

Royal jet strategic management



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The airline was recognized in 2003 and on 4 May 2003 it started its operations. It started as a joint venture by Amiri Flight (50%) and Abu Dhabi Aviation (50%). The services it provides comprises of VIP Aircraft Charter, these services are inclusive of a Fixed Base Operation at Abu Dhabi International Airport, Aircraft Management and Consultancy, and the very first specialized Medevac service called Medical Evacuation Service was also started by Royal Jet. The key strategic issues of the company involve achieving high standards of servicing customers with luxury, security, comfort and privacy. Others are to expand in new markets, attracting customers with its new products and services so that along with the growth of the current products, and to expand its business either by frequent investment or by acquisition.

The market is very competitive and key competitors involve Air Arabia, Aerovista Airlines, Abu Dhabi Aviation, Air Cess, Kang Pacific Airlines, Falcon Aviation Services, RAK Airway, Flydubai, Dolphin Air, Palm Aviation, Royal jets, Airlink, Dubai Air Wing and Eastern SkyJets. The Company has strong brand image in luxury sector. The company already has more than 12 jets including Boeings and Airbus planes. Because of work in luxury segments only, the company's market scope is limited, any new competitor and launch of new luxury aircraft can force the company to drastically change its market statistics. Recently the company is exploring opportunities to invest in Eastern Europe including Russia. The main threats to the company are from increasing number of aviation services in luxury class. Company's key strategies included increasing its role in luxury segment, deploying more IT tools for better and more reliable service, merging strategy which is

supported by Royal Jet's signing an agreement with Arab Wings of Jordan to use common aircrafts so that growth can be made with shared investment.

Market strategy that Royal Jet enacts upon is to expand their network, attain maximum profitability and providing their customers efficient and effective services. Presently the market is segmented on the basis of income and traveling frequency of the people. It results in generation of segments like high business class consumers, consumers traveling too often but expending less, tourism based consumers.

As an alternative strategy, the company can acquire new and emerging airlines. In doing so, for the investment, the company not only receives an already set staff, planes and infrastructure but again win a new market and customers too. Such acquisition plans can be used by Royal Jet to fasten its progress.

Company background:

Company Information: Royal Jet

The airline was recognized in 2003 and on 4 May 2003 it started its operations. It started as a joint venture by Amiri Flight (50%) and Abu Dhabi Aviation (50%) and now the chairperson is His Excellency Sheikh Hamdan Bin Mubarak Al Nahyan, who is appointed as a Minister in the UAE Federal Cabinet. Royal Jet, LLC is an executive flight services company. It also looks after executive aircraft landing in Abu Dhabi. The company also offers aircraft sales and acquisition, and aircraft management services.

Products and Services

Royal Jet is the world's best private jet operator and is recognized for its flawless and unambiguous services. The services it provides comprises of VIP Aircraft Charter, these services are inclusive of a Fixed Base Operation at Abu Dhabi International Airport, Aircraft Management and Consultancy, and the very first specialized Medevac service called Medical Evacuation Service was also started by Royal Jet.

Vision and mission

Vision

Through its established position in the market royal Jet lays high emphasis on customer satisfaction, luxury, security, safety, privacy and service integrity, respect for every individual and also global citizenship. Their vision is to become a well-liked private aviation brand in the world by offering a service that goes beyond the better prospects of our sharp clients, Royal people, Heads of State and other VIP's, and delivers the vital in safety, comfort, and luxury

Mission

Royal Jet has a very simple but huge mission at hand. It has a mission of making the people realize their dreams, aspirations and put them to functioning. The company also has the mission to conquer the Aviation Industry by providing the best luxurious private charter planes and jets.

Industry background

Airways -the fastest means of transport have made this world shrunk to an appreciable extent aiding people to reach desired locations within no time.

Aviation industry thus evolved out to be the most significant and prominent business field. It's a firm of Aviation Background.

Statements of problem:

For this research, we talked with few authorities in Royal Jet airlines to grasp some information related to the strategies of the Airline. An interview was conducted with official using family reference. The person we spoken to was chief marketing officer of the company. On asking about the key problems in the company, he mentioned the following:

To achieve high standards of servicing customers with luxury, security, comfort and privacy.

To expand in new markets

To attract customers with its new products and services so that along with the growth of the current products, new feathers can be added to Royal Jet's success

To win over competitors like Air Arabia and Fly Emirates in their field of success as well to emerge a global Aviation leader.

