Qantas pestle

[Finance](), [Financial Analysis]()

The most recent and economically crippling factor that has influenced the airline industry is the Global Financial Crisis (SGF)(Unguided, 2011). This presents a potential weakness or threat for Santa who may come to feel that their premium price for quality service is not enough to get the customers to fly with them. The number of people using airlines to fly to holiday destinations has increased due to economic growth Therefore, the market NAS expanded and new opportunities tort tourism have opened in previously frequented countries.

How society is observed as it transmits to air travel has a great deal to do with September 1 1, 2001. As a result of this tragic event, the Judgments of the world have come increasingly profound to the background of passengers traveling on planes. It has shaped something of a undesirable perception for particular cultures and beliefs. This discourages people to travel with other passengers or airline, directly affects the airline industry (Reilly. N. J, 2010) 2. 4 Technological Technological developments have both created new opportunities as well as threats for the aviation industry.

Development in information andcommunicationtechnologies has enabled strong communication and has consequently provided customers with an alternative for frequent traveling, for example; Santa Frequent Flyer programs. Airlines are now able to expand their outreach directly to consumers through e-commerce. For example, airlines like Santa are able to introduce tickets travel through the use oftechnology(Thompson and Gamble, 2012). 2. 5 Legal The implementation of the carbon tax had a negative affect on the aviation industry, as the airlines could not absorb the higher cost of fuel.

This meant to offset costs travelers would pay extra in ticket prices (Herald, 2011). Some governments provide subsidies that provide an unfair advantage and prices rower than market conditions which affects the functioning of airline industries directly and Global environmental policies regarding emissions and international route deregulation may affect airline operations in present as well as in future (Fulton. J, 2010). The aircraft's emissions have a significantly high impact to theenvironmentas they travel several kilometers above the surface of the earth.

Aircraft emissions cause significant damage to the atmosphere (Opener et al. 2001). Noisepollutionis another major environmental concern (" Aircraft Noise is Unhealthy', 2008). 3. Porter's five forces In order to analyses the industrial environment of Santa Airlines and evaluate the nature of the competition faced by the company, the following analysis was carried out using Porter's Five Force framework (Porter, 2008). 3. 1 Competitive Rivalry The competitive rivalry in airline industry has been increasing, especially through mergers, acquisitions and subsidiaries.

Santa established it's low-cost airline Starters in 2003 creating a two-brand strategy. By having these " two brands" the Santa Group is able to assess different market opportunities and deploy the best product to tit the opportunity and specific market conditions this also creates a competitive advantage. New rivals nave emerged tolling the tootsies to Santa, such as Singapore Airlines and British Airways, and are threatening Santa' market share in the no-frill, low-price trade by offering lower costs and attending customer service (Modular, 2010). 3. Entry Barriers There are high barriers to enter this industry, as it requires a large initial capital investment. In conjunction with the price wars and low profit margins, it has become difficult to make substantial profit. It is very common for airlines to project losses in their financial statements. Therefore a new entrant must be able to handle losses at the beginning. Another barrier to entry is the limited availability of landing slots in Australian airports. The slots are already reserved by established airlines and are difficult to obtain especially in airports with high passenger demand (Chem. 2008). . 3 Threat of Substitutes There are many substitutes in terms of long distance travel such as; cars, trains and cruise boats and these are generally cheaper. However, air travel has the absolute advantage in terms of time. Thus, the threat of substitute is relatively low. 3. 4 Bargaining power of suppliers Boeing and Airbus are the main aircraft suppliers for large airlines like Santa. Santa plans to spend capital investment worth around IIS$17 billion in more fuel efficient, next generation aircraft, such as the Airbus AWAY, Boeing 787 Adrenaline and Airbus AWAY neo (Santa, 2014).

Santa is heavily dependent on the price of oil for its profit margins, which implies high bargaining power of oil suppliers. Price hedging is limited and high rises in prices can manipulate Santa' fuel costs. Due to he limited number of aircraft suppliers, and the continuous need for fuel, it can be said that the bargaining power of suppliers is quite high. (Thompson and Gamble, 2012). 3. 5 Bargaining power of buyers Consumers have high bargaining power with Santa, which is mainly attributed to their price based preference. Receiving the same service, the consumers will select the airline that offers them best value for theirmoney.

