

Pest analysis of ryanair

Environment, Air



Ryanair is Europe's first low budget airline. Its head office is Dublin Airport, Ireland and it has another secondary base in London Stansted Airport. There are many reasons for the success of Ryanair but the most prominent aspects are low cost ticket prices and easy convenience to fly to most destinations in Europe. There are a variety of low cost airlines making this a highly competitive market. Ryanair is one of the market leaders and most profitable. It has gained large market share due to the fact that they attract long-term relationships through exceeding in customer service and satisfaction. •• In this report I aim to identify and analyse Ryanair's main competitors and their competitive advantages within the market. This will then allow me to make recommendations to further increase Ryanair's market share and success over the next three years.

Aims

Ryanair's mission is to ' give the lowest fares at all times on all routes'. It is quick and easy to fly any where in Europe with Ryanair.

Ryanair's main aims are to be the market leader of low-cost airlines, to attract new potential customers from smaller and bigger airlines and to sustain its low cost policy and value.

PEST Analysis

PEST analysis is concerned with the environmental influences on a business. It is a useful way of summarising the external environment in which a business operates. •

•Political

<https://assignbuster.com/pest-analysis-of-ryanair/>

There is trade union pressure on the airline industry, the government can either promote or reduce costs.

Governments have made new solutions e. g. Security levels at airports, this could cost airlines to increase costs in the service in security sector.

EU expansion. Now that more new countries (France) are for national airlines, there are new routes at different airports.

Different countries have new taxes and different tax policies; this changes the efficiency of the industry. E. g. New route charges.

Tourism has increased and will work in favour for smaller airline companies.

Economical

The recession has left people unemployed. Less people are travelling business class

There is a threat of new substitutes. E. g. high speed trains.

Increase in taxes and in interest rates.

Increase in oil prices

Energy costs and fuel costs could rise

Social

People may be wary or too scared to fly due to the 9/11 attacks.

Due to the recession less people are going on holidays.

Changes in consumer trends and attitudes.

Technological

Government is spending on new ethical research, renewable energy, and carbon emission levels.

New discoveries and developments, e. g. Internet sales and on-line check-ins etc.

Noise level controls

Effect of Global warming

SWOT Analysis

SWOT is an abbreviation for strengths, weaknesses, opportunities and threats.

SWOT analysis is important in order to assess the overall strategic position of a business and its environment. Outlined below is the strategic position of Ryanair using this technique.

- Strengths

Ryanair's marketing is one of the key features of their success.

It has a strong brand name and reputation.

Low pricing strategy – this attracts more prospects because it's a bigger market.

Biggest budget airline with the advantage of being the first. (First mover advantage) competitors have to compete with price sensitive customers.

Keeping low costs results in a high profit margin, E. g. Ryanair only buy single carrier aircrafts, this reduces costs of training and maintenance.

Because it's only a single carrier at secondary airports this allows for faster turn around time.

Weakness

As a result to keep costs down, Ryanair fly you closest to your destination, so you may have to travel a longer distance to your preferred destination.

The cost and use of old aircrafts can be seen as cheap or low quality by customers.

Only flying to European destinations with secondary airports and having limited slots. This is less appealing to business travellers.

Poor customer relations e. g. no extra frills, you pay for food and drink.

Because Ryanair invest in their own staff and their training, they could be persuaded to leave for a bigger airline with the experience they have.

Opportunities

Ryanair are the biggest and first budget airline, this could attract mergers and acquisitions to stretch and expand to other destinations.

America has allowed European Airlines to fly to USA. This leads to an entire new market.

Because of new market opportunities, this allows Ryanair to access bigger and better planes for business travellers, families etc.

Website can be used to create a more competitive edge.

- Threats

The airline industry is competitive. E. g. easyjet, FlyBi, British Airways, Air France etc.

Any government legislation could result to paying high prices. E. g. so if the rise of oil price increases this would affect Ryanair's low cost strategy.

Customer Environment

Ryanair targets customers who are travelling within Europe which may include those who travel to see friends or family and travel for business.

These consumers are generally price conscious as they are usually making short trips and do not necessarily require any extra facilities or services. The low cost also appeals to businessmen and women who travel for business as they are time saving and low cost.

Market Segmentation

Ryanair say they are ' the first no frills airline in Europe'. This provides a competitive edge due to the low cost. This attracts both the consumer who travels for leisure and the consumer who travels for business. As Ryanair has built up its brand image they are now attracting consumers in different

countries. Because Ryanair is increasing in market share and has 57 routes in 11 different countries, they must meet high demand for more aeroplanes. The planes are modern, clean and up-to-date.

Marketing Mix

Product/Service

The product is the cheapest airline ticket.

It regards itself as great value for money.

Ryanair also have many other income streams that attract consumers to book with them.

