

# Critical review of ryanairs marketing strategy

[Business](#), [Marketing](#)



The following report will look at how Ryanair, a company that started in 1985, with only one 15 seater plane operating from the south east of Ireland to London Gatwick has become the top European low-budget airline. Initially Ryanair made a loss, and so they analysed their marketing strategy and decided to re-launch the company as a low fares or "no-frills" airline. Park (2003) describes how currently price is the biggest element in Ryanair's marketing strategy.

Consequently recommendations have been devised to focus its efforts on protecting its market share whilst building brand loyalty with consumers, to create customer retention, maintain awareness as well as launch a new low-cost long haul service, in order to stay ahead of its competitors. It is recommended that a new transatlantic airline flying from existing bases in Europe to non-major secondary US airports would be installed. It is recommended that the new product should be launched under a completely new entity, called "AirTransat".

To help with their market research to gain customer insight into Ryanair, it is recommended that Ryanair need to undertake quantitative primary research in the form of an online questionnaire to investigate how their customers perceive the products and services that they receive. In preparation for a possible new product launch, Ryanair need to conduct some one-to-one in-depth interviews. These will help them develop their strategies and to develop the new product in alignment with their customer needs.

Introduction

Over the past 20 years Michael O'Leary, the Chief Executive, has taken Ryanair from a single plane company to become the largest low budget airline in Europe. Only 15 years ago the firm was losing money. So how did he do it? The business simply has lower costs and those costs are passed on to the customers in the form of lower fares.

Ryanair started in 1985, with only one 15-seater plane from the south east of Ireland to London Gatwick. Over the years passenger numbers increased dramatically, but despite this Ryanair was making a loss. So they adapted their marketing strategy and decided to re-launch the company as a low fares or "no frills" airline.

Michael O'Leary drew inspiration from the Southwest airlines model in the US. Southwest regarded itself as a "bus" service, a replacement for ground transport, as it was cheap and offered no frills. (Datar, R, 2003)

O'Leary set about cutting costs across the whole firm, which created the model that is so well known today. Ryanair decided against expensive advertising used by British Airways, possibly costing millions of pounds on TV advertisement. Ryanair use creative advertising, for example shown in Figure 1 below.

O'Leary was quoted as saying, "The core of our marketing strategy is to spend as little as money as possible advertising". (Datar, R, 2003)

In the following sections we critically evaluate the marketing activities that Ryanair use, for example they do not employ an advertising agency, as advertising is done in-house. They use simple adverts that tell passengers

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that Ryanair has low fares, illustrated in Figure 1 and some aircrafts are decorated in the livery of advertisers e. g. News of the World and Jaguar. Also we'll be recommending improvements to Ryanair's current market strategy's and from this be able to recommend consumer marketing research that Ryanair could implement to increase customer awareness and gain an insight into customer expectations from a low-budget airline.

### Critical Evaluation of the Effectiveness of the Marketing Activities Used

Ryanair restructured and started operating as Europe's first " no-frills" airline in the early 1990s. This completely transformed Ryanair's marketing mix. It has experienced huge success, and whilst other airlines have experienced a drop in the number of passengers due to the current recession, Ryanair have continued to grow and 67 million passengers used the service in 2009.

### Product

Ryanair currently offer low-cost " no-frills" flights on over 950 routes across Europe. The product is kept as simple as possible and is simply a point-to-point air service operating on short haul European routes. The service's that Ryanair offer are basic, whereby food or drink aren't included, but can be purchased once onboard. The flight often includes other additional charges such as baggage.

Ryanair has a range of other income streams, and holds deals with car rental company Hertz and various hotel companies. The company announced that its ancillary revenues had increased to £598 million, a 23% rise year on year.

By outsourcing these services to suppliers and taking commission, Ryanair can successfully keep costs to a minimum.

### Price

As previously mentioned Ryanair has the lowest average fares in Europe, and Park (2003) describes how price is the biggest element in Ryanair's marketing strategy. On Ryanair's website its passenger charter states that they commit to " offering the lowest fares at all time on all routes". Ryanair can offer such low prices because the customer simply pays for a seat on the plane and fees (Inc taxes) and nothing else. Any other extras have to be purchased separately. According to their half-year figures for 2009, they have the lowest average fare at £32, which is a drop of 20% on the previous year, this is considerably lower than its closest rival Easyjet whose average fare is £66.

Ryanair aim to fill all their aircrafts and they change their prices frequently according to demand, and operate differential pricing, whereby fares booked in advance and during off-peak seasons are cheaper. They have however been investigated on numerous occasions by the Advertising Standards Authority (ASA) over misleading customers about the price of flights, stating how advertised prices were not inclusive of tax or other charges. Ryanair currently displays a table of fees and charges on their website, and when booking a flight the customers are told that the price advertised does not include optional fees or charges.

### Place

Ryanair minimise costs by not using travel agents, and therefore avoiding agency commissions. They use direct marketing techniques to attract and maintain a customer base. Customers are encouraged to book through the website, which often promotes discounts and offers, and 96% of Ryanair's sales do indeed come direct from online (Mintel 2, 2008). Ryanair has the largest coverage of any airline operating over 950 routes, flying in to 151 airports from 26 countries. Ryanair's UK base is Stanstead in Essex, and they now have 36 bases across Europe. Stanstead is a secondary airport just like many of Ryanair's other destinations, which allows a quick turnaround and keeps the aircraft in the air as much as possible. Johnson et al. (2008) outline how Ryanair's low-cost model ensures economies of density by achieving a twenty-five minute turnaround and optimising capacity.

