

# British airways: strategic plan essay sample

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



## I. Introduction

British Airways plc provides air services operations both at international and domestic level. Its major business is commercial flight. It also caters to various services like cargo freight, mail services and other auxiliary services all over the world. Mainly it runs its business in United States and Europe. It is situated in Harmondsworth, Middlesex, employing 42, 755 people all over. It is emerging to be competitive and sustain its integrity as the best airlines which stress superior customer service. It has 300 destinations throughout the world; this extent of operations offers customers with world-class services at various destinations. Its customers range from explorers to executive.

The aim of this report is to enable readers to comprehend strategic review and analysis of British Airways by explaining:

- History of British Airways
- Current strategic situation
- Potential Strategic options
- Recommended strategic direction with rationale
- Identification of critical success factors
- Performance measurement criteria

The procedure used to compile this report is mainly extensive reading of various text books on corporate strategy, online journal articles and company's website. All the information, surveys and experimentations included are taken through proper referencing from standard sources.

## II. Main Body

### 1. History of British Airways

British Airways which originated as Aircraft Transport and Travel started its maiden daily international scheduled air services between London and Paris after World War 1. In 1939, UK government merged British Airways and Imperial Airways to form British

Overseas Airways, which became a state owned company. BOAC's main operation was long haul services and British European Airways was established to serve continental European and domestic market.

Both BOAC and BEA expanded their business geographically over a period of time and BOAC started its flights to New York (1946), Japan (1948), Chicago (1954) and west coast of the US (1957).

At the same time BEA expanded its network to Belfast, Edinburgh, Glasgow and Manchester. In 1970, BEA started its charter airline services, BEA air tours. BOAC and BEA were merged together in 1972 under British Airways Board and in 1974 British Airways was formed.

In 1976, British Airways started its first supersonic passenger service jointly with Air France. British Airways was privatised in 1987 and was merged with British Caledonian. In 2002, British Airways CitiExpress was formed by merging British Regional Airlines and Brymon Airways which were wholly owned subsidiaries. Other two wholly owned subsidiaries of British Airways, British Airways Regional and Manx Airlines were also merged with British Airways CitiExpress making it a single entirely owned regional subsidiary airline.

In 2003, British Airways sold DBA, its German subsidiary to a German based low cost airline Verwaltungsgesellschaft. Same year British Airways Holidays introduced its first program after re-integrating with British Airways. In 2004, to clear their debt, British Airways sold their 18.6% of stake in Australian

airline Qantas for £1.1 billion and also sold their London Eye to Tussauds £95 million.

In 2006, British Airways CitiExpress was renamed as BA Connect and the same year, they sold 14.6% stake in an Indian based business services Provider VVNS Holdings. British Airways also sold its Travel Clinic business to MASTA (Medical Advisory Services for Travellers Abroad). Meanwhile British Airways came to an agreement with Maley Hungarian Airlines for code sharing on each other's flights. They also started a flight from London to Calgary, Canada. At the same time they acquired American Airline's Stake in Iberia Airlines.

In 2007, British Airways started flights from London to New quay in UK and also they announced their intention of their investment in 777-200 ERs which were scheduled for delivery in 2009. In 2006 they also sold their regional operations of BA connect to an European regional airlines Flybe. At the same time, British Airways launched its new subsidiary, BA CityFlyer in London city Airport. BA CityFlyer was expected to operate 250 flights a week from the Docklands airport to six UK and European destinations. In May 2007, British Airways placed an order for eight airbus A320 family aircraft which were scheduled to be delivered between 2008 and 2010. Same month they announced their decision to replace 14 oldest Boeing 737's with Airbus A319 aircraft, but they were also de-listed from New York Stock Exchange in the same month.

British Airways launched their services from Paris and Brussels to New York in January 2008 and in April, 2008 from London to New York. Each week

British Airways operated 62 flights from Gatwick and 55 flights from Heathrow. To make best of EU-US Aviation agreement, that allowed carriers to fly between any destinations in the EU and US, British Airways started their first commercial flight in June 2008 from Paris to New York under a new subsidiary airline “OpenSkies” In July 2008, British Airways bought L’Avion, a French airline, which expected to be integrated with OpenSkies by early 2009. In the same month British Airways and Iberia, a Spain based airline group held talks for the merger of two companies.

