

# Study on ryanair case business essay

Environment, Air



Through the unremitting competition of the airline companies, Ryanair has stood out of its competitors. In 2006, the “ Air Transport World” magazine declared that this company became the most profitable airline company in the world.

As we can see on the appendix 1 and 2, Ryanair was facing, in 2008, of many and complexes external keys. There is a big competition in this sector with a growth of companies that use the same strategy (low-cost). Ryanair enjoy the creation of secondary and regional airport where this company serve its users. Moreover, some regions aid some companies to go in them territory.

The technology help this sector in terms of efficiency (more seat in the plane), the planes are faster than before and more ecological. Furthermore, Internet and its e-services help Ryanair to save money.

There are some substitutes like the ferry, the car or the train, but this kind of transport are longer and maybe more expensive than Ryanair services.

The internal keys of Ryanair are also numerous. With a low-cost and “ no frills” policy, Ryanair must adapt its strategy.

First, the company has only one supplier (Boeing) with only one kind of aircraft (B 737-800) to have some prices of its supplier and also to facilitate the personal training.

To cut down on the expanses, Ryanair choose secondary and regional airports to reduce the different fees (plane parking, passenger loading ...).

Then, Ryanair use the Yield Management to sales the maximum of tickets and to fill its aircraft. This company sales its tickets by internet to reduce even more the fees.

The marketing of Ryanair is quite simple; the company use its website and some media like magazine to put advertising. The company make also good discount flight and promotion of its flight to be more competitive than its contestants.

From this analyse and according to the Porter's generic strategies, we can say that Ryanair use two strategies of this model (Cost leadership strategy and Focus strategy). Indeed, Ryanair use the " Cost Leader Strategy", as we know, it is a low-cost company and offer for its customers the lower price in this market. Ryanair use also the " Focus strategy", in fact, it focused a small customer segment (people who cannot offered a normal company flight).

In its competitive position, Ryanair is on the low-cost sector. According to an article of " Thisismoney. co. uk" in 2007, this company has 7, 2 % of the Europe market share with 5. 12 million of passengers. Ryanair enjoy a good brand name image and is the leadership in this sector.

However, the future is never certain and many things can be happen. In fact, today, with the stock exchange, the price of the raw material can increase very quickly like the fuel price or the price of airplanes and the company has to increase its price to survive.

Furthermore, the competitors can imitate this strategy for in on hand to stay in their turn competitive, on the top of it to survive.

**Question 2**

As notes by “ Johnson, G., Scholes, K. & Whittington, R. (2009) Exploring Corporate Strategy (P189)” an organisational culture is “ the basic assumptions and beliefs that are shared by members of an organisation that operate unconsciously and define in a basic taken-for-granted fashion an organisation’s view of itself and its environment”.

A strong organisational culture enables to link the employees together, to give us membership feeling with same values and common goal. Employees are more motivate to do the work and are more efficient. The organisational culture is given in a big part by the manager and if the organisational culture is strong, the employees take this culture for granted.

In spite of Ryanair is not a very old company, it has a great story. Ryanair has known a fast expansion to become the most profitable airline company in the world. However, this company knew a lot of affaires with for example its mavericks behaviour. The CEO, Michael O’Leary is a hero with his strategy but he is also a villain with his obsession to reduce the costs, in particular the social right. About the question of syndicalism he said “ Direct Management = Better pay”. The press play also the role of the villain with its scandal article.

Ryanair has some particular symbols like the No Frills policy, the ancillary revenues, the in-flight services as well as safety and environmental friendly.

Concerning the power structures, M. O’leary is a strong leader with pragmatic beliefs and has a strong core assumption like the will to always

increase the costs and always more expansion. But there some blockages to change like contestation of employees to new measures.

Ryanair has a mechanistic structure (with a high centralisation) and also a formal structure. The structure encourages the competition to earn more money.

The control systems are very developed to keep an eye on the expenditures, the profitability. The quality of services is not a real occupation; the costs are very well controlled and the costumers have to pay entire the extra.

Historically, the point to point routes that the fleet takes are a source of routine. The routines and rituals in this sector are difficult to change.

Like this, after this analysis, the cultural paradigm of this company is defined as common values like the will to cut the prices and the no frills policy.

