Market analysis of hong kong airline cathay pacific airways

Environment, Air

Cathay Pacific Airways is an international airline registered and based in Hong Kong, offering scheduled cargo and passenger services to over 90 destinations around the world. It vision is to make the airline the most admired in the world, ensuring safety comes first; providing service straight from the heart; encouraging product leadership; delivering superior financial returns and providing rewarding career opportunities.

Cathay Pacific has gone from strength to strength since its foundation in 1946. In 1964 the airline carried its one-millionth passenger. Today it carries over a million passengers every month. By the year 2006, Cathay Pacific will have a fleet of more than 100 wide-bodied aircraft serving Hong Kong day and night.

Cathay Pacific was named " Airline of The Year" in 2003, distinguishing itself from other airlines with its unique " Service Straight from the Heart." The airline has one of the highest load factors among full-service carriers. Cathay Pacific is a founding member of the oneworld alliance. Together with its member airlines, oneworld offers passengers flights to more than 570 destinations worldwide.

Cathay Pacific Airways was founded in 1946 by two former World War II pilots who began operating on a charter basis using two war surplus DC3 ' Dakotas' flying between Hong Kong, Shanghai and Macao. In 1948, Swire acquire a management stake in the airline.

In 1959, Cathay Pacific was already flying to Japan, Taiwan and Australia; the airline acquired its first jet aircraft, the Convair 880M in 1962 and continued

to build its regional route network. In 1970, the decision was taken to re-equip the fleet with Rolls-Royce powered Boeing aircraft, opening the way for long-haul flights and setting the airline on course for services to the Middle East in 1976, London in 1980, and Vancouver in 1983.

The airline's expansion and modernization continued through the 1990s, as Cathay Pacific progressively replaced its L1011 TriStar regional fleet with Airbus A330s and A340s. Today, the airline's passenger fleet includes Boeing 777-300 and -200 aircraft, B747-400 aircraft, and Airbus 340-600, 340-300, and 330-300 aircraft. Cathay Pacific was the Asian launch customer of the long-range A340-600. The airline also operates a dedicated fleet of Boeing 747-400F and 747-200F freighter aircraft.

SWOT Analysis

Strengths

Cathay Pacific is committed to strengthening Hong Kong's position as a global aviation hub and gateway to the Chinese Mainland, and leveraging its network to enhance business, tourist and cargo traffic flows.

Cathay Pacific has invested more than US$1 billion at Hong Kong International Airport (HKIA) – more than any other company. This includes the development of its headquarters, Cathay Pacific City, which serves nearly 4, 000 permanently based staff and over 5, 000 cabin and cockpit crew. The airline offers unrivalled passenger facilities at the airport, including preferred check-in and boarding gates, as well as its two award-winning First and Business Class lounges, The Wing and The Pier. At 4, 500 square meters,

The Wing is one of the largest lounge complexes in the world and features the longest airport bar, while The Pier offers six unique day-break rooms.

Cathay Pacific is dedicated to technological excellence for its products and services. It was one of the first airlines to provide inflight email. It also offers online ticketing and check-in, a downloadable timetable, and the notiFLY flight paging service, which delivers real-time flight information updates to customers via email or on their mobile phones. The iPermit scheme enables Taiwan residents to apply for Hong Kong visas via the internet and collect them upon arrival at Hong Kong International Airport. Its inflight entertainment system offers more than 20 video channels and an audio/video on demand system for First and Business class passengers. It was voted " World's Leading Use of Inflight Technology" in the World Travel Awards 2003 poll of 80, 000 travel industry professionals.

Cathay Pacific is a member of the oneworld global alliance, joining Aer Lingus, American Airlines, British Airways, Finnair, Iberia, LanChile and Qantas. Swiss Air Lines International is the latest full alliance member. The oneworld carriers' combined network serves more than 570 destinations. Cathay Pacific is also a member of the popular travel reward program, Asia Miles.