2. Current strategic situation  
2. 1 Internal analysis  
British Airways deals with the operations of domestic and international scheduled air services for freight and mail, carrying passengers and various supplementary services. The company mainly function in the America and Europe. Company’s operations are also spread across Australia, Middle East, East Asia, India and Africa. Its head office is located in Harmondsworth, Middlesex. As on March 31, 2008 it employed 42, 377 people. British airways had 245 aircraft in service at the end of March 2008 in comparison to 242 in March 2007.

During the financial year ended March 2008, £8, 753 million (approximately \$17, 572. 3 million) revenue was recorded which was 3. 1% increase over 2007, £8, 75 million (approximately \$1, 756. 6 million) was the operating profit which was 57. 4% increase over 2007, £680 million (approximately \$1, 365. 2 million) was the net profit in comparison to £290 million (approximately \$582 million) net profit in 2007.

Airlines business and Non-Airlines business are the two segments in which the company has divided its business. Cargo operations, main scheduled passengers and revenue from ancillary services comprises airlines business. In addition to scheduled services, chartered services are also provided by company's passenger transportation services at both domestic and international level. It's among the largest scheduled international passenger airlines in the world with airline route network of 300 destinations. More than 33 million passengers travelled through British Airways in FY2008. BA Connect is a wholly owned subsidiary of British airways which operates on regional (UK) routes.

Heathrow International Airport is the company's principal base, where it carries 41% (approx) of airport passengers. Gatwick, London is its second base of operations. It maintains hangars, operates offices and other support services at Gatwick, Heathrow and other UK airports. Space and desks under lease or license is also occupied by the company throughout the UK including Glasgow, Newcastle, Manchester, Edinburgh and Birmingham. During the financial year ended March 31, 2008, 805, 000 tons of cargo was carried by its cargo transportation services to destinations in the America, Europe and other parts of the world. Passenger aircrafts carries the majority of cargo, while the remaining is carried on part-chartered freighter aircraft or leased.

A range of services to other air lines is also provided by British Airways like airframe maintenance, consultancy services, cargo handling and computer and communication services. Non-airline businesses comprise mainly Airmiles Travel Promotions (the UK's famous travel loyalty scheme provider)

and BA Holidays (company's subsidiary which offers sightseeing, transfer options, hotels and cars across 250 destinations over the world).

2. 2 External Analysis We will briefly analyse the external analysis of British Airways based on "Porter's five forces analysis" and PESTEL analysis.

2. 2. 0 Porter's five forces analysis: <http://www.themanager.org/Models/p5f.htm>

Competitor's rivalry within the industry – High Rivalry is high due to power of buyers and threats of substitutes. It's the only force which determines industry attractiveness. They compete with other airlines on the same city-pair routes, from charter services, from other modes of transport and from charter services. Virgin Atlantic, easy jet and other European airlines are in tough competition with British Airways as there is a free market for domestic flights operating in the whole of Europe. These airlines are free to decide the fares and operate on any route. There is competition not only in the air but also on ground as well, for instance a 17% decrease in rail journey times between London and Manchester in 2004 and 2007 led to 20% growth in the train's share in total market. British airways introduced a corporate responsibility centre stage that helps the company to stand out from the other competitors.

Threats of new entrants – Low Competitor's mergers and acquisitions also have the potential to effect their revenue and market position. Very high cost is required by new entrants to start. British Airways have invested a huge amount on infrastructure, computers and online services. Therefore initial investment required to start up this business is very high. Further, its brand name and strong market position reduces the threat of new entrants.

<https://assignbuster.com/british-airways-strategic-plan-essay-sample/>

Bargaining power of suppliers – High  
Main suppliers of airline industry are for fuel, in-flight services and aircraft. The cost of changing suppliers proves very high in airlines business. The suppliers generally have a powerful brand in Airlines industry. For instance, like British Airways have Boeing and Airbus aircrafts, therefore they need to avail the services and maintenance of aircrafts from them.

