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Emirates Airlines Report

Emirates Airlines is one of the biggest and most successful firms from the Middle East North Africa (MENA) region that has a strong footprint in foreign markets. The airline was formed on 25th October 1985 (Emirates 2015). The initial capital of the airline amounting to US \$ 10 Million was provided by the government of Dubai through its investment arm; the Investment Corporation of Dubai (The EK Source 2014). At the beginning, the airline fleet was comprised of two aircrafts, an Airbus A300, and a Boeing 737-300 that it had leased from Pakistan International Airlines. In addition, the carrier leased a Boeing 727-200 from the Dubai Air Wing in the dying periods of 1985 in an effort to enlarge its capacity (The EK Source 2014). The first route of the airline was Dubai to Karachi and followed by two routes other routes to Delhi and Mumbai. In the first year, the airline carried 260, 000 passengers. From these humble beginnings, the airline has grown in leaps and bounds expanding its routes and furiously consolidating its share in foreign markets.

Overview of Emirates Airlines

Emirates Airlines is a hundred percent owned by the Dubai Government. However, the Dubai Government only provided the initial capital of US \$ 10 Million, and afterwards, it limited its involvement in the affairs of the airline (Emirates 2015). This enabled the airline to operate as an independent enterprise, formulating its growth and expansion plans. The airline has been a strong profit-making entity registering profits each financial year since 1988 (O'Connell 2011). Currently, the airline has a fleet of 230 aircrafts, and globally it flies to 140 destinations located in 80 countries. Every week, 1500

flights depart from its headquarters, Dubai, to destinations spread on six continents (Emirates 2015). Clearly, Emirates is focused on stamping its footprint in the foreign market, constantly increasing the international destinations it flies to. The airline has grown to become Middle East's largest airline in terms of number of passengers carried, the size of its fleet and the amount of revenue generated (O'Connell 2011). The market entry strategy that has enabled the airline to successfully enter foreign markets and exert its dominance is worth exploring.

Emirates Airlines has been able to expand into foreign markets because of its commitment to building a strong brand that appeals to customers in the international markets. The airline has tailored its marketing efforts in such a manner that it aims at the everyday flying public as well the business travelers. The airline's brand is more accessible to average fliers and this is seen in the campaign it has adopted. The campaign is dubbed "Hello Tomorrow", and the underlying message of this campaign is that Emirates Airlines values multiculturalism, and it is fully aimed at serving global consumers. The image of a global airline that is not selective in choosing consumers of its services helps it to appeal to customers in foreign markets, and hence be given the go-ahead to fly to new destinations across the globe. Possessing a brand that appeals to customers in foreign markets is the initial step in accessing these markets. The brand should embrace multiculturalism and relate to the lives of people in foreign markets in order to be accepted in the same markets (Hill, 2012).

Moreover, Emirates Airlines has been able to enter foreign markets by forming strategic alliances especially with manufacturers of aircrafts. In

2001, Emirates Airlines announced its plans to acquire 58 new aircrafts that would cost the airline a staggering US \$ 15 billion (Emirates 2015). This represented the largest aircraft order ever made in the aviation industry. The 58 aircrafts included both the Boeing and Airbus brands. An order of such magnitude has the potential to reflect greatly on the revenues and profits of the two aircraft makers. Some of the money Emirates Airlines used in purchasing aircrafts trickles down to government as taxes (Erramilli and Rao 1990).

The multi-billion order is an indication that Emirates Airlines is committed to helping other foreign companies grow and in return the governments that earn taxes from the two aircraft makers will be willing to provide an enabling environment for its operation in these countries. The strategic alliance, though purely commercial, has the prospects of endearing Emirates Airlines to key decision makers in the foreign markets (O'Connell 2011).

Furthermore, Emirates Airlines has aggressively used direct marketing and forming alliances to make its entry into foreign markets. The Airline has been extensively involved in sponsoring sports tournaments and in the process marketing its products and enhancing its visibility (Voight 2014).

Emirates Airline is a FIFA World Cup partner and has made investments of over US\$ 100 million in just four years to sponsor FIFA events. The FIFA events are crucial in projecting the airline to the foreign markets and thus spiking interest in global consumers of its services. Strategic marketing is at the center of enabling a firm gain entry into foreign markets (Griffin and Pustay 2013). The main goal is to make the brand more visible and thus ignite interest in consumers in far-flung markets. Emirates Airlines generates

interest in its services by consumers located in foreign markets through its strategic marketing and in the process enhances the uptake of its services by international travelers. This uptake is fundamental in enabling the firm penetrate foreign markets (Peng 2014).

Additionally, pricing is at the heart of Emirates Airlines foreign market strategy. Emirates Airline has gone against the grain in setting its prices. For most airlines, premium seats bring in more profits as compared to economy seats. However, most of the Emirates profits are gained from pricing economy seats favorably (Voight 2014). The focus of the airline is achieving high passenger numbers and ensuring these passengers are provided with favorable prices while at the same time receiving high-quality services. The reasonable pricing of economy class seats has the impact of attracting more passengers and enhancing the airline's bottom line. By targeting passengers who fly economy, the airline is able to make its foray in foreign markets and bring to its fold low-income passengers.

