

# The strategic analysis of easyjet and easy group essay sample

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



The assignment was based on a strategic marketing analysis of Easy Jet and Easy Group. It will be carried out through two exclusive parts.

In the first part, firstly, we are going to give a general overview on easyJet's assets, then mainly concentrate on its critical capability which formed its core competence. Essentially, historical comparison approach was adopted to evaluate the organization's relative strengths and weakness.

The second one is by constructing a Growth-share Matrix for the Easy Group to better understand the balance portfolios of its different Easy companies in it and then the core competence of Easy group will be discussed in detailed.

## Part One

### 1. The overview of easyJet's assets:

#### 1. 1 Physical assets

easyJet is based at easyLand, a bright orange building adjacent to the main taxiway at Luton Airport. In an industry where corporate HQs are generally considered to be the ultimate status symbol, it is the very embodiment of the easyJet low-cost ethos.

#### 1. 2 Financial assets

easyJet is founded by Stelios Haji-loannou and it is now a Public Limited Company.

The main strength of its financial operations is that it got a strong balance sheet which allowed it get enough cash to run the business. (Stelios Haji-loannou, 2002)

Figure 1 shows easyJet's revenue and profit chart from 1998 to 2003.

year to end September revenue (£m) profit

(£m)

1998 77.0 5.9

1999 139.8 1.3

2000 263.7 22.1

2001 356.9 40.1

2002 552.0 71.6

2003 932.0 52.0

Figure 1. (go-fly.com, 2004a.)

Figure 2 shows easyJet's financial conditions in 2003.

Company Type Public (London: EZJ)

Fiscal Year-End September

2003 Sales (mil.) \$1, 552. 7

1-Year Sales Growth 80. 2%

2003 Net Income (mil.) \$54. 0

1-Year Net Income Growth (29. 4%)

2002 Employees 2, 045

1-Year Employee Growth 27. 9%

Figure2. (Hoovers, 2004)

### 1. 3 Operations assets

easyJet is now offering 143 routes from 43 European airports, operating 72 aircraft (67 Boeing 737 series and 5 Airbus A319s) in November 2003. The phenomenal growth of EasyJet was boosted by its merger with Go-fly in August 2002, making the combined company Europe's Number 1 low cost airline. Moreover, easyJet has placed a firm order for 120 Airbus A319 aircraft from September 2003 over five years, with 'price protection' on a further 120 Airbus A319 aircraft until 2012. (go-fly. com, 2004b.)

### 1. 4 Human assets

By November 2003, easyJet has employed over three thousand staffs

function staff numbers

call centre 224

airport operations 417

pilots and cabin crew 2330

management and admin 482

total 3, 453

Figure3. (easyJet. com 2004 a.)

easyJet has established an open employee management style which smooths the communication within the organisation. For example, easyJet asks their cabin crew staff to comment on aspects of their work on their internal web site. Most of the firm's corporate information is shared across the business and employees can get information electronically. There are also regular communication meetings, management briefings and a regular newsletter which is sent to all staff. Furthermore, easyJet is committed to being an equal opportunities employer (bized. ac. uk 2004)

### 1. 5 Legal assets & Systems

easyJet is copyrighted as easyJet airline company ltd. The embodiment of the brand on the Internet is the domain name, so it might be expected that the business would be sensitive to similar names. A report on CNN outlined why the easyJet case to have the rights to the domain name easy-jet. com (first registered by an ink jet cartridge company) has been rejected by the WIPO. (Cranfield School of Management, 2001)

The company has established the customer database and the managerial information by the application of internet. The use of site tracking is a good

example of control customer information. Similarly, it allows easyJet to easily communicate within organization upward and downward. (go-fly. com, 2004c.)

