as well. Which field should get focused by BA to overcome all the competitive effects is also included in this research. All about the level of customer satisfaction and required improvement to divert more customers towards their airline is discussed.

Introduction:

A British airway is known as the Britain's most powerful, leading and the largest airline. BA is dealing with both domestic and international flights. They deal in carries goods and mails as well. As per the current figures in 2008 British airways has flights to more than 300 destinations and carried out more than 30 million of passengers and after all they earned more than 8.5 billion pounds. In the case of employees BA employed around 42000 people that's why this is the biggest company of Britain. Now BA has their own terminal which is called as terminal 5 at Heathrow which is the world's biggest airport. According to the future strategies of BA it is quite clear that this airline will become the world's most responsible airline.

Currently followed Strategies:

According to the scenario of current strategies BA is applying and going to apply lots of customer's friendly strategies. These strategies are going to

benefit this airline a lot like BA applied the facility of keeping customers updates about flight through texts on mobiles but this facility is only for the business class passengers. This mobile facility make convenient for the customers to reach according to the flight timing and delays if that flight have got any delays. But the only drawback is this facility is not for the economy passengers and economy passengers are four time in number in every flight. This facility is not beneficial for all the passengers. Secondly BA followed the strategy to modify the aircrafts and make them more comfortable and more beautiful. By this modernisation customers are attracting more towards this airway just because of more comfortableness. They started offering more services inside the flights so that customers like it a lot. Thirdly managing cost of tickets is the most effective strategy because cost is the main factor in front of customers to choose the airline because lots of people can't afford such a costly airline to travel. That's why managing prices or lowering down cost is the most beneficial factor for the customers and for the airline as well. Lots of people don't look at the good facilities they only want the cheap tickets so that in low prises they can easily afford to buy a ticket. Fourthly BA tried to increase more responsibilities towards the corporate world and getting more success in market by doing some different things like the good performance of environment and by doing partnership with other big corporate giants. These are different point of view to increase the business by thinking other than the customer's benefits. By doing partnership BA can be bigger and can perform much better in the market. According to the currently discussed strategies

BA can do more business and they can offer more beneficial facilities for the passengers.

External strategic analysis:

For the success in any field external analysis of the environment is also required. Thus analysis highlighted the exact position in the whole industry in the external world. According to the external analysis BA can analyse the competitors and can analysis the exact capabilities to fulfil the upcoming challenges in future.

PESTEL Analysis:

Political analysis:

Analysis of political field is required to analyse to be familiar with all the laws and regulations. In the case of airline lots of political problems are there like terrorism and smuggling. So the airlines should aware and have tight security to prevent and make everything safer. If the security measures are up to the mark than customers get ensured that they are safe during journey. Terrorist threats are the most scary thing for every airline so BA always use most protective operations to avoid any type of terrorist activity.

Economic Analysis:

Economic analysis is the very important to do time to time because as per the previous year records economic situation of UK is not very good. Mainly when the rate of pounds started going down that affected the economy a lot and it's like economic crises for the country and different companies as well. This fluctuation in inflation effects the trading with other countries in Europe

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or outside Europe as well. Pounds decreased against euro and every other non European currency too. Fluctuation in communication price and oil prices affect BA a lot just because of rise in exchange rates. On the other hand dollar started getting stronger that was more shocking for British airline market. Flow of liquidity became lesser day by day because people controlled spending money. Prices started decreasing and competition between all the airlines became more stronger.

Social analysis:

Analysis of social things is also very important like the population and capability of people to spend money in luxuries. Air travel to different countries is like a luxury for the people because not every person can afford these types of luxuries. People who are getting retirement from their work and now capable to travel abroad or in different countries just for fun, this thing should be estimated by the airline company. BA should estimate the growing unemployment because unemployment affects the airlines business a lot. When unemployment increased after the downfall of the economy than every company has affected but the most affected industry is the leisure industry and airline industry is kind of leisure industry. Bargaining power of the customer is also a social activity and it has increased much in the last few years of time.