Weaknesses

There is no such company without weaknesses. Cathay Pacific Airways unpunctuality in their flights sometimes makes their customer difficult to opt to fly with the airline. In addition, the air hostesses are not very pleasant and

nice thus making people leave out the airline as an option when traveling home and abroad. Cathay Pacific Airways also finds it hard to reposition itself in the wake of financial crisis. The company also is unable to deal with numerous scandals compelled people to lose confidence in it.

Opportunities

Cathay Pacific Airways is known to be Hong Kong's leading airlines gives them the opportunity to acquire more customers and generate more revenues. People would have more confidence on airlines that are recognized by the award winning bodies because it would make the people have more confidence on flying with the said airlines.

In addition, with Cathay Pacific Airlways' online booking, they give more convenience to their customer giving them the chance to attract more customers especially with people that have no time to go to airlines branches for bookings.

The airline has also an opportunity of technology advancement for easier transaction and operations and for more convenience for customers and employees. Moreover, with its recognition, the airline attracts more opportunities of expansion.

Threats

Threats are always with every organization. Airline industry is the most competitive industry. Cathay Pacific Airways competitors especially the government owned airlines are the threat of the company. Government

owned airlines have less likely to close down. It is also supported with the national government with their resources giving them more opportunities over a publicly owned airline like the Cathay Pacific Airways. In addition, political ramification also affects the operation of airlines. Moreover, economic recession also is a threat to airlines. With economic recession, people are likely to save and reduce their travel expenses to cope up with the recession. People expenditure are the most likely affected with the recession and thus also affects airlines since people don not mostly travel in times of economic recession.

In addition, threats in terrorist attack also has caused the company to experience low level of profits for people are hesitant to travel due to these threats.

Future Development

Competencies are behaviors and qualities that Cathay Pacific wants to encourage and further develop in its staff.

Cathay Pacific is based on customer retention for the company, service is absolutely critical. The company has been voted Airline of the Year in the Skytrax passenger poll twice in the past three years. But the company knows that it cannot survive as a premium airline without continually reinventing itself to maintain its status in such a highly competitive industry as the airline industry. Performance of its personnel is the most critical in the organization.

Cathay Pacific has 46 locations in 35 countries, carries over 15 mil lion passengers a year, and has 15, 500 total employees-approximate ly 8, 000 are ground staff operations, crews and corporate staff, and the remaining 7, 500 are cabin and cockpit crew.

Cathay Pacific's rationale for a performance management solu tion focuses on two levels: the business level and the individual level.

From a business perspective, the pre vious year's standards (cost, quality, time, revenue, capability) are not high enough for the next year's challenges.

In the case of Cathay Pacific Airways, continuous improvement needs to be encouraged, directed, and supported through standard setting and review at the de partment/country level all the way through to each employee. An automated tool provides a consistent, transparent method to record and review the agreed-upon standards and progress toward achievement. This continuous improvement drives at tainment of the business results-not just individual results.

At the individual level, the per formance management system (PMS) must drive employee engagement, focus, and alignment. People perform best when they:

Ø Understand and agree with what they are expected to achieve at work;

Ø Gain specific feedback and agree with others' assessment of their progress based on objectives and relevant information; and

Ø Are encouraged to take responsibility for their own perfor mance and plan their own development.

The company wants its employees to have control, choice, and self-help; but it also wants to make sure its employees' contributions are aligned with business objectives. That is possible if employees have good, collaborative conversations with their managers.

One of the key strategies in any performance management imple mentation is to clarify, document, and train people on the company's performance management process before selecting or implementing any tool.

Ansoff Market/Product Matrix

The Ansoff's product/ market growth matrix suggests that a business' attempts to grow depend on whether it market new or existing products in new or existing markets.

Market penetration

Market penetration is a growth strategy in which the business focuses on selling existing products into existing markets.

The main objectives of Market penetration seeks to achieve four main objectives:

Ø Maintain or increase the market share of current products – this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling

Ø Secure dominance of growth markets

Ø Restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors

Ø Increase usage by existing customers – for example by introducing loyalty schemes

A market penetration marketing strategy is very much about " business as usual". The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.

Market development

Market development is the name given to a growth strategy where the business seeks to sell its existing products into new markets.

