

Free case study about delta airlines

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



Macro Environment

An external analysis is carried out to identify a company's strategic position; it is very important to know the company's strengths and capabilities of the shareholders' anticipations on the share value in order to identify the strategic position of the business. Delta airlines are a major airline company in United States and it is headquartered in Atlanta. The airline and its subsidiaries have more than 80, 000 employees and operate more than 5000 trips on a daily basis. The company has an asset base of \$52 billion dollars and net profit for the year 2013 is \$10. 5 billion.

Macro environment consists of factors that are uncontrollable and affect or influence an organization's decisions as well as its performance and strategies. These factors include the political factors, demographics, legal, economic, social factors, natural and technological forces. Airlines need to develop strategies that are effective in countering the pressure that continues to affect the airline yields. The external pressures are as a result of continuous changes in the external macro environment factors (Rodwel; Rodwel, 2012).

Cultural trends are the behaviors or practices that people take up because they are being made by other people. Air travel is not an exception and it is also affected by these trends, because of these the industry's creative mind are mandated to come up with solutions that counter or result to the advantage for the firm. In the past, the number of people paying for air tickets over the counter in the airports has been on the decline.

Technological changes have resulted in a decline on the way the way ticketing is made and processing services no longer have to be made on the

terminals. The change in culture of the way that people used to do a thing has resulted in Delta airline changing to suit the customers' needs.

Most of the people in developed countries take holiday trips to diverse parts of the world once per year. According to a report made by Euro monitor, Americans and Europeans are increasingly being lured to places that were once considered as forbidden lands. Countries like Cuba, North Korea, Libya and Myanmar were considered to be destinations that are not safe and especially for Americans. The reports projection is that that there will be a 72 percent increase in American and European arrivals by 2016 hence Delta Airlines needs to start a route to either of these destinations (Peter Belobaba, 2009). Being one of the pioneer airlines in the world it is easier for delta to set up a route in these destinations.

Holiday tours that have been popular with big spenders are the reasons why airlines have increased trips accommodate the number of passengers to these destinations. In Saudi Arabia and Bahrain people with plenty of cash are driving the trend for shopping in the Middle East. Delta airline has to come up with strategies that enable it to maximize its profits in line with the trend.

Demographic is another factor that Delta Airline cannot disregard. Basing on the studies carried by different researchers, the number of people that have embraced air travel has significantly been on the increase. As disposable income levels continue to rise especially in the BRICs (Brazil, India, Russia and China), the residents from these regions will travel to the west for a different shopping experience. The Airline should, therefore, tap this region. Many organizations are affected by Legal and political issues which play an

important role on the stability and growth of the business.

Delta Airline has its headquarters in the U. S, which is one of the most stable and liberal countries in the world. However, it is supposed to set up offices in other regions in where it operates. To counter this problem, Delta airline has limited trips to countries that are not politically stable that enables it to reduce the risk associated with political instability (Rodwel, 2012). Countries have different legal systems that affect company's profitability as well as its operations. Tax regimes used by different countries may result in bankruptcy or shutdown, therefore, having a negative impact on the firms' bottom line. Technological changes have had a positive bearing on the service delivery in the airline industry. Delta airline and its competitors have now started using social media as means of luring customers. The airline industry has grown in leaps and bounds as a result of technological advances. Emerging technologies, for example, CUPPS and mobile apps, will eventually see standardization of passenger processes. Delta airlines use mobile phone texts to inform its customers the time they board and in future airlines will integrate their information to the customers to make service delivery efficient.

Global issues like pollution are an important part that strategists of Delta airline need to weigh up when making strategies for the business (TR Jain, 2009). Companies are taxed for using energy sources that are detrimental to the environment. Therefore, Delta airline should seek to use more efficient energy sources that do not affect the environment as well as check on the impact it has on the company's' profits.

Business Environment and strategic groups

The business in which airlines operate is a competitive market, in which different airlines try they are best to keep their customers as well as attracting new ones. The competitors in this industry include Emirate, Qatar, Etihad, and Lufthansa among others that have the highest number of passengers in a year. In order to big compete with these big airlines, Delta airlines must ensure that it gives its customers a world class experience while travelling and also ensure that the prices are favorable. Delta airlines services must be better as compared to its competitors.

There is by no means any barriers to entry in this business. However, it is hard for new firms to go into the business since there is a large initial outlay required. In some countries, the market regulated by the government, therefore, making it hard for the firms to enter the market. Most countries, however, have liberalized markets that allow new firms in the market. There are many costs that are linked with new market entrant, one of which is the licensed cost that is required when operating the business. Another cost that is large is purchase of aircrafts and hiring employees. Though this part does not make it any easier for Delta airlines to operate, barriers to entry reduce competition of firms.

Threat of substitutes is another force that affects the profitability of the airline industry. There are different transport models in place of aircrafts, for example, high speed railroads. It is cheaper for a passenger who does not pass over the sea to use high speed railroad as a means of travel. This results into a competition to airlines like Delta and they should, therefore, come up with strategies that attract customers. Telecommunication and

video conferencing are also modes of communication that can be used as a substitute for air travel. They are cheap and convenient as compared to air travel hence competition becomes stiffer.

Buyers bargaining power can also lead to a reduction in profits for the airlines. Information is always available and for to buyers who make their decisions based on the information that they have. For that reason, airlines come up with different products with varying prices tailored to meet the customers' needs. A slight increase in prices leads to a switch to other airlines resulting to reduced profits that are referred to price sensitivity. Delta airlines set its prices based on the competitors' prices in order to attract new customers.

A delta airline was among the first airlines to be set up in the U. S that provides it with the main competitive advantage over other firms because there is an already existing relationship with the suppliers. A healthy relationship with suppliers is important for growth of any business, therefore, the airline has positioned itself well because it can easily get supplies on credit and other favorable terms given to it (Peter Belobaba, 2009).

The industry is characterized by existence of many buyers and sellers with services that are similar and accurate information on their prices. It is, therefore, competitive market structure that requires a firm to give services that are of high quality in order to fully compete with other service providers. Opportunities in the airline industry are increasing because of emerging markets. There is an increase in the turnout of people who travel by air over the last few years; this is as a result of emerging markets in Africa and Asia which have provided. Although Delta airline has over many destinations

around the world, Asia and Africa have still got potential for it to grow its revenues. However, it is still hard for new airlines to compete up there with the big airlines because of the competitive advantage which they lack.

Summary

The airline is a going concern which cannot be affected by any external or internal factors; this is because it has already captured a share in the market. Operating profits in the year 2013 were \$10.5 billion which indicates that the airline is doing very well in the industry. Delta airline can still generate more revenues given that there are more markets that are emerging and also an increase in the turnover of passengers. With a strong management team, the firm has the potential for more growth that is shown by the trend of the growth in share price.

The firm is strongly placed in the industry that is shown by the share price, the shares yield is positive which boosts shareholder's confidence and, therefore, the value of the firm's shares increases. Delta airline will still go on strong despite the external factors that affect the business like technological changes, social changes, political and legal factors and demographic factors. The firm's can change its strategies for it to stay relevant in the business; it embraces new technology for it to stay ahead of its competition.

Consequently, the airline cannot control factors like the social trends but it can tailor its services to suit those trends.

References

Peter Belobaba, A. O. (2009). *The Global Airline Industry*. Chicago: John Wiley & Sons.

Rodwel, J. (2012). Business Environment. London: FK Publications.

TR Jain, M. T. (2009). Business Environment. New York: FK Publications.