Bargaining power of buyers – High  
British Airways customers do don't have any control over the prices or they lack bargaining power. However, they are very powerful as very high competition prevails in the airlines market. Their top competitors include Ryanair Holdings plc, Ryanair, Air France KLM, Virgin Atlantic Airways, Lufthansa etc and many times these airlines provide competitive offers to the customers with very low prices.

Threat of substitutes – Medium  
The airlines industry has suffered a high loss of customer confidence after September 11, 2001 disaster in New York. There is no direct replacement available for airlines for long/overseas journeys. Coaches, Trains or ship/ferries can be used for short journeys. Rapid development of technology can be an indirect substitute of air transportation. According to International AirTransport Authority, Corporate Air Travel Survey 2002, for last 12 months “ no frills/low cost” airlines were used by 1/3 of all business travellers basically for cost benefit. Further, video conferencing was used by 37% to save money and travel time.

<http://www.iata.org/pressroom/pr/2002-11-15-37.htm>  
PESTEL  
The beginning of the new millennium has made the airlines industry witness the most difficult time it has ever faced. Political instability and unprecedented crisis

<https://assignbuster.com/british-airways-strategic-plan-essay-sample/>



have resulted from terrorist attacks in September 11, 2001 in New York and July 7, 2005 in London together with wars in Iraq. These incidents resulted in new security regulations from the US and EU and customer travelling confidence have also reduced.

Economic factors are of vital importance. Fourth quarter of 2008 showed a 2.0% lower GDP than fourth quarter of 2007. This is mainly due to the recent credit crises and thereby economic slowdown. Company showed an operating profit of £89 million as on 31st December'2008, which is 88% down compared to 2007. Further, £70 million was the loss before tax for the same period and fuel cost went up by 48.4% to £2,244 million. It is mainly due to economic weakness and fall in the value of sterling.

Impacts of social factors vary from country to country. Size of potential market and customer's needs are affected by them. Demographic changes have led to the growth of "grey" market which is incurring more expenses on travelling and leisure. Tastes, fashions and lifestyle are also changing. So as to maximize its capability to operate and plan in a most effective scheduling and routes possible, British airways is using route planning software. Use of standard technology will minimize cost and provide quality service to freight customers and passengers. (Gomm, 2005). Technology also enables to reduce the personal costs like automated check-in processes and e-ticketing and thereby enables the airlines to offer standard services with less human resource. BA is the first airline to introduce a unique technological system called "Microwave Landing Technology", which increases the rate of safe landing during low visibility by 20%.

Power of Trade Union is an important legal factor affecting British Airways.

British Airways is aware of the consequences caused by Trade Unions

(August 2004 and August 2005 strike actions). Factors which British Airways must consider are legal regulations on customer rights, employee rights and rise in ecological and environmental issues.

2. 3 SWOT British Airways which has strong international operations network with 300 destinations across the world has its own strengths and weaknesses. Here is the SWOT analysis which helps to understand their business scenario better.

Positive  
 Negative  
 INTERNAL  
 Strengths  
 Weakness  
 • Strong geographical presence at international level  
 • High employee productivity  
 • High Service Quality  
 • Large Airport Presence  
 • Strong operating performance  
 • first-rate new fleet of aircrafts  
 • Use of High end technology  
 • Competitive and quality customer service  
 • Bad performance at key markets in terms of revenue growth  
 • High Debt of the company  
 • Highly Dependent on Fuel  
 • Lack of effective marketing strategy  
 EXTERNAL  
 Opportunity  
 Threats  
 • Growing global tourism industry and an increase in international travellers  
 • Growing air cargo industry  
 • EU-US aviation agreement  
 • Buracratic systems and management poor decision making  
 • Drastic change in technology and customer behaviour  
 • Intense competition from low cost airlines  
 • Increase in fuel cost  
 • Economic slowdown due to credit crunch

2. 4. Current strategy”

One Destination seeks to ensure our customers fly confident that, together, we are acting responsibly to take care of the world we live in.” is the vision of British Airways. Their corporate responsibility vision is to become the

<https://assignbuster.com/british-airways-strategic-plan-essay-sample/>

world's most responsible airline and they have developed guiding principles describing what they are doing to achieve this goal. Leading the industry towards finding innovative solution is their determination. They plan to continually review how they fly, what they fly and what they buy to become the most responsible and efficient airlines in the world. The British Airways has developed a strategy where their main concern is to establish themselves in Terminal 5 and also acquire new aircrafts depending upon their financial performance by March 2010.