Possible ways of approaching this strategy includes: New geographical markets; for example exporting the product to a new country, New product dimensions or packaging, New distribution channels, and Different pricing policies to attract different customers or create new market segments

Product development

Product development is a growth strategy in which a business aims to introduce new products into existing markets. This strategy may require the

development of new competencies and requires the business to develop modified products which can appeal to existing markets.

Diversification

Diversification is a growth strategy in which a business markets new products in new markets. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience.

For a business to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks.

In the case of Cathay Pacific Airways, market development and product development best suite their way of doing business. Market development is a suitable to business since they have already penetrated the existing markets they and now it is important to market their product on new markets. Product development is also suitable to maximize their profits. Product development would also enable them to offer more products and services in which are needed by the existing customer and may also invite potential customers thus increasing their profits.

Potential Future Strategy

Currently, a joint team from SITA and Cathay Pacific has successfully enabled all traditional IT services to operate in the fully integrated infrastructure based on SITA's IP solutions portfolio. The global Internet platform is currently installed and fully operational in Cathay Pacific's headquarters located in Cathay City adjacent to the Hong Kong International Airport, its

data processing centre in Sydney and a large number of Cathay Pacific's business offices around the world. Currently 13 sites are using the service in North America and Asia Pacific, and by 2001 the carrier expects the program to have similarly furnished all 110 Cathay Pacific offices with IP. The global Internet service provides a foundation for Cathay Pacific's strategic e-business applications. In addition, staff at all Cathay Pacific's offices and roaming users including air crew across the world have high speed, cost-effective access to all applications and databases operating across SITA's global Internet Protocol network that provides the highest levels of security, scalability and performance. The carrier is fully IP-enabled – from the host to the keyboard.

With Hong Kong' new international Airport at Chek Lap Kok, it has guarantee a room extensive growth for Cathay Pacific. Both airport and airline share excellent opportunities for continued success. The extra space at the new airport has provided Cathay Pacific with the opportunity to provide superior services to its customers, including more flexible flight schedules. Cathay Pacific has invested heavily in the airport with a flight training centre, new lounges, cargo terminal, catering operations and a ground-handling company. The airline is actually the largest single private investor in the Chek Lap Kok project. With ambitious plans such as this, the carrier needed to have in place a network infrastructure that is both flexible and reliable.

To do this the company is planning to implement a global internet service and e Business platforms. This implementation will ensure staff worldwide can take advantage of improved performance and secure, cost-effective

access to critical business applications such as reservations, sales information, revenue management and engineering systems. The program will quickly expand to equip all 110 Cathay Pacific offices worldwide and already provides the facility for staff, including cockpit and cabin crew, to access corporate systems remotely from their homes.

Implementing SITA's global Internet solution will enable future applications and passenger services to be speedily and simply developed and deployed worldwide, while also reducing telecommunications costs. Cathay Pacific is now considering implementing a dial option for general sales agents and offline sites. Through SITA, the airline has opened the door to a whole range of IP-related offerings and is currently investigating the benefits of using SITA's voice over IP service.

Whereas previously Cathay Pacific was restricted by the limits of its technology, having to outsource its network requirements to SITA, it is now empowered, rather than hampered, by its IT infrastructure and is enjoying the freedom of being truly IP-enabled. This new lease of life means that the airline can better adapt to the demands of its markets and be responsive to changing business requirements

Recommendations

Cathay Pacific has identified its competency on the its staff therefore managers at Cathay Pacific are encouraged to help employees think creatively, helping them to focus on what results are wanted rather than how to achieve them or the difficulties in achieving them.

In addition, employees also are encouraged to form more specific objectives from the overall picture of what is wanted. The company feels that a few key attainable objectives might make employees more enthusiastic, rather than a standard list. Although it is desirable to have objectives that are clear and measurable, it is important to let the employee determine when they are clear enough for them to pursue. Asking for complete clarity when people are still digesting what is possible hinders rather than gains com mitment. Giving employees the time to think things through can sometimes help them see the opportunities.

Moreover, product development and information technology of the company is also encouraged for the advantage of the company for the future operations. High end in technology gives the company a edge to competition.