

Tourism and hospitality operations british airways management essay

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



The main purpose of carrying out this research is to gain an in depth understanding of the various reasons as to why a market environment analysis should be done on the organisation. What external and internal factors influence the growth of the organisation? It also gives an idea of what a marketing strategy is, why it should be carried out and how it helps in long, medium and short term. The research also includes the main goals or objectives. It also answers to the question as to what are long, short and medium term objectives and why should an organisation implement it. The research defines the term operational strategy and how it will be implemented in short medium and long term. It also highlights on the operational objectives and what are its uses for short, medium and long term. In the end analysis on current operational performance is done. Some recommendations are listed as well for improvements.

Company Background

British Airways is the largest international airline in the world. It is based at Heathrow Airport in London and has a network of global flights with partners such as USAir in the United States, Qantas in Australia and TAT European Airlines in France. British Airways serves 95 million passengers a year using 441 airports in 86 countries and more than 1, 000 planes.

In 1919 after the 1st world war travel gained popularity with people. Advances in technology meant that Aircraft & Travel (AT and T), the forerunner of BA launched the world`s first daily international scheduled air service. It offered services from London to Paris and within five years a few other airlines had started flying to Britain. In March 1924 the four best of

these: Handley Page, Instone, AT and T and British Air Marine Navigation merged into one larger company called Imperial Airways and offered flights around British Empire. In 1935 British Airways Ltd was formed from a number of small privately owned companies and quickly developed into a company of similar size. By 1939 the British Government nationalised the two airlines, the Imperial Airways and British Airways and created a new government owned body known as the British Airways Corporation (BOAC). In 1949 BOAC was separated in two separate entities, the British European Airways, which carried out short haul flights into Europe and BOAC which continued to serve the rest of the world. Due to fuel costs and industrial concerns in 1970 the British government decided that the two companies should merge and in 1974 after a 4 year process the two companies came together as one know as the British Airways. However in 1980 the government sold its shares in BA and privatised it. In 1990 BA launched its corporate image with its unique livery. In the same year British Airways introduced two new services in the air travel market. These were called the World Traveller services and Euro Traveller services. The World Traveller services would provide intercontinental services whereas Euro Traveller services would provide services on short haul flights which included more comfortable seats, in-flight entertainment and better catering facilities. In 1998, a new business centre the Club Europe Lounge at Heathrow Terminal 1 was introduced which was equipped with personal computers, modern connections for laptop. Facilities like faxes, phones, scanning, photocopying and printing were also provided. Electronic Ticketing was also introduced on international routes in the same year. In the year 2001 BA introduced a “

New Value Pass” which enabled passengers to buy full fare domestic and Club Europe e-tickets in bulk and receive a 10-18 per cent discount. (www. british . com). In the year 2010, British Airways decided to merge with Iberia, the Spanish Airline to create a new company called International Airline Group (IAG).. This merge was decided to bring more profitability and to make IAG the world`s biggest airline group. This aircraft carried 57 million passengers a year and flew to more than 250 destinations.(www. news. bbc. co. uk/1/buisness/8608667. stm).

In the year 2012, IAG had decided to take over BMI Baby from Lufthansa. This deal was created to help build new long haul routes and for the airline business. (www. itv. com/news/story2012-03-30/ba-completes-bmi-takeover-deal/)

Mission Statement of British Airways

“ To be the undisputed leader in the world travel. We are passionately committed to excellence and to the highest levels of customer service”.

(Nigel Evans, David Campbell and George Stonehouse, 2003, pg17). A

mission statement defines what an organisation is and why it exists, In case of British airways, its existence clearly states that it`s there in the market to provide high level of customer service. It also states that it is the leader in the airline industry which it has proved in the recent years.