Pricing is an important factor especially when accessing foreign markets characterized by low incomes (Rugman and Collinson 2012). Moreover, offering reasonable prices while at the same time maintaining the quality of services has the potential to enable a firm compete effectively in the global market. Emirates is interested in bringing to its fold passengers who want to fly economy but at the same time are treated luxuriously. This foreign market strategy is a double win for the airline because it increases its popularity among low-income fliers and at the same time increases its revenue from this cadre of passengers (Rudgard 2003).

Additionally, forming joint ventures is a great way of enhancing entry in

foreign markets. In 1998, Emirates Sky Cargo was launched to handle the cargo business of the airline. Cargo services were provided by the Airline's division using the passenger aircrafts. The company entered into lease agreement with Atlas Air, and the company was to provide aircrafts and crew for the business division.

Moreover, the airline was to provide maintenance services to the leased aircrafts and meet insurance costs. This arrangement between Emirates Airlines and Atlas Air is a joint venture whereby each partner benefits.

Emirates Sky Cargo partnered with Atlas Air in order to expand its cargo business in foreign markets. Atlas Air had the foreign market knowledge and expertise to accelerate the expansion of Emirates Airline into this foreign market. The cargo business was intended to run on Atlas Air brand in an effort to expand it. Joint ventures or strategic leases are crucial for a company to succeed in international business (Mead and Andrews 2009).

A firm that is interested in making an entry in foreign markets can jointly carry out business with companies in existence in these markets. A firm can achieve this by trading under the brand name of the foreign company. The disguised operation of the airline's cargo business under the brand name of Atlas Air will help the carrier understand the dynamics of this market and formulate appropriate strategies to help it succeed in this new foreign business environment (Kim and Hwang 1992). Leasing involves taking temporary ownership of Atlas Air's fleet and paying the requisite lease fees. The aircrafts being leased are at the Airline's custody, and the carrier is expected to ensure they stay in perfect condition, insurance dues are settled, and crew are provide for and paid. Initially, leasing was aimed at

expanding the cargo business of the airline but in the long run it was to propagate the airline's entry into foreign markets.

Another element that is instrumental in Emirates Airline's foreign market entry strategy is its ownership. The airline is under full ownership of the Government of Dubai that has huge oil resources. The government does not involve itself in the running of the airline but because it earns the government revenue, government officials become its most important ambassadors. The government has the potential to influence the airline's entry into foreign markets. By maintaining cordial relationships with other governments, many countries will welcome Emirates Airline to open new routes within them so as to consolidate this cordial relationship. Though this might be politically motivated but it presents a win-win situation for both countries. The new countries Emirates Airline is opening new destinations in will be able to access United Arab Emirates oil and in turn they will create business opportunities for the national carriers. International business is in most instances propagated by political and economic posturing (Morrison 2008).

Countries identify economic benefits that can accrue to each other from their relationship and ultimately expand business in each other's territory. Firms that are wholly or partially owned by governments are the major beneficiaries because they will get the backing of the government to spread their operation in the foreign country. The Dubai Government wholly owns Emirates Airlines, and it can actively engage with other foreign countries to push for the expansion of the carrier's services in these countries.

Maintaining cordial relationships will be important in ensuring the success

and longevity of such partnerships (Woll 2008).

Additionally, the service offerings of Emirates Airlines are part of the airline's foreign entry strategy. The airline has focused on fulfilling passenger's desire for adventure by flying to exotic destinations. The modern day travelers are fascinated with adventure, and they are more willing to spend to access exotic locations that will excite them and give them adventure. In its strategy to access foreign markets, Emirates Airline intends to help travelers access new sites of adventure.

Elsewhere, the airline will be able to access these foreign markets and enable passengers to access these sites that are full of adventure.

Essentially, this is business lobbying on the part of the carrier and it is acceptable as much it seeks to serve the interests of both parties. Business lobbying can be instrumental in helping firms to expand into foreign markets (Agarwal and Ramaswami 1992). Lobbying is a method that has been pursued by Emirates Airlines in an effort to extend its footprint in foreign markets.

Furthermore, Emirates Airlines is focused on achieving a global image especially among its workforce. The strategy of the airline is to hire employees from all parts of the world so as to build a global company. Employees serve as brand ambassadors of the airline and can be influential in furthering its expansion into foreign markets (Czinkota 2011). A company that hires from all parts of the world will endear itself to regions it hires from.

The global hiring enables people from many regions to get employment opportunities and hence earn incomes that can they repatriate to their

countries. The repatriated incomes are used to fuel investment in the regions and hence create more job opportunities. The essence of tapping employees from all parts of the world is indirectly helping these regions to grow economically. The internationalizing of the workforce serves as a precursor to expanding into the foreign market (Hill 2012).

Emirates Airline has been aggressive in expanding its footprint in international markets. Its expansion strategy has been very much multi-faceted encompassing hiring employees from all regions of the world, lobbying for business, forming strategic alliances, leasing Atlas Air, and riding on political goodwill. Moreover, the airline has aggressively engaged in direct marketing to enhance its visibility to consumers. These efforts have paid off with the company experiencing exponential growth and turning in profits every financial year since 1988. The airline is basically on the right footing to grow even further. The airline is wholly owned by the Dubai government, but it operates as an independent entity. Political will can be very crucial in enabling the airline expand in foreign markets. Moreover, the airline is well-financed, and it has resources to keep on expanding. The airline has the potential to engage the aircraft manufacturing companies in contract manufacturing where it contributes resources towards manufacturing expenses and in turn the companies sell the aircrafts to the airline at a reduced price. This will help to reduce the money they spend in acquiring new aircrafts.

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