Technological activity:

Due to some recent figures airline companies came to know that more than 30% people use online ticketing system which is highly technical. In doing

online ticking customers compare prices of different airline on different websites and that creates more competitive environment for BA. In the year of 2009 most of the people started preferring online booking and in that they can compare the prices and its makes easier for the costumers to get cheapest price. On the other hand online check-in is a very big facility provided by the airlines which saves passengers as well as airlines time and after doing online check-in customers don't need to reach too early at the airports because that time they don't have to do much on there. In the high technological system consumers are getting aware day by day and that's making easier for both of them. BA ensures the customers to make more n more people aware of these types of technologies. BA provides these online facilities on the airport as well just because lots of old age people are not aware of these technologies. They provide full assistance to the elderly people just to make it more comfortable for them instead of standing in the queue for an hour or so.

Environment activities:

Any airline company should be aware of not creating any environmental destruction. BA controls several things to save the environment like the noise pollution and the consumption of energy. BA always uses the planes with the noise reduction technology so that it can't disturb the residents around the airport. Secondly the use of limited land for the airport if any company tries to extend the land area of airport that might destroy lots land area and greenery. In the case of Heathrow airport expansion is very difficult to do because London might lose lots of green area and which can cause difficulty for an environment. Now a day's consumers are more aware of

greenery and the impact of lack of greenery. According to the new regulations every company should work to solve some environmental operations. In the failure of maintaining the environmental maintenance can affect the BA's reputation and the annual income or turn over as well because some unsolved issues effect the reputation of the company.

Legal Issues:

Regal issues are like price of the product or tickets fixing and collision. On the other hand some sort of issues should get recognized preciously like in the case of British airways cabin crew strike is the most serious trading union issues. BA has most serious legal issue is the restrictions applied by the government on the mergers and this restriction affect the merger proposal between British airways with American airlines. Relations with the employees should be very good to avoid some unwanted interruption and industrial actions. On the other hand BA has some advantageous legal issues like they can trade the aircraft between EU and US freely.

Porter's Five Forces:

To increase the profitability of the airline company porter's five forces helps a lot in making strategic decisions. This analysis is required just because of the competitive nature of the airline industry.

Competitive Rivalry:

Competitive analysis is also required to stand in the market like BA is dealing with both domestic and international airlines services. In the international airline they have lots of differentiation between BA and their competitors. In

lot of differentiations some are like prices and offered services. On the other hand in domestic or short haul services market is so fragmented with lots of domestic airlines these days. Rivalry is coming so directly like virgin is opposing the strategies of British airways and American airways through their website. At last it is defined that the on by competitors increased competition at very high rate.

Power of Supplier:

More the suppliers of the aircraft increase the power of bargaining. In BA there are two or three suppliers of aircraft so that BA can bargain to some extent and that is more advantageous for BA because always competition is beneficial for the consumers. British airways got restricted by the suppliers of fuel to the airport at regular basis. BA has got the priority in getting landing slots because BA has some historic rights which can be used by the existing users only. In the case of employees BA employees use collective bargaining and they use trade union to make their bargaining power stronger.

Power of Buyers:

If suppliers have low bargaining power that means the concentration is low between buyer and suppliers. By the increasing awareness of internet buyers are becoming smarter because they do search on internet and pick up the best and cheapest option. That's why the power of buyers is increasing day by day. These high technological scenarios make the market more competitive and increased the power of buyers. Strength of bargaining

power is medium because most of the people are not aware of high technology like using internet.

Threat of new entrants:

Entry of new entrant can be a threat for the existing companies but entering in the new market is not an easy task, lots of barriers are there like competitive environment, high capital cost required to start business and the regularity is must to do business. New entrants can copy and provide better services than existing companies, than it could make more competition in the market. On the other hand failure of some small airlines intimate new airlines to enter in this business and that is more helpful for the existing companies. This force has low strength that means this not that much effective.