Macro and Micro Analysis

The marketing environment can be defined as “ all the variables or factors which directly or indirectly influence marketing activities”(JA Bennett and JW

Strydom, Introduction to Travel and Tourism Marketing 2001: p24). The marketing environment consists of Macro and Micro factors. Macro factors are external factors which are uncontrollable and to which an organisation has to adapt. These factors include political, economical, social, technological, environmental and legal factors. Micro factors are those factors which can be controlled by an organisation. It helps an organisation to develop a strategic plan and helps in long term profitability. These factors include consumers and customers, stakeholders, suppliers and employees.

Macro Analysis on British Airways

Macro analysis also referred to as PESTEL analysis helps an organisation to identify, and monitor its weaknesses. It also helps in identifying the different trends in the environment so as to gain competitive advantage.

Political Factors

Politicians and governments have a major involvement in the airline industry. The government often decides the extent, nature and geographical distribution of demand. The key political factors are: government policies, stability or instability in overseas market, foreign trade policy and privatisation. Political instability is a major worry of any airline industry or tourism destination. For eg: In 2005 due to the terror attacks in London many passengers lost confidence in flying with British Airways. According to travel news article a British Airway`s jumbo jet which was supposed to fly over US was sent back to Heathrow airport because of suspicion on a US passenger flying in the same plane. Such incidents led to the loss of the customers resulting in the decline of profitability of the airline business.

Economic Factors

When considering economic factors the varying demands in airline should be considered because as the economy grows the demand in airline industry also seems to grow. These include inflation, unemployment and income levels, interest rates and taxes. One such negative change in the economy was recession. When British economy was hit by recession in 2009, the degree of British Airways World Cargo was down to 8.1 per cent. Due to this downturn British Airways lost its core passengers, the corporate passengers as they chose to fly with low cost airlines. British Airways cut down the number of cabin crew staff on long-haul flights which led to a loss of 1,200 jobs.

Social Factors

Social Factors include demographic and cultural aspects. Due to the demographic changes growth of grey market has resulted. The grey market spends more on leisure and travelling. Lifestyle fashions and tastes change over a period of time which results in customers visiting interesting places often long-haul destinations.

Technological Factors

By the help of technology, British Airways has made it easier for its passengers to get updated news about the airline. For eg: about any new holiday packages or any new facilities that it has introduced in its aircraft etc. Passengers are able to book and purchase tickets online which in return helps in building online sales. By the help of technology, British Airways has provided its customers with an online check in service. This service is very

efficient during peak time for eg: Christmas, as it helps in reducing queues. British Airways new Boeing747 300ER fleet have used the latest in-flight entertainment system. This new system features on demand film and TV audio programming and interactive games. These systems are touch screen with a handheld controller. (www. reactive. com). Producing such innovative facilities is there to attract a large number of customers. Technology in general has helped the airline industry to be global as customers not only within United Kingdom can fly with the airline but also gives opportunities to different customers in different countries to fly with British Airways.

Environmental Factors

These factors are derived from physical environment that affect the economic activity. For eg: global warming, weather, noise pollution, natural disasters. British Airways aims to deliver excellent service without harming the physical environment. As a result it has introduced Airbus 318 having a low Nitrogen Oxide engine in order to reduce air pollution. A new programme called Climate Change has been introduced which mainly deals with the reduction of carbon dioxide.

Legal Factors

Legal Factors are factors concerning the rules and regulations of a country which need to be abide and followed by an travel, tourism and hospitality organisation. The law ensures that people do what is just and right for the sake of the employees, customers and entire market. For Eg: European Union`s Deregulation enables an airline to make their own decision in relation to market access, capacity as well as fares. (Shaw Stephen 2004).

MICRO ANALYSIS ON BRITISH AIRWAYS

The micro analysis could be explained by Porter`s Five Forces.