There incentive is that they give you discount on cheaper accommodation such as hotels, budget beds (Hostels, guesthouse, B&Bs) they also give other free extras such as free city guides. This results to Ryanair making at least 16% profit. Because their ticket prices are so cheap they itemise on other products such as drinks and food all these complementary extras have to be paid for. Boarding by Ryanair is value for money, there is a minimum standard of service but still meets the traveller's needs at the lowest price. Even though they cut out extras they still have frequent baggage handling and on-time assistance on the planes. •

Price

The price is the key to success for Ryanair.

This is cost differentiation as they persuade consumers their services are far better than its competitors, they do this by undercutting their costs. By making the price even cheaper you can book in advance and have off peak travelling there is always a discount on the ticket price online. Booking Online allows Ryanair to save at least 15% on agency fees; this also satisfies the consumer as it is quicker, very direct and most important it is instantaneous. •

Place/Process

Ryanair mostly sells via the internet which eliminates the cost of running a big call centre. Booking with Ryanair is 'as easy as catching a bus'. The customer from the home simply books online and receives a confirmation number, which is then printed off with all the correct details. This is done within 5 minutes. What Ryanair understands from their customer is that they want it to be quick and no confusion to occur. This is why they use a direct marketing technique.

Ryanair works on by dealing with secondary airports this allows for low landing fees and handling fees, this also results to them to make quicker departures this works very well, as a result to this secondary airports are not as busy, the departure times are mostly on time, there is a faster turnaround and not as many terminal delays. There are no transfers to one plane to another so this averts from services such as baggage handling, transfers and non-direct journeys, this results to keeping costs down with a high profit margin.

There is also a 'first come, first serve', instead of having a seating plan which can speed up the service.

Promotion

Ryanair spend very little on advertising. It is mainly done in-house as this saves money. Ryanair have focused their strategy primarily on price. Ryanair is inexpensive and so is one of the most likely airlines to be considered when flying locally. As consumers have a perception of Ryanair being cheap, the advertising is clever and meets this expectation for example 'Flying with Ryanair is cheaper than purchasing a DVD'. Elements of humour in the advertising tend to appeal to a larger market of people which opens up new opportunities for marketing in areas such as business magazines this then increases the market for business flights which increases the number of passengers in a different market. They also advertise on their planes, (On-board internet advertising). This has been used by Ford, J&J, Sony, Vodafone and Panasonic.

People

In terms of aeroplanes, Ryanair only uses one kind of single carrier aeroplane. This eliminates the fact there is little maintaining of the plane, finding new pilots or staff. But more importantly it limits the cost of staff training. Mostly Ryanair pilots are recruited and trained at a young age. Ryanair's staff pay for their own cleaning of uniforms and invest in their own training, this keeps costs down. Maintenance of planes is done in-house by the cabin crew, (they keep staff motivated by giving them commission on

selling on planes) this also allows for a faster turnaround time and saves money.

Physical Evidence

Ryanair deal with Boeing, 737s aircrafts were bought for 40 million with 50% discount. The airline industry is very competitive. Organisations have to place themselves strategically in order to retain market share over its competitors. The airline industry is fierce; they have been split into two main sections: low budget airlines such as, EasyJet, Jet2 and main scheduled airlines (bigger airlines) such as British Airways (BA).

Competitors

EasyJet

This airline has a very similar philosophy and characteristics to Ryanair.

EasyJet's mission statement is ' To provide our customers with safe, good value, point to point air services'.

EasyJet similarities:

Sells tickets directly to customers via their website giving them best deals and better options.

Leading presence in the market as ' no frills service'

Operates one kind of aircraft

One class for all passengers

EasyJet differences:

Focus on routes their own customers find the most attractive and at the most convenient times

Flys to popular destinations, passengers include business and leisure travellers.

Major airports include Gatwick, Milan, Madrid and Paris

Their destinations include popular cities such as Berlin, Amsterdam, Barcelona and Prague.

Offers online promotions by e-mailing their existing customers on the database.

Longer to board as there are pre-booked seats.

There are also smaller differences, no weight limit on the hand luggage and using an air bridge to get to the plane.

They are both strategically different as EasyJet focus on meeting their customer expectations. E. g. Time arrivals, better managed baggage deliveries.

Employees are managed much better and rewarded if they provide good customer service. EasyJet focuses on its brand values, it is not so much about the lowest price but also wants to give great customer service.

British Airways

This airline company is very different. It is the biggest and most reliable this is because of its existence is over a decade.

British Airways mission statement is;

' To be the undisputed travel company, we are passionately committed to excellence and the highest levels of customer service'

British Airways has many more facilities and believes that the consumer should have optimum comfort and the highest quality facilities. This includes in-flight movies, full catering services and separate seating plan (class).

British Airways is headquartered in waterside near its main hub at London, Heathrow Airport and operates a 2nd hub on its own subsidiary. It fly's to international destinations as well as flying international flights. It has a wide range of customers. It delivers world class service to business class or economy class.

British Airways concentrates on the traveller's needs rather than giving discounts, they give extras. E. g. they have membership benefits. Which include a membership card giving special perks, such as meal preferences, additional baggage allowance and exclusive departure to BA lounges. The membership is split in to 3 cards, Blue, Silver and Gold.