Threats of substitutes:

BA has some substitutes in short haul or short distance flights like Euro star and ferry. Substitute is a thing which can affect the original product or original company the most. On the other hand in the case of long haul flights there is no any substitute which can be notable so BA don't have any threat in international airline but they have to work more things out in their domestic department.

Customer Analysis:

According to the analysis of customers needs are getting complex day by day. Costumer needs are getting complex because people are getting more demanding and literate as well. Than lots of change has occurred like

demographics of the airlines has changed and transferred from younger to the older passengers. Connectivity of internet spread out across the world so the awareness of internet has increased a lot and that makes peoples search out more options worldwide and they can choose the best option to do or they know everything about the updates of everything they want to know. High technology makes everything more convenient for the people like in airlines they can check in online from their homes and quick details about the flight status as well. So the requirement of the more convenient things is must for the customers. Customers have the priority of prices like in airlines they compare all the airline tickets and at the end they choose the cheap options. So all the required segments are more defined depend upon the needs of the customer.

According to the recent figures about the customer responses in fulfilling their requirement like in survey customers of BA responded that the services are going down or reduced by 60% to 58% in recent years. Customers suggested that the innovation is going on very slow in last decade. Baggage handling not so reliable in British airway, that's why customers don't trust much on this airline. BA has failed in approaching those customers who needs low price tickets because BA doesn't have any low cost airline operations.

SWOT analysis:

Along with the analysis BA's weakness and strengths has to be analysed as well in the internal environment of the company and upcoming threats and opportunities should be analysed in the external environment.

Strength analysis: BA has lots of internal strength like BA has a very big brand image across the world that's why this airlines runs over brand image because everybody knows it's a very good airline. Secondly partnership is a noticeable strength because with the help of partnership spreading business and getting popular in different countries is an easy task. Thirdly the stability of the company is an important thing and BA is very much stable and financially strong. Fourth and the main strength is having individual terminal in the biggest airport of the world. So BA has individual terminal 5 in Heathrow airport.

Weaknesses:

In several weaknesses some are very harmful for the business like according to the history the relationships of BA with the employees are not very good. Secondly BA is not that reliable and trustworthy according to the customers because sometimes baggage of the customers got missed out. Thirdly the rate of getting innovated is very slow because they don't do changes and innovations at very slow speed in comparison of other airlines.

Opportunities:

In several opportunities Sky Trax Quality systems is the most promising opportunity for the British airways. Secondly competitor got exited forcefully by the big companies. Thirdly if the competitors got failed in delivering the reliability factor and it could be much more helpful for BA. Fourthly it is much more helpful to get success because of upcoming new market emerging. It is an external analysis of the business environment.

Threats:

In some other external analysis threats are required to analyse like agreement of open skies. Secondly the awareness of environmental activities is must to understand just to avoid environmental threats. Thirdly economic crises are going on globally which is the most dangerous threat for all the companies across the world. BA faced some effects of global crises like airlines industry is like a leisure industry and during global crises most of the people started avoiding leisure activities like air travel. Fourthly keeping low cost due to the competition is also a big issue because companies are attracting customers by providing cheap tickets.

Conclusion:

In concluding both external and internal analysis of business strategies were discussed and at the end it's quite clear that the BA needs lots of improvement to do in their strategies. BA should follow the combined strategic approach to make their facilities better and make their customers more satisfied. But according to the current status of the airline companies BA is considered as a market leader and Britain's largest airline company. Due to the limited access to the company information all points couldn't come out about BA but researcher tried to analyse all the important information which is required to get success is available. If the company will go to follow some of the strategies suggested by the researcher in this report than British airways will definitely lead the airline industry of this world. Competition is growing in the market but BA have such type of facilities and reliability which couldn't affect the business of British airways.