Threat of New Entrants:

This step explains the extent to which new competitors may decide to enter an industry and reduce the level of profits being earned by current firms. The threat of entry depends on the existence of barriers of entry, for eg: economies of scale, capital requirement, product differentiation, access to distribution channels etc. When we consider British Airway`s current position, it is very difficult for any new airline to compete on a global level in its introductory stage. However Easy Jet, being a new entrant and a low cost airline have gradually chipped away at BA`s European dominance. (www.scribd.com/doc/37165183/British-Airways)

The Bargaining Power of Buyers

This step explains how buyers or customers can affect an industry by pulling down prices, and by bargaining for higher quality or more services. British Airways customers have all the right to strike or complain if they are not happy with the services. For eg: when there was a strike at Heathrow Airport in 2005 due to the miss handling of luggage`s, customers had found an alternative airline to fly with which resulted in lots of loss of revenues of British Airways.

The Bargaining Power of Suppliers

According to this step, suppliers can force bargaining power on an industry by raising prices or reducing the quality of purchased good or services. For eg: if the oil price fluctuates, British Airways fares also fluctuates as it unable to change the choice of its suppliers as the petrol market is alike in terms of prices.

The Threat of Substitute Products and Services

The threat of substitutes enables buyers to change to an alternative type of air travel which meets their needs when there is a price increase. When considering long haul air travel the alternative would be short haul destinations. All buyers are not flexible in relation to cost. This could be a threat to any long haul airlines as buyers would chose to fly with low cost airlines.

Competitive Rivalry

A determinant of the competitive state of most of the industries and their overall profitability is competition among organisations within the industry. Rivalry increases when competitors try to improve their market position. As British Airways operates in both short haul and long haul flights, it faces competition in both. For eg: Air France, being a long haul airline competes on routes, services, comfort and quality whereas Easy Jet being a short haul airline competes on airline fares.

SWOT Analysis on British Airways

SWOT Analysis helps managers of an organisation to consider the strength, weakness, opportunities and threats of an organisation. By conducting a SWOT Analysis managers have a clear idea of the organisation`s current situation and helps to take actions in order to maximise opportunities and minimize threats and weaknesses. It also gives an idea of whether the airline is able to survive in the competitive airline market

STRENGTHS OF BRITISH AIRWAYS

Gaining customer confidence and trust is another biggest strength of any airline as this is a service industry. After the mishandling of bags at Heathrow Terminal 5, it was very difficult for the airline to gain customer`s trust but as BA has improved its punctuality and baggage targets, it has won back the trust. British Airways has a strong brand image due to which there is boost in sales as it imposes premium prices. Some of the new low cost airlines plan to merge with British Airways as they are struggling to gain customer recognition and financial stability. Having British Airways brand name will help in building it. For e. g., BMI Baby. Having knowledgeable, skilful and trained staff help in achieving airline goals and provide quality service which makes British Airways gain competitive advantage.

WEAKNESS OF BRITISH AIRWAYS

One of the weaknesses of British Airways is their inadequacies in marketing strategy. By strengthening their competitive standards, having loyal clients and by developing market schemes to attract more clients they can overcome this shortcomings. The other weakness is poor software

development which is lost through a high degree of internal staff moves. In addition the choice of inefficient software results in complication in improving airline software. Another weakness could be the weak economy of Spain due to which IAG has made severe financial losses and due to which IAG is trying to break its relations with Iberia. This weakness hinders the expansion of IAG group.

OPPORTUNITIES OF BRITISH AIRWAYS

Opportunities are those factors that help an organisation to grow and expand. It also helps in maximising the profits of the organisation. For eg In 2012, Olympics gave an opportunity to British Airways to recover its financial losses which was a result of recession. The merge between British Airways and Iberia, the International Airlines Group has been given a opportunity to enter airline industry. Since the end of the recession, there has been increase in the tourism industry which has benefitted British Airways by generating additional revenues.

THREATS OF BRITISH AIRWAYS

Threats to any airline or tourism organisation can weaken the position of the organisation. Threat to British Airways could be an intense competition with its competitors. For e. g.: Airlines such as Lufthansa, Virgin Atlantic, and Cathy Pacific pose a competition to British Airways on price and routes. Another threat could be the safety and security of its passengers and crew member. Financial performance of the airline and the airline`s operations could be affected adversely if the right safety and security measures are not

considered. For eg: In the year 2008, British Airways cancelled flights to Pakistan after a hotel was bombed in Islamabad.

