

Study on british airways operations management essay

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



British Airways is a market leader in the United Kingdom air line operations. In the last decade due to immense increase in competition there has been erosion in their market share.

This report analyses the past and current environment of British Airways. Through this evaluation I have recommend implementation of combination of strategies: people-led process strategies and a strategy focused on fast technological innovation.

The people processes strategy was derived from a number of sources outlining BA's decline in customer satisfaction and employee satisfaction. The improved quality technological advancement coincides with the renewal of BA's aircraft fleet leading to overall customer and employee satisfaction

REPORT OBJECTIVES:

The report has four sections that analyze the internal and external environment which will enable strategic recommendations to British Airways:

1

To analyze the current position of British Airways.

2

Critical analysis of the internal and external environments of British Airways.

3

Strategic Recommendations using the internal and external analysis.

4

Discussion of the most appropriate recommendation for British Airways.

COMPANY OVERVIEW:

British Airways is United Kingdom's leading airline and the largest international scheduled airline. It is also engaged in the operation of international and domestic carriage of freight and mail, and ancillary services

(Datamonitor 2008). BA flies to more than 300 destinations worldwide with its codeshare and franchise partners. It has carried 32 million passengers in 2009/10, earning £ 8 billion in revenue, down 11% compared to previous year (Annual report British Airways 2009/10).

Since privatisation in 1987, BA has continued to grow as a competitor in the market. BA has been labelled the world's first airline to take part in the scheme to reduce green house gas emissions (2002) and allow its passengers to print online boarding passes (2004) (British Airways 2008).

Despite the economic downturn, BA'S future looks promising. According to BA's 2008 annual report it aims to be the " world's most responsible airline", great importance lies in developing principles and careful operational and strategic direction to allow the achievement of the goal.

CURRENT STRATEGIES:

The report has been designed in consideration to British Airways current goals and strategies (British Airways 2010).

1

To become a Global Premium Airline.

2

Improvement of margins through new revenue streams and meeting the customer's needs.

3

Growing presence in the important global destinations.

4

Delivering unique customer service at key touch points of all customers.

5

Being the preferred airline of the premium long haul customers.

6

Building a sustainable leadership position in London.

British Airways operates in number of areas such as freight, mail etc. but I am focussing my report on the passenger market because of the opportunities and size that British Airways has in the particular market (Figure1 shows BA Operations).

FIGURE 1 BRITISH AIRWAYS OPERATIONS:

Research and Interest Groups

UKGOVERNMENT, BAA, CAA, DFT

MEMBER OF: AEA

Industry Regulators

And Influencers

DIRECT SALES: BA. COM

**INVESTMENTS (EQUITY OWNED): ASSOCIATES:
IBERIA S. A. 13. 15% AVAILABLE FOR SALE: COMAIR
10. 9%, FLYBE 15%**

5

**Cargo Handling, Airframe Maintenance, Computer and
Communication Services and Consulting Services**

OTHERS: 6. 8%

MAIL Scheduled BA NON-SCHEDULED

+ FREIGHT city flyer, opensides SERVICES:

Diplomatic bag BA HOLIDAYS

ALLIANCESAA, QUANTAS IBERIA

Other Airline Operators

Ryan air, Easyjet,

KLM, Virgin Atlantic

Virgin Atlantic.....

**Support Provide Subsidiaries: BA Avionic, BA Capital, BA
Holdings, BA Interior Engineering, Speedbird Cash
Management, Air Miles Travel Promotions etc....**

Other Suppliers: food Suppliers

Airports: Heathrow, Gatwick

Aircraft Suppliers: Boeing, Airbus SAS

Independent Customer Review: Skytrax Rates BA as 4*

Domestic Travellers (by sales)

UK= 4, 357 ml

9by

International Travellers: Continental = 1, 219ml, The Americas= 1, 697ml EAST= 821ml, Far East and Australia= 659 ml

TRAVEL AGENTS

ONLINE WEBSITES

CARGO= 7. 0% PASSENGER – 86. 2%

CUSTOMERS

INTERMEDIARIES

BA SERVICE PORTFOLIO

COMPONENT

SUPPLIERS

ADAPTED FROM: BRITISH AIRWAYS (2010) SALES ARE IN POUND

2. 0 EXTERNAL ANALYSIS:

An awareness of the external environment of the industry is essential to succeed. This section of the report highlights British Airways position in the industry and its capabilities to meet the current and future obstacles.

