

Assessing strategic analysis about ryanair airways

[Environment](#), [Air](#)



The Ryanair is started by the Ryan family in 1985, with share capital of one pound and only with 25 colleagues , they started daily basis flights from Waterford in the Ireland to London Gatwick, with 5000 passengers on the route . The company grow further with high competitors British Airways and air Lingus . It is operating in a highly competitive sectors . but after 3 years of fast industrial growth , company increasingly got the numbers of passengers. with the price and routes competition they face £20mn losses and it leads thinking about restructuring , Ryanair was take models from southwest airlines low cost leadership model . Under the new management team with new CEO Michael O'Leary rethink and Launch a New LOW COST , NO FRILLS Strategy . In 1997 the EU Air transport authority allows the Ryanair to first time to operate 18 new routes in European Continental area. They took many corrective action against cost reduction Eg no free drinks , foods, and other facilities. Ryanair got good response from all European passengers who likes frequent , quick and Low cost Travel . Ryanair overtakes BA and Air Lingus in the Dublin - London routes .

Ryanair achieves their objective in a short period , they won many awards and positions in airlines industry, Ryanair got good name for punctuality. consistently the organisation expands operations , therefore in become very famous airline in the world ., and currently Ryanair operating 24 countries 436 low fare routs carried nearby 60mn people .

Ryanair's Strategy :

“ Ryanair's objective is to firmly establish itself as Europe's leading low-fares scheduled

passenger airline through continued improvements and expanded offerings of its low-fares

service”(Ryanair. com)The Ryanair key strategies.

Industry Leading passenger service

High frequency on short- haul routes.

Significantly providing a service with very Low fares .

– low operating costs, addressing aircraft and equipment, personnel productivity, customer service costs and airport access fees

Use the internet effectively

Commitment to the safety and quality maintenance .

Expand the operation results via Ancillary services.

Ryanair offering a highly differentiated product with very lower fare, which increasing their competitive advantage to maintain competitive position on over its competitor. The firm makes to claim to their market area by marking Europe’s first no frills airline service.(Ryanair. com).

Sustainable competitive advantage :

Cost reduction Strategy:

The Ryanair has following cost reduction strategy for achieving its goal for retaining their competitive position in airlines industries . there is five main functional factors like Airport charges , contracting out services , fleet

commonality , managed staff costs and marketing cost . these are the areas they are giving great focus to improve low cost operation .

According to fleet commonality the airways using particular type of aircraft which controls the cost and limits the cost for employee training and development , maintenance cost and managing spares , giving more flexibility to scheduling the duty crew and aircraft. The Ryanair using Boeing 737 series to operate more numbers of passengers, and it allows 25% of increased their passengers with guaranteed 15 years of operating life . the old fleet took more maintenance coat and less fuel efficient , according to EU noise reduction requirements, the Ryanair fleets are required to install hushkits to avoid noises , it take more cost for installation almost \$20mn , the increased weight might leads by negative figure of fuel efficiency .

Contracting out services :

The better way of reducing operating cost to give the services and maintenance work to contract or outsourcing . Ryanair operates all European countries secondary airports , it makes more numbers of passengers arrive the other city airport. The Ryanair making many contract like with France and Spain to engage with contract to assure certain number of passengers' , so it makes to fill up the aircraft first the second think is about fares .

Bringing more passengers in to particular airport it gives considerable amount of financial aid . The Ryanair given a contract for making luggage handling, ticket booking , customer service calls, fleet handling and maintenance and other functions . the firm obtains competitive amounts and

more number of years of fixed price contract . it also avoid direct employee relationship controversies .

Airports and route polices :

The Ryanair's policy is to avoid many charges like passenger loading fee, landing fee, flight parking charge and noise charges , because the Ryanair avoiding congested main airport , by choosing secondary airport . it reduces many fees and indirect operational inconvenience . less busy airports give more time to on-time departure, and also reduces the landing traffic time . except London Heathrow and Gatwick airport Ryanair operates regional and secondary airports . also the firm consistent with policy of point to point connection on short range routes.

Staff costs and Productivity ;

The company manages a staff moderately , in this way the organisation pays modest salary , but if the company gives a pay according to the performance it will encourage the employee performance . Ryanair continuously improving their productivity with productive work force , based on on-board product sales they giving commission and incentives to the cabin crew . Ryanair giving a competitive salary to their pilot and employees, Because keeping their employee turnover they offering more than competitor. The Ryanair refuse to recognise employee union , it means they want to avoid employee relationship controversies . before recessions Ryanair gives many incentives , because it gain more profits as well as good passenger market, but after hitting recession it situation is changed because of economic slowdown , at the same time Ryanair got more number of passengers . it

leads recruiting new staff members in to the team. They always think about low cost and high productivity .

