

# Macro-environment of british airways (ba)

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



One of the biggest airlines in the UK is British Airways (BA) which is domination domestic and international flights in the UK. Its international flights go up to 150 destinations around the world which does not include its partners and franchise. But, from the last ten years BA is going through neck to neck competition as well as a lot of management problems which is creating a lot of problems for the company and at the same time it is also taking the business away.

The assignment will let us know how is BA performing, what strategies plans are to be used for the development of the company and have a good hold in the market. Things or Models like PESTEL, SWOT and Value Chain would help BA to come up with strategies that it would have good competition with its competitors. Strategies like bringing down the prices as well as cost, at the same time promoting its brand and also taking interest in mergers and alliances which would bring the economy of the company up.

## **INTRODUCTION:**

BA's main aim and focus is on providing high quality but at high prices but it is not like other flights who have low prices just to increase their profit but at the same time they don't have any quality service taking place at all. BA's main targeted customers are the high class or in other words the Executive Class customers. This is because they earn their revenue from these customers only.

But from the last ten years BA is going through a very challenging phase because its market rate and revenue both have dropped drastically and the reason for this is because of the increasing and new competition coming in

the industry(Milmo, 2008); which is as explained through Porter's 5 Forces. The main competitors for BA are Royal Dutch Airlines, Virgin Atlantic, EasyJet and Ryanair. To get through these competition, BA had come up with many strategies and also took advantage of its opportunities and strengths. This has been explained in SWOT analysis and also in TOWS and Porter's Generic Strategies.

## **COMPANY HISTORY & OVERVIEW:**

British Airways Plc was once upon a time a subsidiary of Imperial Airways, which was created by merging four British airlines, this was taking place in somewhere in 1924. But, later on by 1939 for some period of time the brand had disappeared, but by 1974 when idea for nationalisation came for British Airlines . This was the time when two main airlines joined their hands and merged together i. e. British European Airways (BEA) and British Overseas Airways Corporation (BOAC) and formed into British Airways. In 1987 because of some financial problems the airline got privatised in 1987.

BA, at the moment does not only caters service of carrying customers but also at the same time gives service of air cargo and mail service also(Bourne, 2007). To make its position in the market better BA is continuously coming up with new strategies, like giving to its customers advanced service, bringing in new aircrafts and having full corporation with its customers and at the same time taking responsibilities of theirs.

To evaluate the external factors that critically affect the strategic decisions of the airline

Macro Environment of BA is explained below:

## **MACRO ENVIRONMENT OF BRITISH AIRWAYS:**

Before coming up with any strategy for British Airways it is very important to analyse the Macro Environment of British Airways. Because of this reason PESTEL analysis is been done and the external factors are being highlighted that are effecting the business of the company and what opportunities should it take in and what can cause a big treat also at the same time.

### **PESTEL Analysis:**

#### **(P)olitical Factors:**

To make sure that the security of the passengers are good BA has to enhance its safety ways as per the needs of Department for Transport (DFT) (Memorandum from BA Plc, 2005). To work properly it is very important for to go according to the rules and regulations set up by the Association of European Airlines (Buyck, 2010).

#### **(E)conomical Factors:**

As per the economical factor in the year 2008 the spending of the consumers of UK declined drastically, this had taken place after thirteen years because of which the competition in the market became more severe (The Telegraph, 2008).

BA's full business totally depend on the executive class customers , but right now the this has also decreased because of the cost cutting programs that are taking place in every industry.

Even the daily changing oil prices effects a lot to the company as taking financial decisions get very hard. And off lately because of the global economic meltdown that had taken place recently there has been a drastic drop in the Airline Industry.

**(S)ocial Factors:**

Bargaining power of an employer has increased because there is an increasing rate of unemployment which is a big advantage to BA. As time is passing the demands of customers are increasing because of which facilities and services are also changing because of which threats are also increasing. Ageing is also a problem that UK is facing a there are more old people than young , which means that the number of flyers will keep decreasing in the future. (Office for National Statistics, 2010).

**(T)echnological Factors:**

As technology is increasing customers service at the same time is also improving. Comparing ticket prices online and knowing about the flight is very much possible online, so customers find the best prices online. Because of which they tend to go more for low cost airlines.

Not only cost can be found out online but E-ticket reservations and online check in can also be done which is having a lot of popularity. BA needs to keep up with the growing IT and also make sure that everything is user friendly.

**(E)nvironmental/Ethical Factors:**

Environment also plays a very important role in this. As time is passing customers are becoming more environment friendly and they want less

pollution. This is the only reason that expansion of Heathrow is having a lot of barriers as there is a lot of carbon gasses emission taking place(DFT, 2009). In the past BA had gone through noise pollution issue because of its Concorde flight.

Ethical issues like misplacing of bags and cancellation of flights should be looked into or else the reputation of the brand will get lost.

### **(L)egal Factors:**

Mergers have to be kept to a very restricted (Ownership rules in America) which would show certain limitations in respect to the union on American Airlines with BA (Knibb, 2010). Waiting for trade union to take any action, it is better to keep good relationship with the unions so that there are no unions taking place.

## **VALUE CHAIN:**

### **SUPPORT ACTIVITIES:**

#### **Firm Infrastructure:**

Structural Organisation gives BA the facility to come up with better strategies as well as have better communication within the organisation. But, this can sometime effect the operations taking place in the company.

#### **Human Resource Management:**

Off lately BA has spent quite a lot in training programs so that they can recruit the best, so that these best can provide the best customer service (British Airways Annual Report, 2007-08). BA has gone through many

problems like Cabin Crew strike, granting of sick absence and demand for increasing of wages(Gray, 2007).

**Technology Development:**

By introducing services online in the flight and communication facilities BA has got a chance to gain competitive advantage by creating value for its customers

**Procurement:**

Since BA is a very old organisation it has got good relations because of which it can take advantage of and increase its economy by dealing with suppliers very well.

## **PRIMARY ACTIVITIES**

**Inbound Logistics:**

The important features how to control stocks, better training facilities (BA Press Office, 2008) and past good relationship with suppliers (e. g. Gate Gourmet Catering Services).

**Operations:**

Features like online check-in and e-booking attracts customers more.

**Outbound Logistics:**

Customers are allowed to choose which ever flight they want to and where ever they want to go and which every airport they want to land on, because of there are slots available at different airports.

**Marketing & Sales:**

When the financial background is strong there are many investments taking place and because of which more promotion takes place because of which the revenue gets improved. But, if the marketing strategies are not right and not that innovative then there are chances of loosing out of customers to another competitive flights.

**Post Sales Services:**

Giving customers the chance to give their feedbacks and asking them to give their views which in turn helps BA to connect to its customers very well and improve themselves. Because of which the business and the company can incur profit.