They have adopted an approach to truly deliver this vision, uniting all areas of the organisation, divided into 4 major pillars: Environment They aim to minimise their impact on the environment, including their contribution to air quality, waste, climate change and noise. British Airways was the first airline to report its environmental performance in 1992 since they recognise the impact they have on our planet while delivering socially and economically vital service of air transport. So as to become the world's most responsible airline, their environment strategy aims to minimise and manage the environmental impacts.

Main focus: •How they fly – Efficient operation to minimise their impact on environment.

•What they fly – Adopting recent technology including alternative fuels, airframes and engines to minimise their impact.

•What they buy – Using economic tools like emissions trading for fully reflecting the cost of their environmental impact.

Goals across these areas are:

- By 2010 landfill by zero waste in the UK.

- By 2025 they aim to improve the carbon efficiency by 25% – reducing the carbon dioxide from 111 to 83 grammes per passenger per kilometre.

- By 2015\* average noise per flight to reduce by 15%
- By 2050 their net CO2 emissions to reduce by 50%\*measured as the network average quota count (QC) for combined landing and take-off cycle.

Comprehensive plan developed to achieve the Goals

- Climate change –

British Airways overall strategy is to ensure maximum contribution to their share of global carbon dioxide emission reductions by 2050

- Waste – Focus on recycling, reducing, reusing and responsible waste disposal.

- Noise – Their impact on the local communities nearby airport to be reduced.

- Air quality – Air quality for communities nearby airport to be improved.

Community Providing support to local communities in the country where British Airways operate is the main belief of the company. Conservation projects, small individual programmes, 120 international communities and various charities were helped by BA's support. London Benchmarking Group reported British Airways direct and in-kind donations of £5. 7m last year.

British Airways offer variety of support like cargo space, funding, fund raising events, merchandise, free flights and excess baggage. Their main concerns for support are Sustainable Tourism and Heritage, Education and Youth Development, Environment and Supporting employees.

Marketplace British Airways suppliers and customers are involved in one destination in their marketplace pillar, to facilitate building up more sustainable business and to persuade dedication to corporate responsibility.

Issue covered by their marketplace pillar comprises:

- How they fly – Reliable customer
- What they buy – Responsible procurement
- What they fly – Sustainable products and services

Goals across these areas are:

- 10% of customers to be encouraged to counterbalance their carbon on ba.com by 2012.

- By 2012 100% of their strategic suppliers to be audited for ethical practices.

- Corporate responsibility to be used as a decision criteria by 75% of corporate customers by 2010.

Workplace British Airways aim to provide a work environment that engages, develops, motivates and support their colleagues. Encouraging employees to be committed to Corporate Responsibility is the main aim of British Airways workplace – As employees play a vital role in making up the airline and they need them onboard One destination. This commitment is not only going to help them deliver a great place to work, rather it will also ensure quality customer service in the industry.

Issues covered by their workplace pillar comprise:

- How they fly – Responsible colleague
- What they buy – Tools to do the job
- What they fly – Invest in people

Our goals across these areas are:

- Every year British Airways 50% employees donate money to charity through 'Pay Roll Giving'.

- Every year British Airways 50% employees donate time to communities and charities.

- 75% of employees committed to delivering our corporate responsibility goals by 2010 British Airways have recognized performance objectives to evaluate their development in each of these four sections. British Airways aim to deliver its corporate responsibility strategy by a programme plan developed including over 80 programme level activities and hundreds individual projects.

Business Plan – BP10 Bring Terminal 5 alive In order to improve the operational performance and enhance customer experience British Airways main concern is successful delivery of terminal 5 at Heathrow base. Terminal 5 denote their sole biggest challenge and change. British Airways “Fit for 5” programme was set to be accomplished in the 1st year, which involved essential agreement modification and implementation on highly superior work performance all over the Heathrow terminals.