Marketing Cost ;

The firm try to reduce marketing cost by minimising travel agents , the firm main advertisement via their own website and radio and news paper. And they giving many deals and offers getting more attraction from all kind of customer.

Ryanair follows well focussed strategy regarding the Low fares and no frills . but it leads lot more criticism and controversies in their operation . Ryanair taking advantage over the internet to make very fast booking for ticket, they were made a contract for 10 years maintenance of Ryanair website to the Accenture. The website makes more flexible to operate the airline business. And also they offer more additional services via their website to arrange hotels booking , prepaid visa credit cards , giving free city guide it makes more comfortable for their passenger for arranging their travel plan .

Enhancement of operating results Through ancillary Services:

The Ryanair follows ancillary revenue strategy , to convert the cost centres in to good revenue sources . they giving optional add ones to above the average prices . particularly the Ryanair understands well on optional . and also involves a un avoidable aspects of products. They engaged on in-flight sales Like : food and beverages and merchandise . they are giving a catalogue for the sales product and it will be addressing by the cabin crew , the crew get paid according to the sales levels.

Via online they making more revenues by distribution of travel related services and merchandise , and also Ryanair receives commission from their product suppliers.

It makes 20 % of revenue by ancillary services. Ryanair marketing message " Lowest price on the Market & Guarantee of no fuel surcharges" it supports Ryanair brand image.

The figure says how much they generating revenue from ancillary product. But it sometimes make bad impression on the brand , but prices are in real time is not very low . many times raynair attacked by media for breaching the social contract. They selling charity calendar to passenger it was hit around £35, 000 in 7000 copies in the year 2008 .

Analysis :

When analysing Ryanair position and strategies , It vital to consider overall industrial environment . I would like to use PESTEL analysis for analysing macro environment of Ryanair.

PESTEL:

It very constructive framework , it is describing about various factors of while doing environmental analysis of particular organisation .

POLITICAL :

The Political factors includes all policies and actions of government which affect the overall or any functional area of business operations Like , getting approval to operate the in a particular nation., Taxation , route changes , employee union policy in the local government. The securities and Tourism

policy will directly hitting by airlines industry . the European union deregulates the aviation polices to gave more opportunities across EU , to competing each other in local routs. After 2004 most of the eastern European countries mingled with EU it makes expands the EU market. Ryanair crosses many government policy related problems especially in Taxing problem , if any country increase the airport tax suddenly the Ryanair stop their service , then the local government starts negotiate with Ryanair , the similar tactic they followed for negotiate with local government .

(" in August 2006 , UK authorities imposed severe security measures at all airports in the face of an alleged imminent terrorist plot to attach up to 10 aircraft on transatlantic routes. These measures applied to all passengers including short-haul ones, so they were to be body searched and banned from carrying liquids and gels in their carry -on luggage. Airports serving London were especially affected. Ryanair had to cancel 279 flights in the days immediately following the incident and refunded £2. 7 million in fares to approximately 40, 000 passengers, and also suffered a losses of 1. 9 million Euros in reduced bookings").(Ryanair Case Study by Eleanor O'Higgins, 2008 -2009).

UK government establish a law for security concerns , which restricts the operation due to terrorism attack.

Increasing route change by the local government

Increased trade union pressure

Also government upgrade the law against carbon emission to air transport , to compensate other taxes.

The new EU regulation and EU expansion caused for more business advantage as well as increased more competition .

The French government supports for their national carriers .

Now the organisation comfortable with inside the Europe policies and regulations.

Still some problem their facing especially with union.

Economic :

Basically the Ryanair operates based on European continental area so that its operations are not affected by the exchange rate . The main area of economic concerns is oil prices. Ryanair has addressed the problem of increasing oil prices through some productive method, they having some productive fund for managing oil prices hike . but British airways addressing this problem by increasing surcharges , but Ryanair basic strategy is no surcharges for passengers .

“ The general economic environment remains extremely difficult, as the recession saps consumer confidence, but this is proving to be good for Ryanair’s traffic growth, as more and more passengers switch to Ryanair’s lowest-fare, lowest-cost model. Many of our competitors have in recent months reported short-haul traffic falls, while Ryanair continues to grow.”