Due to the widely available information technology tools, such as Flight Center and Scanner, consumers have the ability to compare flight services and prices before making their final selection. Since the switching costs for customer is very low, the bargaining power of buyers is high. 3. 6 Analysis Santa gains its competitive advantage through its strategic capabilities that are gained from its resources and capabilities. It is through these, that the company can respond to its external environment and succeed. The airline industry is very competitive and as a result, profit margins are usually low.

Also, the bargaining of the supplier is very high which undermines companies in the airline industry to exercise control over their supplier. With high entry cost, new competition into the international airline market is very low. Santa can continue to dominate this market while still competing with domestic market using the Frequent Flyer program to increase loyal customers. 4. Opportunities and Threats By conducting both the PESTLE and Five Force analyses for the macro-environment we are able to determine a number of opportunities and threats that the aviation industry possess.

Opportunities Threats Offers continual expansion opportunities for both leisure and business destinations Technology advances can result in cost savings, from more fuel efficient aircraft to ore automated processes on the ground Technology can also result in increased revenue due to customer-friendly service enhancements like inflict internet access and other value-added products for which a customer will pay extra A global economic downturn negatively affects leisure, optional travel, and business travel The price of fuel is not the greatest cost for many airlines.

An upward spike can destabilize the business model Terrorist attacks anywhere in the world could negatively affect air travel Government intervention could result in new costly rules or new international competition 5. Resources and Capabilities The following is an evaluation of Santa internal resources and capabilities.

Resources Capabilities Airport locations/hangers Engineering facilities Trained personnel In-flightfood(Neil Perry's involvement) Santa lounges/restaurants Storage facilities for inventory, ranging from machinery to uniforms Training facilities for flight attendants and pilots New IT systems to promote more efficient operations including the evolution of e- tickets New development in cost effective service (e. G. Tit food, cutting costs on ingredients) New developments for the frequent flyer' scheme to adapt to imitators' similar concepts including the Chairman's Lounge Fleet development: " The airline has been constantly growing since its inception as a result of increasing fleets. Santa has been purchasing Boeing aircraft makes like the 747-400. The availability of more aircrafts meant that the company can maintain schedules and meet maintenance needs of the old aircrafts (Santa, 2014). It is important to assess whether these resources and capabilities offer Santa sustainable competitive advantage, employing the BRIO framework can do this.

BRIO Framework applied to resources of Santa: Resource Valuable? Rarity? Inimitable? Organized? Implication tort competitive advantage In-flight-food Yes (first mover advantage) (other airlines can copy) Temporary Starters (expands customer base) (dominates the domestic airline industry) No

(Virgin Blue is a similar model) Sustained Sanitation (only a few choices for regional areas) (costly) Santa Brand (strong) (size, strength, dominates the domestic market) (strong reputation, costly to imitate) (Dies, 2004) By applying the BRIO framework to Santa we can observe that not all resources sustain a competitive advantage.

Starters, Sanitation and the Santa brand in general re all strong resources that allow Santa to sustain their competitive advantage. However, from the aforementioned resources this competitive advantage for the Santa Group as a whole is unsustainable. From the analysis, Santa' core competencies can be identified as their two-brand strategy, their diverse services and their reputation. 6. Issues The following is a list of weaknesses/ issues as identified by the SOOT framework: 1 .

Competitors 2. Higher labor and other operating costs than its competitors 3. The current strategies Santa include their low-cost carrier and the Frequent Flyer Program Cones, 2009) 4. Ongoing disputes between Santa management and militant unions 5. Speculation that British airways will quit its $1. 3 billion stake in Santa (Santa, Working Towards Our Vision, 2013) 6. Outdated IT systems.

Recommendations To help reduce the affect of the aforementioned weaknesses Santa could: Attract customers through improved customer service Advertise insocial mediaEngage employees and establish a better employee management system Adopt a corporate level strategy, which is the long-term direction of an organization (Porter, Smith, Bag), for Santa this will focus on cost reduction. Develop a business level strategy that focuses on the need for differentiation (Michael A. Hit, 2006). Focus should also be on the increased use of IT, to increase operational efficiency ii.