Marketing Strategy

A marketing Strategy is the foundation and the key element for achieving success. According to Kotler 2011 states that marketing strategy is the marketing logic by which the company hopes to create customer value and achieve profitable relationships. For a proper and effective marketing strategy, an organisation must be aware of its target market because every target market has different needs and wants. A marketing strategy helps in marketing the right brand to the right target market. Having a well-defined marketing strategy will help in the growth of the organisation because marketers have knowledge of what the organisation expect in long term. It helps in letting its customers know that their brand exists in a market.

: Short Term Marketing Strategies

Short term marketing strategies are strategies that include sales promotion, coupons, newspapers, TV, online advertisements, posters and billboards. These strategies are implemented for a short time to achieve maximum sales. The most common and inexpensive marketing strategy would be online advertising. When booking a flight on the official website, adverts offering package holidays can be viewed easily and can attract a large number of customers. For eg: " Flights from London Gatwick+7 nights hotel from £699 per person. Also coupons offers great discounts on British Airways flights for eg: save up to 65%on British Airways Tickets. These coupons are

available for a short period of time which not only benefits the airline but also helps the customers to feel that they are valued thus attracting more customers.

Medium Marketing Strategies

Medium Marketing Strategies are strategies that help to maintain customer relationships with regular customers. These strategies include reviewing and considering their feedback, updating them regularly with new promotional offers and by introducing programmes like frequent flyer points which helps the customers to gain points whenever they fly with British airways and by becoming a member of the executive club. Medium Marketing strategy can be implemented by building Customer Relationship Management (CRM).

Through CRM British airlines are able to update the name, address, telephone number and email address of their regular customers.

Long Term Marketing Strategy

Building a long term marketing strategy is essential for the successful long term run of the airline. British Airways long term strategy would be to improve brand image and goodwill. For eg: In 2008, British Airways was charged with price fixing scandal over fuel which resulted in customers claiming their money back. Also due to the strikes in 2011, which lasted for 22 days British airways suffered 150 million pounds which posed another threat to its brand image. Improving these bad publicities would help in increasing the brand image and would help in retaining customers. Another long term marketing strategy would be to expand globally. A global

expansion provides a boost to the revenues of the airline and provides more choice to the customers, thus attracting more customers. For eg: Japanese Airline and British Airways expand their codeshare on Tokyo-London Routes. Through this expansion 23 routes are connected between London and other European cities and eight routes between Tokyo Narita and seven domestic and international destinations.

Marketing Planning Objectives

According to Kotler marketing planning objectives can be defined as the quantitative and time specific accomplishment measurements as to what is expected of marketing programme. When an organisation sets its marketing objectives it should be clear and simple so that it is easily understood by its employees and a specific time should be set for its achievement. A well set marketing objective will help in the growth of the organisation. It also helps in maximising the profits of the organisation.

Short Term Marketing Planning Objectives

A short term marketing planning objective would be to increase as much sales as possible and to bring maximum profit to the airline in a short period of time. This can be done by developing and maintaining relationships with key customer groups and intermediaries. Also it can be done by distributing product information, fares and schedules through travel agents, on British website and by directing calling the call centres.

Medium Term Marketing Planning Objectives

Medium planning objectives are objectives that help in building the long term marketing objectives. By providing efficient customer service and by meeting customers' needs and wants will help in retaining existing customers and will encourage new customers to fly with BA.

Long Term Marketing Planning Objectives

These objectives should be set carefully so that the airline can sustain for a long period of time. British airways long term objective would be to build on their leading position in London by making London a strong base to serve the largest international long haul markets. Another objective would be to provide premium service to all its customers. This can be done by training BA staff to deliver excellent customer service. British airways has also opened new routes for eg: London Heathrow to Leeds Bradford or London Heathrow to Alicante which clearly implies that British airways intends to expand itself with in the country and internationally.