Michael O’Leary, [http://business.timesonline.co.](http://business.timesonline.co.uk/tol/business/industry_sectors/transport/article5645152.ece)

[uk/tol/business/industry_sectors/transport/article5645152.ece](http://business.timesonline.co.uk/tol/business/industry_sectors/transport/article5645152.ece)

1. EU expansion
2. some fast cars and trains
3. regional subsidies
4. Recession
5. depreciation of US dollars

These are the factors that affects the Ryanair operations by economically .

Social:

The modern globalised business culture which enables more international and frequent domestic business travelling . increasing travelling and tourism lifestyle creates more airways travelling business. Offering very low cost services that increases frequency of passengers travelling . fluctuating of customer taste may affect the business styles , it may lead to rethink their business model according to the current situation . The Low fare for air travelling invites more passenger to travel frequently , as well as it expands the travelling life cycle . they taken care of health and safety in effective manner.

Technological and Environment

They effectively using the sophisticated technology to improve their performance and accuracy of business. Ryanair investing high volume of

money for Boeing 737-800, 900. series aircraft to cope with continuous growth to keep competitive advantage. The strategy behind the using Boeing 737 series is to reduce the level of fuel consumption.

Ryanair use the technology tool wisely , by using internet to manage passenger booking tickets and other value added services, it also increase their business accuracy and generates more revenue . when launched the Ryanair website within one week , the company got 50, 000 bookings in a week . in the financial year of 2004 the website accounting 98% of overall Ryanair bookings. And the website named one of the most popular website in the world by Google .

The environment scanning includes how the business has affect the world environment . especially in the concerns about global warming . but according to the carbon emission percentage the airlines industry accounts only 2% of carbon emission . avoiding noise pollution and reducing green house gasses emission is main concerns for now a days. Boeing 737 - 900 helps to reduce the carbon emission .

Legal :

Ryanair faces many legal issues in the past decades, the company engaged with all EU countries employees , it makes more difficult to manage the people in different countries, they are facing different critical situation regarding the Legal issues. The EU makes the law for providing compensation food & accommodation for passengers if any flight cancels their schedule . many of the Belgian employees are laid off after the trail period , but it accepted by Irish law. Many of the Ryanair cases are still

open . “ Significantly , damaging for Ryanair has been an European Commission ruling on subsidies. Many airports have aided for subsidise Ryanair’s operations because of the economic benefits they can bring to the local area. The Commission ruled that subsidies from Charleroi in Belgium were illegal and that Ryanair must repay 4m”.

There are 3 main type of strategy was described by porter , 1. differentiation 2. cost focused 3. niche , these are strategies for identified by porters generic strategies model .

The Ryanair Cost focused model - it focused to reduce the features of products to keep the cost low so the flying fare might be minimised.

The differentiation strategies is charging high fee for features that add value for product . the niche strategy involves highly sophisticated product into narrow market.

The porter argues the strategies mixing is a blender, this is not appropriate for Ryanair , the most successful low fare airlines they don’t have premier or standard operations. Most of the occasion Ryanair try to introduce the differentiation strategies with business class and frequent traveller programme , both plan are cancelled.

The Porter’s five theory is used for analysis the Ryanair’s , it evaluates how influences affect competing organisation with in the field. And also this analysis explain why the differentiation strategies failed.

The porter five forces give a clear picture about how the forces involves the competition environment .

Situation Analysis:

Strengths

The foremost factors that would consider in the top which is their marketing strategy - it includes strong branding and reputation and also leads strong and aggressive pricing strategy. The low cost strategies gives more number of customers it also give morale boost to expand the operation to all over Europe . The EU regulations supports the airline to open a new routes, it is one of the greatest advantage for Ryanair's operation expansions to Europe . The Leadership of Michael OLeary ' s leadership is one of key for success of their business . the customers are very happy with their money proposition of the services . their innovative cost reduction policy attracts many customers. And the mostly the revenue generation from ancillary services gives more financial strengths to the organisation. They having strong public image. And some more like established market share , safety factors, high load factor, first mover advantage these are the strength of Ryanair aviation company .

Weaknesses

For low fare travel strategies may affected by many times with external factors. This leads on more risk on the business operations. Most their operation with customer relation with online , sometimes because technical error they getting bad name from their customers. Mainly the employee relationship is not good, because their refusing to recognise the employee

union . the volatile customer relationship is one of the key point of weakness. The decision mostly depends on Michel OLeary . the employee commitment and loyalty is very lees on the organisation . out sourcing the services may decrease the commitment of employee , but most of the money used for buy a new aircraft .