## 2. The critical assets and capabilities

### 2. 1 Internal marketing assets

#### 2. 1. 1Cost advantage

##### Internet selling process

The usage of Internet as distribution tool to sell ticket was started in April 1998. Now approximately 90% of all seats are sold over the Internet, making EasyJet one of Europe's biggest Internet retailers. This approach eliminates the distribution costs charged by the middlemen. (Cranfield School of Management, 2001)

##### Ticketless travel

easyJet confirm the booking of seats by e-mailing passengers, which cuts the cost of issuing, distributing and processing tickets.. This is going to be a sustainable basis for easyJet to continue to be as successful as it has been in the year ahead. (biz/ed, 2004)

##### High utilization of aircraft

easyJet has always bought brand new aircrafts which are believed more reliable and need much less maintenance. Consequently, it allows high

utilization, minimising the cost . per hour flown cheaper than using older ones. (Stellios Harji Ioannou, 2002)

### Simple service model

Ending of free on-board catering reduces costs and unnecessary management. It is also a key differentiator, a potent reflection of their low-cost approach, between easyJet and other airlines. Passengers have choice to purchase food if desired and pay less for the flight. The concept also reflects a more general point of eliminating other unnecessary, complex-to-manage and costly services, such as pre-assigned seats; interline connections with other airlines and cargo/freight carriage. ( go-fly. com. 2004f.)

### Efficient use of airports

EasyJet flies to main destination airports throughout Europe and uses less congested and less expensive airports, gaining efficiencies through rapid turnaround times and progressive landing charges agreements with the airports. easyJet achieve extra rotations on the high-frequency routes by reducing turnarounds to 30 minutes and below. Thereby, high utilisation rates results in cost-effective structure. (go-fly. com. 2004f.)

## 2. 1. 2 Information systems and market intelligence

The IT system makes easyJet have the access to useful information. By site tracking system, easyJet can easily measure traffic patterns. Also, site usage

record helps to develop the design and layout of the site to meet the needs of easyJet's web users. (go-fly. com, 2004c.)

Others like customers' data acquired when they booking flights is useful when carrying out market research or to analyze customers' demography.

## 2. 1. 3Existing customer base

Figures 3 shows the considerable growing volume of customers of easyJet, from mere 30, 000 passengers in 1995 to 2. 3 million in 2003. Figure 4. (go-fly. com, 2004g.)

full year annual total (' 000)

1995 30

1996 420

1997 1, 140

1998 1, 880

1999 3, 670

2000 5, 996

2001 7, 664

2002 11, 400

2003 20, 300



These existing customers that have been satisfied with previous company offerings are likely to react positively to new offers and also would like to introduce easyJet to others. easyJet is dealing with repeat business the base of satisfied customers offers significant opportunity for further development. (Skytrax, 2003)

#### 2. 1. 4 Technological skills

As one of the first airlines to embrace the opportunity of IT, easyJet has been taking advantage not only of the Internet selling process but the paperless operation in the administration and management. This aids cost- reduction, customer satisfaction and increased efficiency to easyJet. (biz/ed, 2004)

In addition, easyJet's call centre compliments its Internet site as a main sales channel. It offers a cost-effective way for customers to call in and management information on incoming calls. Armed with this information, easyJet can then decide whether it needs to make any adjustments to its call centre. (Cable&Wireless plc)

#### 2. 2 Distribution-based assets

##### 2. 2. 1 Distribution

The Internet provides the most cost-effective distribution channel. easyJet has aggressively pursued its strategy of encouraging passengers to book their seats online. ( Cranfield School of Management, 2001)

The online booking system allows instant delivery of products, the tickets, sold by easyJet to its purchasers. And at the same time easyJet make use of the latest secure server software and follow strict security procedures in the storage and disclosure of information to assure the quality of network being controlled. The unique way from internet to reach the target market built a distribution-based asset to easyJet.

## 2. 2. 2 Suppliers

easyjet's main aircraft suppliers are boeing and airbus. The well-developed links between easyjet and its suppliers makes easyJet get the negotiated and competitive prices. This stronger buying power also enables easyJet to commoditise the largest single capital expenditure. (BBC news, 2002)

## 2. 3 Customer-based marketing assets

### 2. 3. 1 Company name and reputation/image:

In 1999, easyjet was voted " best low-cost airline" by Business Traveller magazine and it has a reputation for innovation and flexibility in its approach to mass market air travel. Later in 2002, easyJet was awarded the prestigious " Best Online Retailer" accolade at the annual Revolution New Media Awards. (Cable&Wireless plc)

On the other hand, easyJet has won many awards and tributes voted for by consumers. The airline was named Winner of Best Value category in the first ever Visa e-tail awards which was voted for by the public. easyJet also excelled in a Consumers Association survey, being the only low-cost airline

to be ranked in the first division of a customer satisfaction table in a Holiday Which? survey. It was also named Best European Low Cost Airline in the Skytrax passenger survey 2002 -the largest independent survey of its kind in the world. (go-fly. com, 2004d.)