Operational Strategy

Operation Strategy as is concerned with setting broad policies and plans for using the resources of a firm to best support its long term competitive strategy. Decisions made in an operational strategy are related to the design of a process and the infrastructure needed to support the process.

Selection of appropriate technology, location of the process are some of the decisions made in process design whereas work payment structures, quality assurance are some of the decisions made for the infrastructure (Chase-Jacobs-Aquilano, Operational Management for Competitive Advantage 10th edition).

Short Term Operational Strategies

Short Term Operational Strategies can be a proper management of revenue and yield as it helps in forecasting demand and sets prices for all different seats that are available in British Airways. This strategy can be implemented during the busy seasonal time as it helps in gaining maximum profitability. According to a British Airways PLC report 2011, a rise in passenger revenue and BA`s cargo revenue can be seen. In year 2011, British Airways made a total revenue of £9, 987 million which included a 17. 0 per cent increase in passenger revenue and 8. 8 per cent growth in cargo revenue. This was due to increased demand and strong product yields.

Medium Operational Strategies

Medium operational strategy would include a proper capacity management. During seasonal period the amount of seats available should meet the demand placed by customers. If in case this management is poorly managed it can cause severe revenue loss and unnecessary involvement of seasonal staff. In order to have an effective capacity management, British airways has introduced a new Airbus A318 which has a passenger capacity of 107 which will be very convenient during seasonal periods. Another medium operational strategy would be to build a strong customer relationship as this is the backbone of Britis
h Airways. This can be done by resolving their complaints if any about the services provided or by reviewing their feedback for any further improvement.

Long Term Operational Strategies

Long Term Operational Strategies would include British Airways growth by introducing new aircrafts. For eg: Airbus A380 and Boeing 787 Dreamliner which are supposed to be delivered in year 2013 and 2017. This can be achieved by efficient technology and correct infrastructure. British Airways can also achieve long term operational strategy by making sure its customers and staff are safe and secure on board as well as on ground. Some of the safety measure are background and criminal checks of all flying and ground staff, CCTV systems on ground, security controls for cargo, courier material, mail and catering etc([www. britishairways.com/travel/security/public/en_gb](http://www.britishairways.com/travel/security/public/en_gb)). This strategy helps in gaining customer confidence when flying with British Airways and also enables staff to understand how important the safety measures are for the long term survival of the airline.

Operational Objectives

An operational Objective can be defined as a measurable short term goal that helps a company in obtaining its strategic or long term goals. These objectives should be SMART in nature that is specific, measurable, agreed upon, realistic and time sensitive. A specific objective indicates that objectives should be well defined and clear. It explains how an organisation is going to accomplish its mission. By measurable it indicates whether the goal is attainable and how far it is from its completion. To attain these objectives the whole organisation should agree and work together as a group. By directly working with customers, employees can be more clear in

differentiating lofty goals from realistic. Time factor plays a vital role as a goal entirely depends on it and it also enables an organisation to know what resources are needed to accomplish those goals. (www. yourbuisness. azcentral. com).

Short Term Operational Objectives

British Airways short term operational objective would be a proper use of revenue and yield management by meeting customers' needs and expectations and by providing quality service. Maximum profitability should be attained by keeping the expenses low. Another objective would be to provide quality customer service which help in encouraging to fly with British Airways in the long run. Staff training would be another objective as it helps to deliver quality standard service for long term and also the staff fully understands why retaining customers are of core importance.

Medium Term Operational Objectives

It would include an expansion of flight networks in the next one year which will be beneficial for its future growth. For eg: according to the " The Hindu" newspaper British Airways will be expanding its flight network from Hyderabad and Chennai from summer 2013 due to increase in customer demand in Hyderabad and Chennai.