2. 1 PESTEL ANALYSIS:

(Source: Johnson et al., 2008, page 56)

PESTEL FACTORS

IMPORTANT POINTS

IMPLICATIONS

POLITICAL

Due to the past terrorist attacks there is a lot of emphasis on security. There lot of influence of AEA regulations

To have a competitive advantage there should be an emphasis on sufficient security measures. To continue operations compliance is essential.

ECONOMIC

The fear of the double dip recession . The oil prices are increasing and fluctuations in exchange rates. Consumers have become price sensitive.

Companies are cutting their costs due to the fear and are using alternative measures of communication like web conferencing. As the oil prices are increasing the operational costs increase. Consumers switching to cheaper options. In 2009 there was a decrease of 20 million passengers which surpassed the greatest traffic loss of 14 million in 2002.(Source: Feb 2010, AEA website)

SOCIAL

According to the national online statistics UK has aging people. The unemployment is increasing to the double dip fears.

There is an opportunity here as the old people have more time and money to spend on leisure activities. Increase in unemployment increases the bargaining power of BA as an employer.

TECHNOLOGICAL

According to a research in 2009 there is an 34% increase in online consumers using price comparison sites (NMA, 2009) There is a significant increase in online check in and online booking services.

The bargaining power of the consumers is increasing due to awareness in technology. It is important for BA to ensure innovation but at the same time not ignore the elderly consumers who are not comfortable using such technology.

ENVIRONMENTAL

The environmental factors like the volcanic ash resulting into close down for a longer time. Noise pollution and energy consumptions controls. (DFT, 2008). Increased awareness of " green " affecting consumer behaviour. Limited expansion at Heathrow because it may result into affecting the green belt.

Delayed information resulting in huge losses of the whole airline industry. Increased operational costs due the Climate change Bill. Limited capacity= utilisation of capacity. Failure to adopt environmental strategies leading to effects on reputation.

LEGAL

Open Skies Agreement (AEA, 2009). Legalisation of Unions e. g. Cabin Crew strikes

Opportunity to freely fly between US and Europe. Employee satisfaction essential to avoid operational interruptions.

2. 2 PORTER’S FIVE FORCES:

(Source: Johnson et al., 2008, page 60)

To assess the position of British Airways it is important to analyze the competitive nature of the airline industry. This tool will enable British Airways to increase the profitability.

Forces

Strength

Competitive Rivalry: BA serves short and long haul routes. BA differentiates itself in terms of price and service on the long haul flights from its competitors. Small players have fragmented the short haul market. The direct rivalry between BA and Virgin Atlantic is fierce e. g. Virgin Atlantic has been opposing BA strategic alliances. Consolidation of competitors has increased competition.

HIGH

Power Of Suppliers: BA is restricted as there is a sole supplier of fuel to the airport. Priority of landing slots is given to historic rights of existing users

(IATA, 2010). BA employees use their bargaining power of the trade unions to increase their bargaining power.

HIGH

Threat of New Entrants:

The competitive environments of the airline industry, high regularity requirements and high capital costs have restricted the entry of new entrants. The failure of recent airlines such as XL and Zoom is likely to deter entrants (Times Online 2008).

LOW

Threat of Substitutes:

There are few direct substitutes like in the short haul flights like Virgin Rails, Euro star and long haul flights like no notable substitutes.

LOW

Power of Buyers:

The bargaining power of buyers is very low because ratio of buyers to suppliers is very low. The awareness and interaction of customers have increased due increased internet usage.(Keynote 2008)

MEDIUM

2. 3 SWOT ANALYSIS:

(Source: Johnson et al., 2008, page 81)

STRENGTHS:

Strong Brand Image

Partnerships and Alliances

Financial size

Monopoly over Terminal 5.

Fleet size.

WEAKNESSES:

Poor employee satisfaction within the organisation.

Lack in reliability and trust prime reason high ratio of baggage loss.

