

Competitive analysis of low cost airline essay sample

[Transportation](#), [Airlines](#)



Question 1

A new low-cost, “no-frills” airline has just announced that it will enter the South African airline industry. Conduct a competitor analysis for the new airline.

Answer:

The company must understand the current competitors, aspects to consider include size, growth and profitability, image and positioning strategy, competitor objectives and commitment, current and past strategies of competitors, competitive culture, cost structures, and exit barriers.

Size, Growth and Profitability

An understanding of current competitors should start with a thorough analysis and understanding of their broad-based business strategy. For example, the airline has to offer low cost prices all the time, not only certain times. The idea is that no matter what time of the day the customers will buy low cost tickets. The level and growth of sales and market share provides indicators of the success of the business strategy. Obviously, the maintenance of a strong market position or the achievement of rapid growth usually reflects a strong competitor and a successful strategy. Besides size and growth, the profitability of competitors needs to be assessed. A business that has lost money over an extended time period or has experienced a recent sharp decrease in profitability may find it difficult to gain access to capital, either externally or internally. This means that the airline must always make sure with their low cost they can make a profit; otherwise, if they make a loss, their competitive capabilities will be weakened.

Image and Positioning strategy

Often the cornerstone of a business strategy is an association such as being punctuality on departure or arrive time. In order to develop the firm's positioning in relation to alternatives, the new airline need to study the positioning of competing firms and their product offerings. Besides formal research, the promotion and advertising, and pricing of competing firms will provide hints on their market positioning. The airline must be always be accessible to everyone and be recognized by any customer at any time, the naming of the airline also plays an important role like the naming of Kulula.com, means " easy" to fly with the airline.

Competitor objectives and commitment

The new airline needs to know the relative importance that a competitor places on current profitability, market share growth, cash flows, technological leadership, service leadership