Long Term Operational Objectives

It would include putting Total Quality Management into practise, as it not only focuses on delivering the required standards that meet customers need

but also includes the workforce so that they feel motivated and hence deliver efficient service. Another objective would be monitoring and reviewing risk management as this would enable British Airways to foresee any accident beforehand and provide a safe environment for flying. Another objective would be to use technology efficiently and effectively. For eg: By developing “ The Global Airline Inventory” British Airways has added value for its customers and suppliers and Boeing. This would help in monitoring airline inventory and would enable supplier to forecast demand accurately.

Operational Performance Levels

Operational Performance as defined by Mark L Blazey (2009, p. 9) refers to the workforce, leadership, organisational, and ethical performance relative to effectiveness, efficiency, and accountability measures and indicators. When we consider the airline industry operations can be ground handling, passenger processing, network planning, scheduling and maintenance. Good and smooth running of these operations are necessary for delivering a good customer service.

Key Performance Indicators Of British Airways

There are 4 main key performance indicators of British Airways namely:

Financial: Achieving a strong financial performance helps the airline to provide adequate shareholder returns and also helps in the future success.

Customers- British airways has provided its customers with on-board customer survey, online survey so that it gets an idea of the customer`s view on its performance.

Operations: By running a smooth operational performance, customers` needs and expectations are met and a cost effective business is created.

Colleagues: The airline needs to motivate its employees for the attainment of its goals. As the airline industry is rapidly changing employees need to adjust with these changes and continue to provide excellent customer service.

(www.britishairways.com/cms/global/microsites/ba_reports0809)

Current Operational Performance Of British Airways

According to me, the current operational level of British Airways is standard. The financial performance of British Airways hasn`t lived up to its standards. According to an article published in " The Observer, Sunday 18th November 2012", it clearly describes the financial difficulties faced by International Airlines Group, (the merger between British Airways and Iberia) which has made a loss of £16bn since 2001. This is due to redundancies, financial restructurings and bankruptcies. British Airways still continues to survive in this economic crisis but Iberia still continues to make heavy losses. Due to this financial downturn many of the Iberia staff has been made redundant. This financial downturn is very bad for the short term as it ceases the short term sales and also for long term as it hinders the growth of the airline. The second key factors are the customers that fly with British Airways. Paying

attention to the feedback of customers is of the utmost importance for the survival of the airline industry. On a customer review website named "Review Centre" British Airways customers service has been ranked the last. Low cost budget airlines like Easy Jet, Ryanair are being preferred over British Airways which isn't good for its brand image. These reviews create a question in the mind of new customers as to whether British Airways is the right airline to fly with. The third key factors are the operations of British Airways. IAG cargo has helped in an increase in the revenue and yield management as there was an increment in yield by 2.2 per cent and 8.6 per cent increase in revenue. (Press Release 29/02/12 British Airways World Cargo). This can help in building a strong financial side of British Airways. The last key performance indicators are the employees of the British Airways. The work force or staffs are the people who help to bring more business. They are the ones who need to understand what the main goals of the airlines are and what their role in it is. An unfair treatment can demotivate the staff and increase recruitment costs. A lot of new staff are being made redundant as the the airline is trying to save costs. This not only demotivates current staff but also the ones who wish to pursue their career in the airline industry.

Strategic Recommendations

Service from the heart

As a service organisation, it believes that the customers are the backbone of their business. As a research project I came to know that passengers who

travelled once with BA did not prefer to fly again. This was because of the service that was being provided to them. I would recommend that BA should run the business on a profitable way. They must need well trained staff who know more about customer mania and have the required skills like team work, professionalism, responsibility. They should be devoted to work and should be able to go beyond the boundaries giving an extra mile service to the customers to achieve the organisational objective. Therefore BA should give proper training to their staffs and recruit staffs who are passionate about their work.

Serving the meal to the required standards

BA should conduct a survey about their food and customer satisfaction. BA should serve Vegetarian, None vegetarian meals and beverages that suit different kind of customers. I got a chance to speak to one of my uncle 'Andrew', who travelled to India from London in 2005. Being a vegetarian he ordered a vegetarian sandwich for his breakfast apparently they served him with tuna sandwich, so when he inquired ab