BA Basics and Brilliance The British Airways board aims to offer “Brilliance” in its activities and deliver the “BA Basics” constantly. Business Plan 10 (BP10) primarily focuses on baggage performance and punctuality with additional plans to recover “BA Basics” in various areas for the long term. British Airways aims to offer “Brilliance” to their customers in numerous vital areas such as their customer services, Terminal 5, ba.com, their premium customer experience and their network and schedule from London.

Competitive cost base  
Main priority of BP 10 is cost control; they expect savings from various areas of business too. The need to decrease considerable deficit position and resolution of pension's problem is predominantly acknowledged in BP10. It's quite difficult for them to achieve a competitive cost base if they are to accomplish their growth and investment plans.

Invest in growth  
In the first year of the plan they campaign to commence a competition for the new long haul aircraft, if the pension's deficit satisfactorily resolves. In order to meet their explicit growth plans they intended to secure first of these aircrafts in 2009, whilst the replacement of fleet will be started by 2011 with the second batch. The strategic significance of the operations in London and Gatwick airport is recognized in BP10. The key to British Airways network development programme from London airport is the operations maintenance of BA Connect's London city, as part of British Airways regional business sale to Flybe.

BP10 enablers  
The vital aspect behind implementation of BP10 is constant engagement and participation of British Airways' people. A major segment of British Airways broader communication strategy was local face-to-face communication as it was accepted to be the most effectual engagement. The second major possibility for change in the business remained IT. British Airways investment plans in this sector comprised constant advancements in the functionality and usability of ba. com, Terminal 5, encouraging a variety of departmental change programmes and

automating corporate processes plus simplifying services by use of employee self service.

3. Potential Strategic options After going through BA's vision, goal and their current strategy, we are of the opinion that BA's current strategy is very competitive and will definitely help British Airways to achieve their goals. In addition to the above strategy, we also have identified few more potential strategic options which could be helpful for BA's further growth. The accessibility to enormous products and services creates an opportunity to exploit them appropriately. Making the most of global variations and technological trends serves as a potential opportunity to work with. The potential strategic options which British Airways could utilize for further development of business could be Virtual reality, which may serve as an innovative simulation, share expertise and attaining network software.

Some of the potential strategic options for British Airways are discussed below: Global tourism There are many factors which have a very strong influence on the airline industry and one of them is trends in global tourism industry. As per the World Tourism Organization survey, approximately 898 million international tourists travelled globally in 2007 which is 6% higher than the previous year (846 million- 2006). As per the Tourism Satellite Account research which is done by World Travel and Tourism council, it is been predicted that world travel and tourism will grow at an average rate of 4.3% per annum for the period of 2008-2017 and will generate \$13 trillion for that period.



**Rising Air Cargo Industry** There is a tremendous growth in the Air Cargo market and the volume of the business is doubling in every 10 years time. As per the International Civil Aviation Organization, the cargo business is expected to grow at an average rate of 6.5% per annum in next 20 years. Approximately 22.17 million tons of freight was carried throughout the world and it is expected to grow up to 60 million in 2017. In 2008, BA transported 805000 tons of goods and these numbers will increase tremendously in coming years due to its operations presence in most part of the world and will be benefited by the growing trend in cargo market.

**Open Skies Agreement** Open Skies aviation agreement between EU and US is an air transport agreement, which allows airlines of both EU and US to fly between any points among EU, US and non EU countries like Switzerland. This is the replacement for the previous agreement made between US and each European country. To take advantage of this agreement, British Airways started new subsidiary airlines – “OpenSkies” and for the first time it started to fly direct flights from continental Europe to the US. The first flight of open skies was on June 2008, from Paris to New York. The new agreement has enabled British Airways to increase its operations in the key regions.

Several Strategic options can also be identified with the help of the Ansoff Matrix analysis discussed below.

**Ansoff Matrix** <http://tutor2u.net/business/images/Ansoff%20Matrix%20w500.gif>  
**Market Penetration** Market penetration strategy involves consolidating and protecting/building the existing product/services in the existing market. It

<https://assignbuster.com/british-airways-strategic-plan-essay-sample/>

occurs when a company with its existing product penetrates a market. This strategy starts with the existing customers of the organization. This strategy can be used to increase sales without losing focus on their existing product/services. British Airways can penetrate in the market through their joint business agreement with Iberia and American airways thereby gaining competitors customers, by upgrading the quality of their services and also increasing the frequency of the flights in the existing market. It is comparatively cheaper to retain existing customers than finding new ones.