Regarding the beliefs of this brand, people talk about the expansion issues, that the company is the best low-cost company in the competition but it has to concentrate its efforts to prosper in the market.

The cultural web of the Ryanair Company is very complete, but this brand knows some difficulties and should be change some elements of its cultural web.

For example, its policy about the trade union is a source of problem in the company. Indeed the employees are persecuted to not be a membership of union (as the CEO M. O’leary said: “ Direct Management = better pay” concerning his union position).

Moreover, its no frills policy is maybe too strong. For example the employees cannot recharge their cell phone in the company because Ryanair wants to reduce its electric bill. This measure can detract the motivation of the employees. Furthermore, Ryanair put forward the idea to sale more expansive tickets for fatty.

### **Question 3**

After made two failed bids for Aer Lingus since 2006 (the first one by a decision of the European Court and the second by the Irish government), Ryanair says that it is “ highly unlikely” to make another bids for the Aer Lingus company (article from the Financial Time, “ Third Ryanair Bid for Aer Lingus “ Unlikely” “ 07. 01. 10).

As we can see on the SWOT analysis (Appendix n°5), Ryanair is the first low cost company in Europe and its brand name is very recognised by its customers. The company, with a No Frills policy, sales its places by internet. With only Boeing 737 aircraft, the company has only point to point itineraries.

Regarding its weakness, Ryanair is very sensitive of the increase of its charges (for example, the fuel’s cost). The company suffered of the bad press and the low loyalty of its customers.

However, Ryanair has many opportunities in the market like the expansion of Europe or the increase of low cost demand. But the company has also different threats. The competition in this market is high, its charges can increase very quickly (dependence of oil market) and the customers are very receptive of the price augmentation.

As we have seen on the question one, Ryanair has two main strategies; the first one is of course the “ cost leadership strategy” and the second one is “ the focus strategy” (despite the fact that the customers diversified).

To continue to prosper in this market, Ryanair must find new strategy.

First, the company can focused of its offer, for example, it can develop the frequency of its fleet (today, the average is 3, 8 fleets per day and per route), open new routes (for example the North Africa) and can also create some package tour for holidays. Knowing the fact that Ryanair suffered from bad press, this company can also improve its services.

Secondly, Ryanair can adopt a strategy even more focus on the no frills policy and purpose even lower prices. It can adopt a 100% online sales ticket and always find other solution to reduce its cost.

Finally, this company can adopt an aggressive policy to buy other companies. It can also adopt a merger and alliance policy.

After these three strategies and after the failing of the bids for Aer Lingus, I recommended to not adopting the third strategy for the moment.

According to the Tows analysis (appendix n°6), I recommend to Ryanair to adopt the first strategy.

In fact, as Ryanair is the first low-cost company, for the moment and while maintaining to give lower price, the company can interest of other strategy.

If Ryanair improve its offer, the company can win market share of its competitor. By improving the frequency of its fleets, opening new routes and by improving its quality of services, Ryanair will enjoy more customers who recognize themselves in the offer of this low cost company.

## **Appendix**

### Appendix n° 1: PESTEL analysis

#### **Political**

- \* Protectionism of certain countries to help them companies
  
- \* Some regions financially helped the companies to go in them territories
  
- \* The expansion of the EU
  
- EU regulation (for example the taxation for the climate)
  
- Abolition of the “ Duty free tax” in Schengen·

#### **Economical**

- \* Increase of fuel prices
  
- \* Increase of Low Cost company
  
- \* Economic crises
  
- \* Economic expansion of the eastern Europe

#### **Socio-cultural**

- \* The change of lifestyle
  
- \* The change of the consumer’s comportment



- \* Increase of business travel

- \* The scare of terrorism

### **Technological**

- \* The planes are more efficient

- \* Infrastructures of airport are more preferment

- \* The planes need less of fuel

- \* The technology is more ecological

- E-service

### **Environmental**

- \* Reduction of carbon dioxide

- \* Reduction of noise

### **Legal**

- \* The competition law

- \* New laws to lower the pollution

Appendix n°2: The Five Forces analysis

Appendix n°4: Strategic Capabilities and Competitive advantages

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