It has the biggest fleet size, 59 Airbus A320 family aircrafts, 12 Airbus A380's and 24 Boeing 787's. It has also merged with Iberia (Spanish airline) making it the third largest airline worldwide.

Competitor Analysis

What they all have in common is the use of ticket sales over the internet.

Low cost Airlines such as EasyJet and Ryanair rely heavily on the internet for their primary sales.

BA sells a little percentage on-line. This is down to their customer base; consumers who fly BA tend to be more interested in the services on the flight and the comfort of the flight. So they tend to look for the better options or perks.

Ryanair and EasyJet seems pay attention to customers who want to speed up the process, the websites are overloaded with the bargain deals and best travel services.

EasyJet and Ryanair require no kind of membership when booking on line with them. But BA consumers must be a member first before purchasing on-line. This does help BA in a way because it allows them to see their passengers travelling habits, this does slow done the purchasing process down in comparison to Ryanair and EasyJet.

Ryanair and EasyJet have both launched websites successfully that are efficient and user-friendly. This is very important because it pulls the consumer to book easier with no headaches. And gives the incentives of the other offers they have.

Because the price is so low to fly with Ryanair and EasyJet, consumers are more likely to book with them.

BA has more of a chance of customer return because details can be stored and reused this saves time and convenience.

When looking at advertising, the internet is a strong strategy use, EasyJet have made a website which is enticing with its cheap deals and easy navigation use and straight to the point.

BA has a website which is very corporate. It gives a review of the organization structure making you feel involved with airline and upgrades can be given. It has a option of the American site and the UK site.

•Porters 5 forces

Porters 5 forces show threats of buyers, suppliers, new entrants and also the competitive rivalry in the airline industry. There are at least 20 different airline companies making it very competitive. New entrants are finding it hard to enter due to high marketing and set up costs. There are substitute facilities such as trains, buses and cars.

•Competitive rivalry

Due to deregulation, there has been an increase in competitive rivalry. There have been new routes built for different and bigger airlines. Airlines have strategically merged together to form an alliances (Mergers and Acquisitions) E. g. Scheduled Airlines such as British Airways and Iberia.

Airlines such as British Airways can increase the number of customers, by information kept on their databases. They give frequent flyer programmes to customers who fly with them, giving them special offers and additional free

perks. This creates customer loyalty as this helps to retain customers. British Airways also gives better facilities and services to passengers. They have different comfort zones for different class of customers. This shows the wide range of customers in their market.

The Airline market is very busy and intense and competitive rivalry is growing. As Ryanair was the first low budget and offered a no frills service, other competitors (EasyJet) have had to try and copy the low pricing strategy in order to compete. They are competing for the price sensitive customer.

Threat of Entry

Ryan Air has a very strong brand name in terms of the low pricing and minimal services they provide, so new entrants have had to spend lots of money due to keeping costs very low, e. g. no frill service. Ryanair don't supply complementary drinks. Only use website to advertise, this eliminates any agency fees.

Power of Supplier

In the airline industry there are two main suppliers: the aircraft suppliers and the fuel supply. Because Ryan Air is a big competitor in this market they can negotiate for better prices and deals. They have a good relationship with Boeing. In 2002 they were supplied with 150, 737-800 specific single carrier aircrafts. Boeing also agreed to provide training of staff, the pilot, and the flight crew and give spare part support and technical support if needed.

Airline Companies have no room to negotiate fuel prices and is seen to be dominated by oil companies in the Middle East.

Bargaining Powers of Buyers

The Airline industry is growing rapidly and new customers are looking to fly from one European destination to another. In Ryanair's case, customers look for efficiency and value of the service. What persuades customers to fly with Ryanair is that their pricing is very competitive. E. g. By booking on-line makes it very direct, fast and efficient. Even giving best travel services at a lower cost. Booking with Ryanair is can be seen as a bargain.

Threat of Substitutes

In the Airline industry there are threats such as boats, trains and cars. The railway service does pose a threat, especially if travelling around Europe. Catching the train can be cheaper but the journey can be longer. Ryanair can get you to destinations faster with better service and booking in advance can make it cheaper than a train ticket.

Portors Generic Strategy

Ryanairs main strategy and best feature is cost reduction and its low cost deals. Portors Generic strategy will enable us to see key strengths in the market place over its competitors.

Cost Leadership/ Differentiation

Ryanair have the best deals and lowest prices than its competitors. They have focused on just the European market but still attracting consumers who

fly to visit families or friends or the customer who wants to travel for business.

Because Ryanair were the first 'low budget airline' with 'no frills service' its demand is very high particularly as a result of consumer loyalty. This could be due to the economic recession, because every customer who flies now wants the cheapest deal. This could be key to Ryanair's success mainly in the future as they can focus on becoming a cost leader.

Because Ryanair are cost leaders in their low pricing strategy they can push the low prices to customers making it harder for competitors.

The price is the biggest differentiation between the Ryanair and its main competitors.