**Product Development**Product development strategy emphasises on building a new product with existing and new capabilities beyond current expectations in the existing market. In the present scenario of economic downturn, it is quite difficult to introduce new product considering the cost involved in developing new product and it is risky to predict customer reaction too. British airways have already invested a huge amount in setting up its infrastructure especially in Terminal 5. They should rather emphasise on maintaining and upgrading the quality of present services.

**Market Development**Market development strategy focuses on finding new segments, territories, new uses of existing market with existing product/services. British Airways may go for new market development considering the current strategic situation of the market. However, as the company already operates in more than 300 destinations therefore we would recommend them to concentrate on maintaining the quality of services at the existing markets thereby further build up its position.

Diversification Diversification concentrates on developing a new product in new market with existing and new capabilities beyond current expectations. Since British Airways have numerous services operating almost all over the world, it would involve high degree of uncertainty and financial risk to go for diversification.

Mergers and acquisitions could be an important alternative for further growth. However the current financial situation of British Airways does not allow the same as they have already invested a huge amount on its current projects and it might prove to be difficult and risky too. Although British Airways may consider this decision once the company's position is strengthened and there is potential for growth and acquisition in the market. It may be a useful strategy in order to attain fast market growth.

Thus the strategy which we would advise British Airways is to concentrate on existing market and existing services and accomplishing its ongoing investment project. So as to achieve further growth in the market British Airways should make the best possible use of its investment projects and strengthen its brand name by providing new offers to the current customers and appealing to new niche market.

4. Recommended strategic direction with rationale After discussing the current strategy and potential strategic options for British Airways, we would like to further recommend the following strategic directions: Develop opportunities British Airways should try to continue their business tie-ups in the new market once they regain their financial stability. Though BA's talks on merger with Qantas Airways Limited failed, they need to strengthen

their existing joint business with Qantas to have a good hold on the Australian market. They need to concentrate on Asian and Middle East market which has a high potential for growth.

Distributing the risk British Airways should concentrate on their Cargo industry which has got a great potential. They should also try to reach more markets through code sharing with other airlines which is a cost effective option.

Manipulating strengths British Airways have got a very strong base in Heathrow Airport, UK. BA's Terminal 5 presence will help them to maintain high standard of service as it will enable them to handle increased volumes of customers and baggage.

Upgrading Customer experience They should focus on providing better facilities like T5 lounge, which provides premium customers better comfort and luxury like a private members club. They should strengthen their customer base by constantly upgrading their flight schedules, offering better competitive packages for customers and being competitive with the facilities provided on board so as to attract more customers and thereby creating an opportunity for increasing revenue.

Controlling cost of expansion plan British Airways has been moderately successful by following its effective strategies. Currently, we would advise BA to control its expenditure on buying new fleets and expanding to new destinations. They also need to reduce the cost of high aircraft utilization so as to minimize environmental risks.

**Services** British Airways needs to concentrate on providing value for money to the customers. There is an intense competition in the market from Virgin Airlines, Singapore Air, KLM, Quantas and Emirates who also fly in the same route. They might lose their customers if they do not provide something unique from their competitors. These days the number of low cost airlines is increasing through out the world in both domestic and international market. Hence, cost effective and better services should be provided.

**Passenger friendly airports** It is of extreme importance for passengers to feel that their purchasing needs are met. British Airways should aim to establish an image of a major international hub with standard facilities. Continuously improving upon check-in facilities will be an added advantage. By developing better e-ticketing facilities, British Airways can reduce its cost by reducing the number of outlets for customer service.

**Corporate Culture** As British Airways operations are spread all over the world, they have work force coming from variety of cultures. They need to establish a corporate culture of its own so as to avoid communication gap among different locations and departments. This will motivate the employees and result in high productivity.

**Adopting a better Marketing Strategy** British airways also need to adopt a competitive and efficient marketing strategy to combat growing competition in aviation industry to gain customer loyalty and strengthen its competitive standards.

4. 2 Strategy Evaluation Suitability The above recommended strategies will help British Airways to capitalise on the future advantages. Controlling cost on expansion plan and developing a better marketing strategy will help British Airways to generate more revenue and gain more profit margins.