The mission for easyjet is to become “ the web’s favourite airline”

Flying with easyjet is quality assured since easyjet make sure its planes are operating perfectly, flying correctly to avoid disaster. Therefore, easyjet has built up a reputation of a safe and in-expensive airline, which adds value to its service.

### 2. 3. 2 Branding

The “ easyJet” brand is strongly associated with its simple, ‘ no frills’ service with target at both the leisure and business markets. The company’s staffs have shed some light on what “ easyJet” stands for, in the form of a statement of the organisation’s values: the namely ‘ orange culture’ which means being ‘ up for it’, ‘ passionate’ and ‘ sharp’. (biz/ed, 2004)

Brand “ easyJet” was also been high evaluated because of the current market domination and the protection by the copyright. The extension of new market as added “ easy” onto easyGroup members has helped to promote the brand

### 2. 3. 3 Market domination

Jet is currently Europe's largest low-cost airlines and keep taking proactive measures to make sure continuous leading.(TWST. com, 2003)

By fast-expanding and raising revenues, easyJet, overtook Ryanair as Europe's biggest budget carrier through buying Go-Fly, and declared a 43.5% jump in passenger numbers to nearly 1.5 million, up from just over a million a year earlier. (Watson, 2003)

Currently, easyJet has offered a total of 143 routes between 43 popular business and leisure airports. In financial year 2003, total passengers of EasyJet were 20.3 million (easyjet. com), nearly 1.29 times more than its largest competitor Ryanair at 15.74 million. (ryanair. com).

## 2.4 Organisational Capabilities Analysis

### 2.4.1 Strategic marketing capabilities

#### 2.4.1.1 Market sensing capability

Favourable turn

September 11 led to the dramatic change in the pattern of airline market. easyJet took the opportunity to build significant divergence in market capitalisation between itself and the flag carriers. The shortfall network and the cutback on short flights by its competitors made the chance for easyJet to increase growth rate and market share. (Stellios Harji Ioannou, 2002)

Measurement of yield

The CFO of easyJet, Chris Walton, once claimed that easyJet's growth was based on increased frequency, not new destinations, which was quite different from many other low-costs. easyJet measured sensitively the yield in a market as a route matures. "What we do is we will add frequency and capacity to dampen down that yield. So we very much play a volume and price game on existing routes that we fly", said by Walton. (TWST. com 2004)

#### 2. 4. 1. 2Market targeting and positioning capabilities:

##### Low-cost European airline

No frills airline easyJet entered the industry when the majority of companies offered services at a premium price with inefficient assets utilization.

According to the report published in 2000 by Cranfield University, it estimated that low-cost airlines currently carried 4% of all domestic and international passengers within Europe, a figure expected to increase to 12-15% by 2010. (go-fly. com, 2004e.) Obviously, in Europe, there is still a capacity and a market for growth and easyJet is in an ideal position to take advantage of that.

Its main target market is business travel in which people return within several days. In this target market, there are customers who are very sensitive to price and less concerned about travel time. Thus easyJet chose to fill in the offpeak periods by discounting.

#### 2. 4. 2Product management capability:

### Safe flights

Usage of new aircrafts not only allows the high utilization but helps to built up a reputation of a safe and in-expensive airline, therefore it has added value to its service.

### Proper landing airport

In order to reduce cost, low-cost airlines tend to fly to cheapest places, like what Ryanair has been doing. By this way, customers have saved money in airplane tickets; however, they have to spend more in the transport from the middle of nowhere to their final destinations. Whereas, easyJet cuts the cost through rapid turnaround times and progressive landing charges agreements with the airports, in stead of landing in the cheapest but remote places.

### Protection of customer privacy

The distribution network of easyJet's product was worried that customers' personal information might be accessed by the third party. To prevent this kind of exposure happen, easyJet formulates and executes strict privacy policy and adopts SSL version 3, encrypting customer to protect customer information. Similarly, the security of credit card usage is also assured (go-fly. com, 2004c.)

