Strategic mgmt assignment

Business

Introduction The Ryanair Company was established by Tony Ryan in 1985 with the aim of operating low-cost flights between Dublin, Waterford in the Ireland Republic and London. During the first few years of operation, Ryanair Company struggled financially. The company's currently acting Chief Executive Michael O'Leary was the financial controller at the time and successfully persuaded the company's founder to give him a chance to readdress the disturbing situation.

Consequently, Michael developed a strategy that was greatly influenced by the United StatesSouthwest Airlines, which is the first carrier in the world to offer low-cost. Apparently, this strategy greatly stemmed from the losses at RyanAir and turned into a big success. The Company's forecast profit after taxation was 303 million dollars by end of March 2006 which was a 13% increase from 2005 (Davy 3). RyanAir operations have also expanded extremely especially in geographical coverage: By 2005, the Company operated 288 routes across 21 nations using European bases (2-8).

Research Findings The main objective of Ryainair Company is to strongly establish itself as the leading low-cost scheduled passenger airline in Europe through expanded offerings and continued improvement of its low-cost service. The Company aims to achieve this by charging low fares, taking frequent flights on routes that are short-haul, and providing the leading customer service in the industry. In addition, Ryanair Company exercises commitment to quality and safety maintenance, low operation costs, and makes use of the internet (Mennen 3). According to Young et al (1989) Ryanair Company operates a low-fare policy that is available from any carrier (5). Moreover, the Company is able to match the prices of any competitor

Company that attempts to undercut it. Considering the Company's commitment to customer service, this may appear as an irregularity, but the two strategies are complimentary (5).

On a different note, Ryanair's policy of using regional airports that are small for its operation aids in lowering operation costs and ensuring less delay chances, and traffic congestion for passengers. Furthermore, frequent short-haul flights imply that the Company doesn't need to offer additional services expected during longer flights such as meals. The airline utilizes these strategies to manage market entry, rivalry, and exit (Kahawatte 11). Research DiscussionThe key success to the operations of Ryainair Company has been the strategy of minimizing costs whenever possible. As a matter of fact, the airline company has been known for its ban on employees charging phones on the premises and imposing charges on crews for uniform which is highly odd for the industry (Creaton 239).

Notably, the internet allows the Company to maintain low prices by eliminating agents cost (Kahawatte 2010). Telephone bookings are also made, but account for about 4% of bookings, in comparison with 96% bookings made over the internet (Kahawatte 2010). Additionally, RyanAir Company provides a basic product/service to several individual customers. Thus, the airline is able to dictate its terms since such a market does not have powerful individual customers. More often than not, customer's purchase decisions are based on price rather than quality, hence minimizing the possibility of failing to offer acceptable products (20).

Moreover, the airline figures for flight completion and punctuality are way ahead of competitors implying that customer needs are effectively met. Nevertheless, RyanAir fails to address the requirements of certain passenger minority groups. Actually, the airline initially required disabled passengers to pay for transfers of wheelchairs a policy that was declared as illegal (Creaton 246-247). Apparently, the cost-focus business strategy implies that addressing minority group needs is not conducive for profit generation: basically the strategy is depended on a standard product. Nonetheless, the airline is bound decisions made by the legal system.

In response to the wheelchair charges, the airline has added levy to all tickets since any increase in price is considered as a risk in a price-sensitive market. RyanAir initial financial struggle had been caused by aggressive competitive strategies from British Airways and Aer Lingus on their main routes. However, Ryanaiir Company has now become established enough to push unwanted competitors out with alike tactics. For instance, when Buzz tried to establish a route between Bournemouth and Prestwick in the year 2002, Ryanair offered flight tickets at half the Buzz price, consequently Buzz withdrew from the route (Creaton 221). Eventually, the poor performance of Buzz meant that Ryanair could acquire the airline for a good price hence expanding its operations since acquiring Buzz’s airport slots was part of the deal. Considering that non-standard features become less important as customers buy more on price, low-pricing by competitors will not be a noteworthy threat to Ryanair (Kahawatte 26).

Ryainair airline is in a strong position in the sector of low-cost. The small difference between their strategies and those of its competitors offers several advantages mainly avoiding operations outside Europe’s main airports: subsequently, this helps the airline to provide superior products at less cost and huge incentive for supplying airports to highly encourage Ryanair’s benefaction for their economical benefit. Nevertheless, this strategy is disadvantageous in the sense that some customers need flights to major airports. For example, Ryanair’s flights to Frankfurt go to Hahn which is two hours drive away (Creaton 4); this implies that the market where time is valuable , may have a preference to pay more for a direct route. Conclusion It is obvious that Ryan’s business strategy has a number of differences as compared to those of its competitors, thus, these differences contribute to the airlines competitive advantage both directly and indirectly.

The political and illegal issues threats are somehow mitigated by the fact that any changes affecting the airline company are likely to affect its low-cost competitors as well. However, Ryanair attitude toward its members of staff is an evident major weakness in its strategy. Employee relations have become quite important in the industry especially in the low-cost markets following the huge expansion of flying. As a matter of fact, lack of adequate staffing may result to increased flight cancellations hence compensation costs due to expansion.