Validity British Airways should make sure that there is a consistency in implementing the strategy with changing market environment. Upgrading customer experience, passenger friendly airport and corporate culture is highly important to have an edge over the competitors.

Feasibility Considering the available resources, the above recommended strategies are appropriate. Through code sharing the British Airways can reach bigger market share without buying extra aircraft to fly to new destinations.

Internal consistency Strategies is been recommended considering the company policies and market situation scenario. In aviation industry, to expand the market, the company needs to make huge investment and it is not realistic to expect return in short term. Implementing the above strategy will help the British Airways to maximize the profit in long run.

5. Identification of critical success factors Punctuality Punctuality is the main aspect for the success for any airline industry in their operational front and it plays a very critical role in the growth of the British airways. Their operation which is been moved to Terminal 5 in Heathrow is going play a big role in the network punctuality of BA flights with its better infrastructure and new

facilities. “ Ready to Go” success averaged at 34% 2007/08 and 36% during 2006/07.

Providing a better quality experience to the customersIt is not only in Terminal 5 through which BA should provide better customer service but also has to concentrate on other aspects of customer service form ticketing booking to experience on BA flight. It is the successful performance at Terminal 5 which holds a key to improving BA’s operational performance and increasing the customer’s satisfaction at Heathrow Terminal.

“ Doing the basic better” An innovative and simple idea is been introduced to add extra value to the service where it really matters to the customers. Customers are the important players in the success of the airline business and there is a continuous effort done to improve the customer’s success. Terminal 5 is the major concentration for BA but the investment is not only concentrated on terminal 5 but it should also invest in other operations of the company.

CustomerCustomer’s feedback is an important aspect to evaluate the success of the company. BA has an onboard customer survey system called Global Performance Monitor survey, through which BA try to get the feedback on all aspects of the customer’s experience in BA flight. BA also conducts an online follow-up survey on their experience with BA which gives a clear picture about the customer’s perception about the BA. This data is been evaluated every month.

Financial Success In 2007/08 British Airways was successful in attaining an operating margin of 10%. BA has a stiff control over its expenses which has helped them to reach its set target and is placed them in a very strong position in comparison with its competitors, and this is going to help BA to deal with financial difficulties due to the economic downturn. BA has made profit of £883 million on total revenue of £8753 million, which is an increase of £272 million of net profit at 3.1%.

6. Performance Measurement Criteria British Airways has set up a balanced series of financial and non-financial performance indicators in order to raise its performance standard. The following are the key performance indicators (KPI) of British Airways: Financial For the future success of British Airways and to reward their shareholders, the company has to maintain a consistent and strong financial performance. Operation margin – that is the operating profit divided by revenue, which is expressed as a percentage is an important way of calculating the financial performance. BA has set a target of reaching 10% of operating margin gradually in the coming economic years. The company has reached their goal of 10% operation margin in 2007/08. In spite of adverse economic conditions and rising fuel prices in the later half of the year, BA's business plan BP10 has helped to achieve the set target for the year 2007/08.

Customers Word of mouth is a very important aspect for the success of the company. To have a better understanding of the customers, BA has a very effective system in place. This is an Onboard survey which is conducted by GFK NOP, an independent market research company. Every month an



average of 55, 000 travellers is surveyed about all aspects of their flight experience with BA. The survey helps to measure the percentage of customers who are going to recommend BA to others. This survey helps to assess the extent to which customer experience can affect the profit of the company in future. BA has kept a target of 63% customers to be in the category of “ extremely likely’ or ‘ very likely”. Their BP10 plan has tried to redefine the promise made to the customers under the headline “ BA Basics and Brilliance’. BA has achieved 59% in the customer recommendation scale. In 2007/08 BA had a fall of 2% as compared to the previous year which was attributed to the poor performance at Heathrow.

British Airways is concentrating on improving their onboard products and also on ground customer service. BA is investing on giving better facilities to the customers by trying to raise the customer recommendation indicator. BA’s performance on this indicator was 61% in 2006/07 and 59% in 2007/08.