### 3. 2. 3 Innovation capability

easyJet was one of the first ones who stepped into the application field of electronic distribution channel. This is one of the essential factors which

formed its low cost structure. The much lower cost structure created a sustainable competitive advantage (SCA) compared with its competitors. So, while the flag carriers try to imitate, the key area in competition is the cost base. However, it is not that easy for these rivals to change their ticket agencies for internet distribution in short period. Thus its SCA enable easyjet to continue leading in cost structure.

Implementation capabilities:

Corporate culture

easyJet favours an informal company culture with a very flat management structure, fewer hierarchical levels and symbols within the business, which eliminates unnecessary and wasteful layers of management. (biz/ed, 2004)

easyJet has established an open employee management style which smooths the communication within the organisation. Most of the firm's corporate information is shared across the business and employees. Staffs can get information electronically. Communicating with employees is seen as being important to easyJet. They aim to generate awareness among staff of the company's performance and development. ( biz/ed, 2004)

Furthermore, as an equal opportunities employer, easyJet ensure that all staff can make the best use of their skills and experience. (biz/ed, 2004)

4. Growth Share Matrix of easyGroup

To construct the Growth Share Matrix for the easyGroup, on the basis of market growth rate and relative market share, the group members need to be defined respectively as certain industry and market they are belong to.

As the relatively important role of easyJet to the other easyGroup members, the cash flow analysis of easyJet was given more complete appreciation.

Figure5. Growth Share Matrix of easyGroup

#### 4. 1 easyJet -Star toward Cash cow

Targeted as the European low-cost airline, the market for easyJet to expand was still growing in a moderate rate as a result of two factors. First, EU will be enlarged from 15 nations to 25 nations by May 2004. (news. bbc. co. uk) Second, with lower and lower price and more routes opened, airline can become substitute for train as long distance transportation within EU.

In terms of assessing market share, the number of passengers was considered instead of revenue, since different airlines may have different ticket prices. In financial year 2003, total passengers of Easyjet are 20. 3 million (easyjet. com), around 1. 29 times more than its largest competitor Ryanair which are 15. 74 million. (ryanair. com).

Regarding cash flow, annual revenue of easyJet has grown fast in recent years, from 551. 8 million in 2002 to 931. 8 million in 2003. On the other hand, as new investment in new routes, new aircrafts and merge with Go Fly, expenses operated have drastically increased from 419. 4 million in 2002 to



750.9 million in 2003 (easyjet.com). The large increase in cash inflow and outflow could be seen as evidence that easyJet is still defined as Star.

#### 4.2 easyInternetcafe-Star toward Cash cow in UK;

Question mark in other EU countries

The target markets of easyInternetcafe are UK, EU, along with the USA (Eastern Seaboard, particularly New York). (easyinternetcafe.com)

To have a better understanding, the analysis of easyInternetcafe was separated into two market sectors, i.e. UK and other European countries.

According to European Information Technology Observatory (EITO), Internet penetration in EU was 38% in 2001 and expected to be at 63% in 2005 (eito.com). With fast increase of Internet users, the demand for temporary Internet access will rise up. However, the growth rate is reducing as new rivals entered the market which substitutes Internetcafé, such as wireless Internet access from mobile phones.

Market share is high in UK with 27 franchises. Consequently, it is Star in the UK market. As for EU countries, the market share is low, with only 27 franchises in 7 countries. Hence it is Question mark in other EU countries.

#### 4.3 easyValue-Question mark

The easyValue belongs to E-retail industry in the UK. Its current role is an online consumer information magazine which provides price comparison and link to other E-retailers.

The growth rate of E-retail is high now. According to Interactive media in retail group (IMRG), the online shopping market has grown more than 14-fold over the last four years. (bbc. co. uk). Similarly, an report from Visa indicated that Visa cardholders in the UK spent over £1. 8 billion over the Internet in the final quarter of 2003, an increase of 91% over the same period in 2002. (imrg. org)

However, the market share of easyValue is low due to the highly competitive environment of E-Retail.

#### 4. 4 easyCar-Dog

easyCar aims its market as car rental business in main cities in UK, France, Spain and Swiss (easycar. com). As car rental business is in the maturity stage, the growth rate is low.

Compare with the 18% market share of the biggest car rental company Avis in European car rental market in 2001 (avis-europe. com), the market share of EasyCar is very low. Thus, it was plot into Dog.

