Us airways group - going global

Business

The airline industry is a very competitive industry where profits are very low. US Airways has been doing fine in its domestic US marketplace due tothe fact that the US travel industry is quite large. In 2009 the US travel industry generated $704 billion in revenues (Plunkett Research, 2010). As markets mature and companies obtain a set level of market shares it becomes harder for companies to achieve further penetration in its domestic marketplace. Good managers have to make good decisions with their money. When a market becomes saturated investing marketing dollars does not have the same effect as when making the same marketing investment in a new marketplace. US Airways cannot continue to depend solely on the US marketplace to achieve growth. Since the airline industry in an oligopoly the few firms that participate in this marketplace are very powerful. Currently the US airline industry is dominated by three players who combined control nearly 42% of the marketplace (Misra, 2010). The top three US airlines are Delta, American, and Southwest Airline. US Airways stands fourth in market share in the US marketplace. The company has reached at stage in its product life cycle that requires the firm to seek global expansion in order to achieve sales growth and optimize shareholder’s wealth. Once US Airways makes the decision to seek international expansion the managerial team of the company needs to develop a strategic plan to achieve the objective. The firm has to evaluate the corporation from the top down to determine whether the company is ready to penetrate other marketplaces. As an airline company the firm has to determine if the company has the proper infrastructure in place to achieve their goals. The most important machinery in the industry is the airplanes. The firm has to determine if it has enough airplanes available to start offering new routes outside the United States. If the firm does not have enough planes on inventory to achieve expansion then the firm has to determine if it has the resources available to purchase the vehicles. US Airways can either utilize equity or debt financing to obtain the capital needed to make the airplane purchases. Two of the top suppliers of new commercial airplanes are Boeing and Airbus. The new airplanes being sold by these companies such as the Airbus 380 are extremely luxurious fuel efficient airplanes. Once the company has its fleet in place the firm has to determine the destination it wishes to penetrate. A good travel destination for an airline is a location that has a high demand among tourist worldwide. Research shows that the European Union is the preferred travel destination among global tourist. The European marketplace generates approximately 75% of the tourism revenues worldwide (Rita, 2008). One of the best attributes about the European tourism industry is that tourists can select among the 27 countries that are members of the EU. For an airline such a diversified air travel market represents a great business opportunity. The company can lower its overall business risk by establishing a business expansion in Europe because the firm can choose different travel destinations and if one destination does not generate good sales the firm can easily replace the route with another attractive tourism spot in Europe. US Airways identified the European Union as the ideal expansion location for the firm. The company now has to find a way to establish a presence in the European air travel marketplace. Whenever any company decides to expand into the global marketplace the firm is going to incur in a lot of costs. A very important budget that must be separated in order to give the venture the best chance of success is the marketing budget for the expansion. US Airways has to let the European customers know that the company has arrived and is open for business in Europe. A good starting strategy is to offer very low introductory prices to increase the demand for the firm’s products. The discount should be given in a manner that the customer recognizes that the low prices are a special offer for new customers. The firm could offer discount vouchers that reduce the final price of the plane ticket. This strategy will prevent price wars from occurring. Price wars are a common threat in any oligopoly marketplace. Another marketing strategy that can be used by an airline to increase its volume of sales in a new marketplace is to formulate a marketing alliance with another competitor that has experience doing business in the European airline industry. This strategy will enable the company to reduce the inefficiencies associated with the learning curve. References Misra, R. (2010). What is the domestic market share of the top US airlines? 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