Opportunities :

The strong strategy and strengths to get more opportunities to still dominating in the European airlines industry by providing more quality services at the same time keeping the low cost strategy . the continuous initiatives in company diversified the resources it will give hand on to make a growth . Such opportunities that will include e-business development as well as contracts with suppliers in this difficult economic timing where every one is trying to survive. EU law allows to make more new routes , it will expand the operations , and also the Ryanair having ability to operate the flights into the US domestic airline services . because the regulations are very flexible for operate the low cost airlines in the US. The Leadership getting more involvement on improving the operation and growth of the organisation.

Threats :

Threats are in the non-static model industry is always challenging and also changing according to the situations . mostly threats from macro environment via government polices affect low cost model , many times it was affected Ryanair , in terms of taxation, like airport traffic charges . The us dollar variations affect the fuel price, it leads increase fuel price . the fast growing technology advancement may be a threat to the organisation . The

concerns about competitors, the company should be able to give a unique and more advanced technological services to be able to survive in the competition in the airline industry. The increased competition in the low cost airlines and mergers between competitors is a crucial threat for the company . the trade unionism is more vital point of threats . the industry criticism is may leads many threats from the financial side.

Strategic choices :

There four different strategies identified in porters generic model , it has 1. differentiation , 2. Cost focus 3.. cost leadership 4. Differentiation focus . In a first concern all it is clear the strategy is adopted to be the low fare air travel provider, but at the same time it is focusing on certain segments on location , demographic and niche basis, such as providing Air services which are very short in distances and there are no connecting flights which minimise the cost of luggage handling and connecting passengers . by discussing above strategy it is necessary to explain same direction . i would like to present by the use of ansoff model. It will give a good idea about market development , product and service development, market penetration .

Market development strategy can be implemented by introducing existing services to new places in order to attract more passengers and revenue generation. The organisation can elaborate through introduction of operation to other areas of world not just concentrate at one or set number of places. An different aspect is need to be consider of when Market development , which is the communication and channel of distribution have to be altered

according to the cultural and geographical aspects of new market. Ryanair can expand its services by introducing flights to different places in Africa, South Asia and Eastern part of the world where there is huge potential of market growth . There are more valuable reasons for this factor, one is there are most of tourist and people are allow to visit those places in holiday timings such as Egypt, India and Dubai etc. Secondly there are many people who have been migrated to west European countries from different countries so they need to going their home countries as well, if these people will get low price deals even the quality is just normal level , the target customers will choose this option as most of the region in eastern and southern part of the world are emerging countries, so low cost fares and no frills would be more valuable as compare to European services . The only think is here that Ryanair is competing with big competitor Airlines in European markets, because it has ability to compete on short routes but it not be able to manage the competition with other national airlines at such a large extent, where they have good experience with airlines services and people might prefer to use their national Airlines instead of those which are badly reputed and being criticised in terms of customer behaviour. On the other hand need more financial capital as operations will be expanded and the size of fleet has to be increased , which is not possible in current Ryanair position where it is facing financial difficulties in year 2009 due to recession and increased competition at different ends. When diversification occur where the new product and services are introduced in the field.

Any strategy is evaluated in aspects of Suitability, feasibility and acceptability , The strategy of diversification which is unique, and there will

be some concerns regarding the capital budgeting . as Ryanair Aircraft comprised of Boeing aircrafts, for this strategy it has to invest some more money to get small air crafts having a capacity of 20-30 passenger which can be used for private basis. The overall strategy might also not align with the proposed proposal as it is very niche segment and there profits generated may not be important as compare to current figures being reported from couple of years by Ryanair.

Strategic Decision and Recommended Strategy :

According to my perspective and my above analysis, Ryanair is doing well under the leadership of Michael O' Leary . According to Michael O' Leary it is not fruitfully when you minimise the prices and make losses, the actual competency is reducing the fares and still continue to making profits. It reflects the strategy of market penetration and product development. I agree at some extent. The Ryanair is one of the Porter's preferred company profile for charismatic leadership of O'Leary . the successful company have a well structured and strong Leadership who willing to made more choices , The porter says" I have found that there is a striking relationship between really good strategies and Really strong leaders." (Porter in 2006). And also it is created more dependence for O'Leary's commitment if in case he departs from the company it create more impact on the organisational business.

The attitude of employee is a major weakness of its strategy, Recognise the employee union might be give a good result from the employee side, and also it increases employee commitment , the employee feels good. But at the same time the unionism might demand more , and conduct frequent

strike , it may affect Ryanair operation . example frequent strike affected many times on British airways.

I suggested to implement a strategy it increased move to expand the staff bases across the Europe . Especially in East side of Europe, because there is very less wages . by setting up Training institute across the Europe , it reduces agency cost.

