

Ryanair swot analysis

[Business](#), [Company](#)



A SWOT analysis is a study which can be undertaken in order to identify an organisation's, product's, or service's internal Strengths and Weaknesses, and also its external Opportunities and Threats. A SWOT analysis focuses on the microenvironment of one of the above entities, i. e. " factors which the organisation has some control over". – Business Management Course Text, AIT Ireland (2013-20134).

SWOT analysis of Ryanair

1. Strengths
2. Weaknesses
3. Lowest Cost Base of any European Airline
4. Strong financial performance despite current economic climate
- Innovation
5. Negative Public Perception
6. Over-reliance on Seasonal trends to increase profit margins
7. Poor customer service
8. Opportunities
9. Threats
10. New airline routes throughout Europe
11. Opportunity to increase Market Share
12. Current economic climate
13. Increase in fuel charges
14. Natural events and disasters

Strengths

According to safaribooksonline.com/book/sales-and-marketing, operating as a low-cost enterprise can be a strength for companies, as it may incentivise

<https://assignbuster.com/ryanair-swot-analysis/>

an increase in demand for a particular product or service, in relation to its competitors. Low cost providers are a popular choice for financially conscious consumers who do not have any/little loyalty towards the product/service in question, or for consumers who wish to obtain a product/service at the lowest available price. For Ryanair, being a low cost company has been hugely beneficial, as they have almost entirely built their current reputation on being a low-cost airline.

At present, Ryanair is the lowest costing airline in Europe, one third lower than its nearest rival, easyJet. Maintaining a strong financial performance is a major factor to the success of any business. According to <http://www.investorwords.com>, organisations base their important decisions/strategies the basis of their financial performance. Maintaining a healthy financial performance allows companies to generate revenue. In terms of Ryanair, despite the recession, the company has not only continued to make a profit, but is also Europe's most profitable airline. In 2013, the company forecasted that they would generate €540 million, a 7% increase over the previous year's figure.

According to <http://businesscasestudies.co.uk>, Companies must innovate in order to keep ahead of their competitors. This means that companies must focus on incorporating fresh approaches and ideas to their business model in order to remain at the top of their respective field.

Ryanair has excelled in being an innovative company, and has changed the outlook on the airline industry through strategies such as pushing the “ low cost” slogan, removing free catering for customers on their flights, and also

by moving away from travel agent bookings to internet sales. Through innovation, Ryanair has revolutionised the short-haul industry.

Weaknesses

Negative public perception/relations can be fatal to any enterprise, as it can lead to a loss in existing customers, whilst also acting as an obstacle in obtaining new ones. Once a company's name has been tarnished through poor PR, it can be a struggle to regain any popularity lost. Although Ryanair are still the leading airline in Europe, Chief Executive Michael O'Leary has received heavy criticism for numerous PR campaigns, which has given the company a poor reputation amongst many individuals. Many businesses are reliant on specific time of year in order to increase their profit margins.

Companies which provide winter wear, such as the Great Outdoors, will thrive during Autumn/Winter, as the demand for jackets, gloves, etc. will be at its highest during these seasons. For Ryanair, the company is heavily reliant on its' summer performance (particularly July-September) in order to boost profit margins. Since 2008/2009 Ryanair has consistently made losses in at least one of the winter quarters, whereas the company has made an overall profit in every year for the last 10 years. " Building positive relationships with your customers isn't just good practice – it will ultimately improve your bottom line." – James Caan, 2013.

Maintaining a positive relation with its customers is a vital component in the majority of successful businesses, as, according to James Caan's article in The Guardian, " Customers are the most important asset to your business and looking after them is essential to your success". Welcoming feedback,

(positive and negative) communication between a business and its customers, and handling customers' complaints are all examples of good customer service. However, according to a recent survey conducted by Which? Magazine in the UK, Ryanair was voted as being the "worst" in terms of the quality of customer service offered by Britain's 100 biggest firms, with staff knowledge, attitude, and their ability to handle complaints cited as the main issues.

Opportunities

The opportunity to expand/offer a greater range of service is something which any business interested in growing in stature will be interested in. As a company grows, they have control of the industry which they are competing in, can often dictate prices, and may also benefit from economies of scale (lower unit costs by producing more). --<http://www.bbc.co.uk/schools/gcsebitesize/business/aims/sizeandorganisationrev1.shtml> For Ryanair, the opportunity to operate new routes throughout Europe is something which the organisation is always improving on. According to <http://www.ryanair.com>, from April 2014, the airline will expand 85 new routes operating out of Dublin alone, in which the company hopes to generate 1 million new passenger fares from.

Inter-linked with the above paragraph, increasing its market share/market growth is another opportunity which looks achievable for Ryanair. According to <http://centreforaviation.com>, the European aviation sector is still a growing industry, which already suggests that Ryanair may increase its share of the market. However, as Ryanair is already Europe's leading short

haul airline and lowest cost producer, the steps are firmly in place for this opportunity to become a reality. Ryanair targets obtaining 120 million passengers by 2022. The current economic climate has had huge implications on businesses on a global scale, with many companies, (such as Dell) having to relocate in order to cut costs.

Also, as consumers are more aware of the impacts of over-spending during a Recession, many businesses have saw a fall in demand for the product/service which they are offering. However, operating as the lowest costing airline in Europe has had an overwhelmingly positive effect on the company. Although Ryanair offers “ no frills”, many financially conscious people have decided to opt with Ryanair over other alternatives (such as Aer Lingus) during the current economic climate, as they offer a cost effective service. This is evident by the fact that Ryanair has become Europe’s most profitable airline.

Threats

According to <http://www.legalzoom.com>, any costs imposed on a business (both internal and external) can have an effect on how a company have choose to allocate its budget, and higher costs may also lead to a business cutting back on certain expenses in order to remain in a healthy financial position. According to Ryanair’s Chief Financial Officer Howard Millar, Ryanair’s single largest cost is fuel costs. To combat against these rising costs, Ryanair has chosen to slow down the speed of their air-crafts, which has added an estimated two minutes onto every hourly flight.

This figure may seem small, but for customers who travel with Ryanair on a frequent basis, this could lead to a fairly substantial amount of extra time consumed, which may lead to some disgruntled customers. - Siraj Dato, 2013. According to <http://www.exponent.com>, Natural disasters, whether they are hurricanes, typhoons, tsunamis, or monsoon-related flooding, are all factors that can affect the operations of businesses worldwide. The above factors can have major implications in business operations, as they can restrict trade between business, and they also may lead to products/premises being damaged.

For Ryanair, natural disasters such as a volcano eruption, could lead to a huge loss in profits, as this event could lead to flights being cancelled (e. g. the Icelandic volcanic ash cloud in 2011 caused severe losses to many airlines). Also, a fatal accident, such as a plane crash, would also have a major negative on Ryanair, as consumers may feel unsafe in regards to boarding a Ryanair air craft.