### Promotion

Ryanair spend as little as possible on advertising compared to their competitors, and their full-year financial figures for 2009 support this. Per unit cost per passenger Ryanair spent £0. 22 on advertising and selling, whilst Easyjet spent £1. 18. Ryanair use simple adverts, emphasising the major selling point of cheap fares. A current promotion can be seen on the homepage of the Ryanair website, where they are offering 1 million seats to customers for just £2. 99 (excluding charges). O'Leary takes the view that there's no such thing as bad publicity, and has been involved with a number of controversial advertising scandals.

Ryanair in the past have often used negative advertising, by picking out undesirable features of competitors' products and services. In 2003 Ryanair

launched an attack on its major low-cost competitor by releasing a series of controversial adverts outlining how Easyjet claim of offering low-cost air fares were false. One of the adverts depicts Saddam Hussein's former Information Minister, hailed 'Comical Ali' in the ad, as Easyjet head of information (Dalby, 2004). Following the campaign, Dalby (2004) describes how Ryanair began to eat into Easyjet market share, and claims that Ryanair view it as one of their biggest promotional successes.

The elements discussed above relate to the product that Ryanair offer. However, because of the high degree of direct contact between Ryanair and its customers, Jobber and Fahey (2006) state it is also important to consider components that are required for successful services marketing.

### People

Ryanair and CEO Michael O'Leary are renowned for taking an anti-union approach to towards their staff. In order to minimise staff wages, Ryanair employ young pilots and cabin crew with little experience. Pilots are recruited as pilot cadets when they are young and are promoted quickly, and cabin crew invest in their own training. Webster (2007) however outlined that the pressure put upon inexperienced pilots to achieve turnaround times of 25 minutes, have led to a number of dangerous mistakes being made. Mayer (2008) described how Ryanair recently launched a Continuing Professional Development Program (CPDP), in order to improve the staff's service skills.

### Physical evidence

Aircraft are the most expensive asset to an airline, and Ryanair purchase its aircraft for as little as possible. They target collapsed or struggling airlines, and capitalise on specific events such as 9/11, when they can get huge discounts on planes. This has proved to be an extremely cost effective and successful strategy. Ryanair currently has a fleet of over 200 leased and financed Boeing 737s.

### Process

Ryanair aims to provide customer satisfaction by making the process of flying as cheap, quick and as easy as possible. The majority of bookings are made online, and at the airport you simply present your reference number and passport, which eliminates the need for a lengthy check-in. Also passengers cannot reserve seats, they are allocated on a first come first served basis, which encourages passengers to arrive early and enables quick turnarounds. To further aid quick aircraft turnarounds, Ryanair do not use air bridges that connect to the plane, they provide a bus service or passengers walk to the aircraft.

### Recommendations for the Improvements of Ryanair's Marketing Activities

#### Product

Ryanair has established itself as Europe's largest low-cost airline and the largest international carrier worldwide. The growth of the budget sector in Europe has been extraordinary, with the deregulation of Europe's skies seeing dozens of start-up entries into the market, resulting in fierce competition and fragmentation (Jarach, 2004). However growth seems to be



slowing from the 30% growth average the sector has experienced over the last decade (Intel 2, 2008). This is due to the saturation of the market, and the product entering into the maturity stage of its life cycle. It is therefore recommended that Ryanair focus its efforts on protecting its market share and build brand loyalty with consumers, in an attempt to encourage them to repeat purchase, and maintain awareness about their low-cost European flights (Jobber & Fahy, 2006). Ansoff's 'Product-Market Matrix' (Figure 2) summarises future growth alternatives companies can consider. It is also recommended that Ryanair pursue a diversification strategy, by applying their extremely successful low-cost model to the long-haul airline market, and launching a new low-cost long haul service.

Figure 2, Shows the Ansoff 'Product-Market Matrix'. Source, edited from Jobber and Fahy (2006)

The 'EU/US Open Skies Treaty' was implemented on 31 March 2008. The agreement allows any EU airline to fly from Europe to the US, and any US airline to fly from America to Europe. (Intel 3, 2009)

Ryanair could capitalise on this, just like they did with the deregulation of Europe's skies and launch a transatlantic airline flying from existing bases in Europe to non-major secondary US airports.

In doing so, Ryanair will be aiming to penetrate an entirely foreign and unknown market. In order to avoid confusion between the highly successful European low-cost brand, and the new low-cost long haul product, it is

recommended that the new product should be launched under a completely new entity (see Figure 3).

Figure 3, shows the new product logo.

In contrast to the "no-frills" model, the new product should include various additional services, as there is a greater need for certain 'frills' on long haul flights, including refreshments and food. By launching it under a new entity, it will not detract from the original Ryanair brand. The current recession could be the perfect time to launch the new product. The economic climate has seen the collapse of airlines such as Silverjet, and Zoom, all of which operated a transatlantic route. Ryanair could capitalise on this by purchasing their long haul carriers at a discounted rate (Millward, 2008). Ansoff described a diversification strategy as being high risk and expensive. One option is for Ryanair to grow by merger or acquisition (M&A) with a long haul airline. This will enable Ryanair to gain an instant foothold in the long haul market, and will secure existing landing slots, routes and a long haul fleet to begin its operations quickly. AirAsia X launched their low-cost flight from London Stanstead to Singapore in March 2009 and has experienced early success. AirAsia X allows passengers to purchase extra frills onboard, which is similar to Ryanair's European low-cost flights (Mintel 3, 2009). This diversification strategy is risky however, and a long-cost long haul service would be hugely affected by fluctuations in fuel prices.

Promotion

To implement the recommendations presented above, Ryanair will need to implement a new product launch strategy. Having analysed Jobber and Fahy's (2006) 'New Product Launch Strategy' diagram (Figure 4), it is recommended that Ryanair follow a rapid penetration strategy combining high promotion levels and low prices.