Slow innovation and change.

Reliance on established revenue sources.

OPPORTUNITIES:

4 Star rating by Skytrax Quality System.

Competitors forces to exit.

Emergence of new markets like India, Africa etc...

THREATS:

Uncertain fuel costs.

Fluctuating Exchange rates.

Environmental Awareness

Fear of double dip recession.

Lower cost competition

3. FUTURE RECOMENDATIONS:

After analysing the environments there are the five most viable options to be considered for British Airways.

3. 1 Strategic Recommendation 1: Improved Relations

The analysis shows us that BA has had public criticisms for poor baggage handling and delayed management and poor employee relations. To rebuild the brand image and stake holder confidence by people process strategies.

The prime focus for BA should be to invest a relatively high interest into the development of their relations with their employees and customers. In order to do so there should be an increase in the internet usage with more of its customers. These services would help reviewing customer feedback and henceforth this helps understanding the consumer behaviour.

When selecting airlines for travel, customer relations is one of the most important measures and this increases the potential of high returns. British Airways has a huge customer database, BA should carry out market research and customer relation development based findings.

The industry and organisation highly unionised and therefore are likely to gain support from this external body when developing employee relations

strategically. Given the current economic scenario, threats of industrial action are less BA should bring this to its advantage by improving employee relations through employee benefit programs.

3. 2 Strategic Recommendation 2: Focussing on Environmental Stance.

Nowadays, the global warming issue has boomed up. The Climate change bill has made it difficult for the airline industry to ignore the same. This has been identified in the PESTLE analysis; therefore an improved environmental strategy is needed to go beyond the requirements of regulations.

In recent times the environmental concerns have been impacting the airline industry. Consumers are becoming more environmentally focused, BA should invest in issue affecting the environment, and this would ensure that BA remains a strong global competitor by ensuring to meet the changes in the

Socio-economic behaviour. This strategy would ensure an uncompromised market share for BA.

3. 3 Strategic Recommendation3: Improved Innovation.

The consumer needs are increasing due to the technological capabilities of an airline. To increase long term revenues greater improvement of the overall services is required to beat competition.

BA should improve highly improve on its in-flight entertainment services.

BA's main competitors are beginning to introduce internet capabilities on selected flights. Through research and testing it has been found that the loss

of internet occurs only in adverse weather conditions and hence the reliability factor is not an issue.

BA has resources in the technology department to implement the technology easily. The implementation of this just takes 1-3 days per plane (Row 44, 2008)

Hence, to keep up with competition BA should roll out the facility in all its flights. This will lead to long term growth in the number of passengers (AQR). This will help BA to modernise its image.

3. 4 Strategic Recommendation 4: Market segmentation.

BA should focus and implement customised tactics to the business segment to combat Virgin Atlantic's market share growth.

The company overview shows that this strategy aligns with BA's current strategy to enhance customer experience. Although the business segment is not growing as significantly in long haul as compared to short haul (Keynote, 2008), the profitability and sustainability of customer demand provides incentive for market share growth.

BA has already lost the first mover initiative with Virgin being so successful in segmentation development. As there is no immediate urgency or threat the present time is the best to implement and achieve the strategy.

The development of database marketing in line with BA's loyalty club card in order to segment and target these business users will increase the

relationship marketing operations; increasing BA's failing customer service (AQR).

3. 5 Strategic Recommendation 5: Enhancing the Service Portfolio.

BA should explore new destinations and extend its flights and services to those. There is an increasing demand for, new destinations to be reached by domestic and international travellers. To be profitable in the short term and gain a significant market share BA should focus on new markets. I recommend that BA should approach the BRIC nations and Asia.

Extending markets would allow BA to capitalise on the first mover advantage. BA is one of the most financially sound organisations. Therefore, funding this strategy can be extended easily.

BA has a strong brand image globally and hence the acceptability by new countries is high. Against the local competition BA's strong brand image is not enough to meet the demand needed.

BA has started its services to Middle East again after a decade of chaotic environment. The risk is still prevalent in some of the destinations and hence BA should avoid taking these risks. These risks can cause security risks and this would negatively impact the brand image of BA. Hence its is recommended that BA should avoid taking such risks.