

Environmental and european airline industry analysis

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



History

Ryanair has grown since 1985 with only 25 staff members and a single 15-seat turbo-prop commuter plane flying between Waterford and London. By 2001 there are more than 1500 employees working for Ryanair and more than 10 million passengers are carried to 56 cities in 13 European countries. Nowadays the company is named as the most popular airline on the web by Google and also passed out British Airways to become the UK's favourite airline in United Kingdom and throughout Europe.

Mission and Objectives

Ryanair does not publish a formal vision or mission statement. Due to the increase of passengers, the company has re-launched as a “no frills” airline to meet the needs of travelling at the lowest price. It aims to expand its market share, and increase more routes and destinations. Therefore it can become the 1st largest airline and maintain the position in the industry.

Reasons for success

The reason of Ryanair success because it implements different marketing strategy to make the company survive in the competition and to be able to gain competitive position in the airline market. For example, it's “no frills” strategy. In order to position itself in the marketplace, Ryanair controls own its costs to offer the lowest fares possible and remain profitable.

Chapter 2 Environmental & European Airline Industry Analysis

2. 1 The PESTEL Analysis

The Political Factors

The Europe Union (EU) has expanded in the past few years, and it will be a big factor affects the direction and strategy planning for Ryanair. And some countries give preferential treatment to companies from their own country, i. e., France government has the policy to support its own national carriers which affects the expansion of Ryanair.

The Economic Factors

The unstable fuel price is affecting the business. In the face of rising fuel, hedging on future buying of fuel to stable the cost as fuel is a major cost for every airline. Also, the depreciation of US dollars affects Ryanair because customers from United States will cut their orders as US dollars are depreciating.

The Socio-cultural Factors

The increasing travelling lifestyles become a factor to affect the business of Ryanair. Nowadays people are more enjoy a travelling lifestyle, i. e., graduation trips, backpack trips etc. They love to travel all around the world. Therefore, these people become the major customers for the company.

The Technological Factors

Technology is rapidly improving means the whole industry is changing, becoming more environmentally friendly and efficient. More effective

infrastructure in the airports means that some airports can charge the airlines more for landing there.

The Environmental Factors

Under the new law, the airline industry has to be more environmentally friendly. Therefore the manufacturers, designers and airline companies have to combat this together to reduce carbon dioxide emissions and less harmful to the environment so it's order to comply with EU regulations.

The Legal Factors

The whole industry is heavily regulated due to laws and they have to constantly adapt to new changes in the law, such as not allowing liquid on board. After 911, the tighten security measure has also affected the business, the government reinforce security, it increases costs, and forcing to push the airline ticket prices up.

2. 2 The Five Forces Analysis

Competitive Rivalry

Ryanair has highly competitive rivalry because the large number of competitors and especially since the airline industry market is completely saturated. There are already many “ no frills” airlines, i. e., easyJet, Monarch Airlines, and Air Berlin etc. If those companies decide to compete on the same basis as Ryanair, there will be a heavy pressure on prices and margins to Ryanair.

Suppliers bargaining power

The bargaining power of suppliers is high for Ryanair. Price of aviation fuel is directly related to the cost of oil. The costs from one supplier to the other are high because all mechanics and pilots would have to be retrained. Therefore, Boeing is the main suppliers of Ryanair. For those bigger airports where Ryanair's competitors operate, have greater bargaining power. Ryanair's policy is tried to avoid these airports and focus on the regional airports.

Buyers Bargaining Power

The bargaining power of buyers is medium. As customers are price sensitive to choose Ryanair, they only choose for cheapness not quality. Therefore if the prices are increased or a competitor has a lower price then they will switch to another airline.

Threat of New Entrants

The threat of potential entrants is low because set up an airline is high capital investment and the risk is high. Also there are some barriers to entry, such as a lot of regulation and the pressure to reduce carbon emissions.

Threat of Substitutes

The threat of substitutes is high because of the competition with buses, trains, cars and ferries. These can all substitute the low-cost airlines like Ryanair.

2.3 The Scenario Analysis

According to the socio-cultural factors, the market is becoming more competitive because of having the emerging and developing countries, more

people want flights therefore more airlines in order to accommodate this and it might decrease the profits in the market share. Furthermore, Ryanair is facing the increasing trade-union pressure in Europe. Some of the countries in Europe have formed a trade-union among each others, thus it gives the pressure for Ryanair to do business in these countries.

Chapter 3 SWOT Analysis

3. 1 Strengths

Ryanair has developed a very well recognized brand name by leading low cost airline. It provides high seat density and high service performance: punctual, high rate of flight completion, low baggage loss, these give a good image of the company's reliability. Ryanair has first mover advantage in strong bargaining power in airport deals and reduces barriers to its entry into new markets and airports. Over 94% of all seats are sold online so the cost of distribution by using internet booking is lower than phone booking, also eliminates the need of travel agents. Furthermore, the single model of Boeing aircraft saves on training, maintenance and supervisory costs.

3. 2 Weaknesses

Ryanair is based on "no frills" strategy, it restricted expansion possibility. The long distances of its airport from city centers can become less attractive as markets mature. Over time customers may find this a big inconvenience. Besides, the morale of employee is low. The weakening employee relations are detrimental to success in any services industry. Other weakness of Ryanair is high turnaround would increase the fuel consumption and carbon dioxide emissions, therefore the costs will be increased.

3. 3 Opportunities

As the EU enlargement, there will be a lot of new destinations opened up and complete deregulation of airline industry in all EU markets. During any financial downturns, the new fleet could be leased out to undercut other sources and increase entrepreneurial activities will be a source for economy air travel.

3. 4 Threats

There are several threats on Ryanair. First, impending legislations for environment protection and customer compensations increase costs. Secondly, the increase in market share at the cost of network airlines could also increase airport service charges which are currently low. Then, traditional airlines are also cutting fares and costs which could affect the market share of Ryanair. Finally, additional fleets may require new terminals and secondary airports which mean Ryanair would need to bear higher cost.

Chapter 4 Evaluations & Recommendations

4. 1 Evaluation

There is a point-of-difference between Ryanair and larger airlines such as British Airways (BA). Ryanair is the Europe's largest low-cost carrier and provide only basic-level service but BA is a high-class airline company which provides high perceived service, and they focus on difference position and target customers so it is quite difficult for larger airlines to imitate the strategy. More than that, Ryanair's "no frill" strategy is sustainable for identifying their target customers who are price-sensitive and wish to spend low price to fly safely.

4. 2 Recommendations

A low-cost image of Ryanair that has become its brand tag will be difficult to erase when it wishes to move up the value chain, and the upper-middle class economy travellers may seek greater value proposition, not just for low fares. I suggest Ryanair add more routes to their already extensive network and plan for expanding operations into non-European markets in the near future. Furthermore, consolidation and integration would become necessary to grow further in maturing markets which could help Ryanair to offset pressure on its costs and fares.

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