

# Ryanair pestel analysis

Business, Company



**Macro-environment PESTEL Analysis:****Political and legal factors**

Political issues are very relevant in the airline industry which has been and still is under political influence. This is particularly true in the European Union where Ryanair primarily operates. A recent liberalization act came under the form of the EU-US Open Skies Agreement, signed in 2007 and which entered into effect on March the 30th 2008, which gives the right to US based airlines to operate intra-EU flights, while European airlines are not permitted to operate intra-US flights and are not allowed to purchase a controlling stake in a US operator. This represents both a great disadvantage and a threat of increased competition for European airlines. The threat of increased competition is increased by the possibilities of strong US based airlines starting to operate within the EU.

**Environmental Factors**

(need to do further research!)

**Socio-cultural factors**

Since the airline industry provides a service it is very dependent on its customers that become part of the airliners operations. Therefore the passengers' perceptions and the way they change can highly impact an airliner's volume of business. Such a big change has occurred in the population's perception of air travel. Since the low cost revolution, air travel is no longer seen as an expensive, luxury item. Travelling by plane is now available to the larger public and travelling abroad for a short holiday has recently become a trend within the European Union. The consumers'

perceived safety is also very important in the airline industry. If passengers do not feel safe to travel or to do so by plane they will avoid boarding flights and airlines revenues will plunge. Fear of terrorist attacks such as the September 2001 can significantly affect passengers' trust in travelling by plane.

**Technological Factors:**

The most important technological factors affecting the airline industry are the emergence of the internet and developments of technological innovations that reduce the necessity of personal encounters and therefore of air travel. The development of videoconferencing has led to a decrease in air travel demand since the need to fly has disappeared. The impact of the internet has been to give a higher bargaining power to customers due to increased access to information. Prospective passengers can access the web pages of all the airlines and book their own flights according to their preferences. This has led to an increased competition on price among the airlines and consequently to the need of airlines to increase cost efficiency in order to maintain their margins.

Another technological factor has been the improvement of airplane technology. More cost efficient aircrafts have made it easier for low cost carriers to maintain low fare levels. Furthermore the increase in safety has contributed to a higher trust of the passengers in air travel and thus helped in raising the demand in the industry.