#### 4. 5 easyMoney-Dog

As targeted mature credit card industry in UK, the growth rate is low.

According to the report from Euromonitor International, the market was forecast to grow by just 31% over the next five years to reach a total transaction volume of approximately 217 billion in 2007. (euromonitor. com)

The market share of easyMoney is also low in the highly competitive market.

#### 4. 6 easyCinema-Dog

The cinema industry within UK has already entered the mature stage. Comparing with other large cinema chains like Warner village, UGC, Odeon and Showcase, easyCinema only has one cinema in Milton Keynes, Buckinghamshire, which means the market share of easyCinema is very low.

#### 5 Strategy implication of EasyGroup

From previous analysis, easyGroup members have scattered into the Boston Matrix. Issue here is that is there any strategic implication hidden behind the structure of the matrix, since there is no “ cross-shareholdings” between easyJet and other easyGroup companies.

##### 5. 1 Core competency of EasyGroup

It was the core competency connects each member of easyGroup, and well constructed the group to form a competitive Boston matrix.

The core competency of easyGroup is considered to have the ability to carry out value for money, and low cost services for broader consumers by the extension of the easy brand to more sectors. The figure below shows the strategic implication of easyGroup’s development.

##### 5. 2 The way to achieve and keep core competency

###### 5. 2. 1 Internet

For one thing, the internet builds the basis for easyGroup on which members can stand firmly and run efficiently.

#### Internet as a distribution channel

As a low-cost operation, controlling the cost is crucial to the company's ability to offer low fares. For easyJet, the Internet provides the most cost-effective distribution channel. It was one of the first airlines to embrace the opportunity of the Internet when it sold its first seat online in April 1998. Now approximately 90% of all seats are sold over the Internet, making EasyJet one of Europe's biggest Internet retailers.

#### Internet as an efficient Communication tool

easygroup uses Email and the Internet to communicate with its customers and within the management structure upwards and downwards. Customers who seek information about easyGroup can contact the company directly by email. Also, post, telephone or fax further details can easily be found on its website. Using the internet say, email, to communicate efficiently reduces the cost of communication.

#### 5. 2. 2 High utilisation rate

For another, maximise the utilisation of the substantial assets.

As Stellios said, ' I believe that we are very good at sweating assets and the way we do it usually is yield management and the process of matching supply with demand through price means that you can fill the off peak

periods. Whatever business you're in, even the Internetcafe has certain peakness in demand, the question is how you fill the off-peak - by discounting.' High utilization means high profitability.

For example, Car rental is largely influenced by the time issue. There are peaks and troughs in demand in car rental, easyGroup uses yield management to match the two and therefore can improve revenues. ' Looking at the moment, naturally at budget accommodation, even below hotel level, probably the hostel level what we call easydorm - dormitories - and probably cinemas, because again I understand that the cinema business is very inefficient at using assets, only 20-25% of the seats in cinemas are actually filled.' (stellios harji ioannou 2002)

### 5. 3 The meaning of applying core competency to the business

Obviously, exploiting internet and maximising utilisation contribute heavily to " value for money" and its low cost strategy

By segmenting markets, easyGroup found its niche markets in mature markets. Well positioning makes easyGroup offer lowest price by the low cost strategy to serve consumers who enjoy a no frills service. This is embodied by easyGroup's mission statement: " We will build on our core brand values of being low cost, innovative, fun and always an " underdog" fighting for the little guy."

The successful experience of easyJet has showed the niche market is large enough to support the development of the whole easyGroup.

## 5. 4 Other connections

### 5. 4. 1 Brand image & Reputation

Being Europe's leading low-cost airline, easyJet makes the brand name of 'easy' extremely familiar to a large number of consumers. So when consumers are facing easyGroup's products/services, they may immediately associate them with easyJet. In other words, easyJet positively exerts a low cost but good value image to consumers who may therefore choose to consume with easyGroup.

### 5. 4. 2 Cross marketing

Like virgin company, easyGroup carries out brand extension which involves the use of a successful brand name (EasyJet) to launch new or modified products in a new category. It is acknowledged that the brand extension realizes greater advertising efficiency than individual brands. In the case of easyGroup, it puts its name, easy, on all the services they offer, creating an instant perception of value for money for each new product, saving the high advertising cost.

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