Also the purchase of new aircraft like 20 airbus and 116 Boeing is more valuable for the future of the organisation operations. It is vital move on their advancement of cost reduction strategy , because it reduce the fuel consumption as well as increasing the number of passengers . it gives more revenue on their day to day and long term operation.

The Ryanair website has some customer relationship problem , in the area of payment of tickets , it may affect the moral image of the organisation , so that make the use of new technology to avoid this kind of problem. The website look and feel is quite older they should be redesign the website look which gives more user friendly , It can give more options when booking , the price of the booking needs to displayed by properly and give a brief explanation about all other costs. It will give a good image to the company because if they feel there is no hidden charge they will believe the company . It is good to lower the cost of operating the business, but not being so cheap which allow inconvenience to passenger and it decreasing value created to them. I strongly recommended those customers who book Low fare flights but don't arrange boarding pass via online, it Leads more expensive for them to arrange for boarding pass at airport and sometimes

some extra amount need to be paid as compare to original ticket. This strategy should be eliminated as customer gets frustrated and if customer feel more inconvenience it may not want to think to travel again with Ryanair.

It is important to assess the number of passengers travelling within the one year of period on a particular route . if they find a new route like Athens to London , Cyprus to Amsterdam .

It is commercially profitable and possible to providing the service on the suggested route .

The main reason for success is providing lowest fares then competitor without charging the fuel surcharges, but the organisation must think about giving more value to the passengers.

Ryanair can be summarised as a organisation it has had a very clear strategy differentiating it from competitors in a way of enabled it to meet passenger needs effectively, and there are remarkably few commercial weaknesses in its approach.

Critical Reflections from Learning Outcome :

When i started before i have some less idea about corporate strategy, I don't have much knowledge about the organisations strategies , but now I have understand what is use of strategy and what it says. More then that how strategies are important for successful organisation. It gives me a detailed idea about how to manage long term business,

I had understand well in the frameworks which i studied it gives a clear picture about the macro environmental and micro environmental factors. I used to analyse environment via PESTEL framework , it is very useful to assess the industries current environment. But it takes more time to asses all functional areas. It is put me reed more sources.

And I also used SWOT analysis to assess the current situations about Ryanair. The comparisons between in the four major area that gives a clean picture about the current situation. The Ryanair CEO Michael O' Leary has a very charismatic and contradicting personality and his statements like £1 for toilet use means reduction in cost but at same time inconvenience to customer . In most of the time it gets confusing to count the above statement as strength or weakness.

The over all module shape my view about on the corporate strategy , it gave a more knowledge about how to operate a business in the corporate levels. And also addressing many framework that gives a solution for the conflicts , some time it take vague . The case study which is related to subject give great and depth knowledge about current and historic trends of their strategies . it also teaches some successful strategies on the industrial operations.

The module gives full extend level of knowledge about strategies as well as the delivery of subject knowledge is excellent , the tutor gives many more real time example and shares knowledge with us, encourage the student participation in the class , it makes more interactive in the class room.

But the course is very short time period so the time management for study this subject is somewhat difficult.

References:

JOHNSON G, SCHOLLES K, AND WHITTINGTON (2008) Exploring Corporate strategy text and cases 8th edition FT and Prentice Hall , Pearson Education publishers , London

KOTLER P, ARMSTRONG G, SAUNDERS J and WONG V (1999) Principles of Marketing 2nd European Edition (Prentice Hall, London)

KOTLER P and KELLER K (2005) Marketing Management 12TH edition Pearson Education, London

MARCOUS A, GILLIESPIE A, MARTIN B (2003) Business studies 2nd edition Hodder Arnold , Oxon.

PORTER (1987) From the Competitive Advantage to the Corporate Industry, Harvard Business Review - may 1987 pp 43 to 59 .

PORTER (2001) Strategy and Internet In Harvard Business Review in march 2001. Pp 44- 73.

PORTER (1996) What is strategy ? in Harvard Business Review pp 61- 69.

MILNER M and BRIGNALL M (2006) EU court rules that airlines must compensate stranded passengers in The Guardian 11/01/2006 Mintzberg H (1989) Mintzberg on Management (Free Press, New York)

The stock holders information <http://www.ryanair.com/doc/investor/Strategy.pdf>.

Referring the home website for data <http://www.ryanair.com/en/about>

Ryanair Case Study by Eleanor O'Higgins, 2008 -2009

Bibliography:

Ryanair Strategic Study from Michael Choi

WWW. Ryanair. com

ACCA book for business analysis

www. aircscope. com

<https://assignbuster.com/assessing-strategic-analysis-about-ryanair-airways/>