Operations BA has to run its operations vigorously if they have to satisfy customer’s expectations and also to run the business, cost effectively. Heathrow being at the centre of BA’s operations with its infrastructure limitations had a considerable strain on executing the operations maintaining high quality, all the time. BA’s business plan has concentrated on five significant areas of operation execution. In these five, timekeeping in departure is the basic operational performance measure. Timekeeping helps in the smooth running of the rest of operational process and is a key factor in influencing customer’s decision in recommending BA to others. This factor is

measured by calculating how many flights of BA are all set to depart 3 minutes in advance to the scheduled time.

Apart from punctuality; other factors which influence the “ BA Basics” are baggage handling, Hygiene at flight, smooth transition and dependability, and constituents of entertainment systems on board. Though there are many factors which affects the punctuality, this measure helps to concentrate all aspects of departure process which can be controlled. The target for “ Ready to Go” was set at 44%-48%, but BA was able to achieve on 34% which is 2% less than the previous year achievement, i. e. 36%.

In 2008/09 ‘ Ready to Go” measure is expected to move high on the scale with their operations moving to Terminal 5 which has got latest and better infrastructure. This is going to play a very important role in process change and helps to improve the delivery of all the factors which affects the punctuality.

Employees One of the main factors which influence the performance of an organisation is its employee’s involvement. They should be motivated, commitment to the vision, goals and values of the company and should be ready for the change and to serve the customers. In 2006/07 – BA has introduced Employee Involvement Index system, which is determined by all employee speak Up! Survey. This survey is been conducted twice a year, one in September, and its shorter version in March. These surveys, which are confidential, is conducted by Ipsos MORI, which is an Independent research organisation. The aim of the company is to target and match the scores of other leading organisations in service sector and BA has set a target of 73%

in 2007/08. They achieved 65% which 5% less than the previous year performance.

BA plan aims at investing in the development of skills of the employees, by giving appropriate training and enabling them to be able to carry out the work successfully.

7. Conclusion British Airways role in the transportation industry is a significant aspect for many business organizations. To recapitulate, we would like to state that for development of the company, the main strategy which they should focus on is to constantly upgrade their systems and innovations.

This will help to boost up their revenues and offer superior services to the customers. Efficient services would enable the company to maintain their reputation and goodwill in the market. Their strategies like acquisitions and improved services would enable the company to pull additional customers and assure further enhanced services to airlines staff and many passengers. Company would not only gain goodwill and high revenues but this will also build up harmony and quality work environment for each employee.

British Airways always tries to be innovative to better their services, which might cause some problems to the company. This can be overcome by efficient company maintenance and able leadership for an efficient growth of the company in future.

Bibliography

Johnshon G., Scholes K. and Whittington R., 2008, Exploring Corporate Strategy: Text & Cases, Financial Times/Prentice Hall, Harlow, England (eighth edition)9. References•[http://www.britishairways.com/travel/csr-corporate-responsibility/public/en\\_gb](http://www.britishairways.com/travel/csr-corporate-responsibility/public/en_gb)•[http://ivythesis.typepad.com/term\\_paper\\_topics/2008/07/sample-swot-ana.html](http://ivythesis.typepad.com/term_paper_topics/2008/07/sample-swot-ana.html)•<http://www.bashares.com/phoenix.zhtml?c=69499&p=IROL-index>•<http://www.lotsofessays.com/viewpaper/1712804.html>•Gomm (2005) – <http://www.lotsofessays.com/viewpaper/1696214.html>•[http://www.coursework.biz/Essays/University/Business\\_Studies/115/](http://www.coursework.biz/Essays/University/Business_Studies/115/)•[http://www.coursework.biz/Essays/University/Business\\_Studies/115/](http://www.coursework.biz/Essays/University/Business_Studies/115/)•<http://www.iata.org/pressroom/pr/2002-11-15-37.htm>•<http://www.themanager.org/Models/p5f.htm>•Datamonitor 2008•British Airways Annual Report (2007-2008)•[http://university-essays.tripod.com/ansoff\\_analysis.html](http://university-essays.tripod.com/ansoff_analysis.html)•<http://bapress.custhelp.com>•[http://www.britishairways.com/travel/bapress/public/en\\_gb](http://www.britishairways.com/travel/bapress/public/en_gb)