Company is trying to launch new services and to expand its business but lack of funds is the biggest problem.

Analysis Section:

Competitor analysis:

Main Competitors of the organization:

Air Arabia, Aerovista Airlines, Abu Dhabi Aviation, Air Cess, Kang Pacific Airlines, Falcon Aviation Services, RAK Airway, Flydubai, Dolphin Air, Palm Aviation, Royal jets, Airlink, Dubai Air Wing and Eastern Skyjets etc.

As we know, the world is progressing tremendously towards the growth in Aviation department. With this idea, many Airline companies are molding or rather synchronizing themselves with the fast needs of the society. Market also comprises of competitors like Air Arabia, Aria Air, AVE. com, Daallo Airlines, Dolphin Air, Dubai Air Wing, Eastern Skyjets, Abu Dhabi Aviation, Air Cess, Al Rais Cargo Royal jets Airline and many more giving a tough fight to Royal jet. Every airline company is striving to consolidate its position in the Aviation Market by implementing new marketing strategies and even promotional and advertisement techniques. As with advent in technology and the pace with which world is progressing, this aviation market has a bright future. The chairman Ali Al Naqbi, of the Middle East Business Aviation Association (MEBAA) – organization behind Middle East Business Aviation (MEBA) show, which was held this November, his statements was that the growth rates in regional business jets market is predicted to be 15-20% and it is also predicted that by 2012 total worth in the Aviation department UAE will be \$1bn.

Analysis:

Talking about Airlink, which is a major competitor of Royal Jet, the number of jets possessed by the company is much higher than Royal Jet. Airlink and similar airways like Air Arabia believes in cheap service providing and better market capturing. Royal Jet on the other hand believes in capturing luxury market sharing. Air Arabia has 5 times aircrafts than Royal Jet. It has more capacity aircrafts too.

Palm aviation is much concerned towards long distance comfortable tour packages. For promotional activities, bigger firms like Air Arabia, Aerovista use television ads while smaller firms uses print media for promoting their services. Institutional marketing and collaboration with other firms is also employed as a marketing tactic.

Environmental/ Industry analysis:**The Micro Environmental Analysis**

The micro environment analysis is a structure for outlining marketing strategies of a company and also conducting an industry review. It is governed by Porter's five force analysis. They are as follows:

The threat of substitute products: In case of Royal Jet, the substitute product is actually similar services present in the gulf. For example there are number of companies providing similar aviation services like the company under consideration like Easy Jet, Air Arabia etc.

The threat of entry of new competitors: The aviation market in gulf is going through a boom. Many new investors including both domestic and foreign firms are seeking an opportunity to fly in this gloomy aviation market.

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The threat of competitive rivalry: Aviation is a field where competition doesn't just come from price dimensions but also from innovation and advertisement. Royal Jet should realize the number of competitors it has and the diversities in which they exist.

The bargaining power of customers: Royal jet like other airlines had a fixed cost service. The cost of any travel is predefined. However, due to customer's reaction toward any particular price frame, the company needs to bring variation in the cost of travelling.

The bargain power of suppliers: Royal Jet is an airline company, so it owes much of its pricing to its suppliers. The raw materials and small services that it uses, determine the costs of its service. So, it is highly beneficial to have suppliers who are good at bargaining to keep the cost of the service low. Major intake of aviation industry of Royal jet includes high quality fuel, packers and movers, transportation and hospitality partners.

Competitors: There are number of other airline services which create market saturation for Royal jet. Easy Jet is an example of such service which provides competition to Royal jet.

SWOT analysis

SWOT is an acronym of Strengths, Weaknesses, Opportunities and Threats. This is a marketing analysis that helps a company understand its competitors. A brief discussion of SWOT analysis of Royal Jet is as follows:

Strengths:

The Company has strong brand image in luxury sector. The company already has more than 12 jets including Boeings and Airbus planes. Other world class luxury aircrafts like Learjet 35, Learjet 55, Avro RJ70 and Avro RJ80 etc to support its luxury market. The company's hold on this segment is increasingly growing too. The company also runs four of the globe's longest continuous commercial flights. This includes flights from Dubai to Los Angeles, Dubai to São Paulo, Dubai to Houston, and to San Francisco. All these flights are from its Boeing 777-200LR. This nonstop flight provides a competitive edge as presently no other airline is providing such a continuous flight to the above mentioned industrial hubs on the globe.

Also the company has invested in Cargo facilities too. This diverse investment makes the company more robust from dependency on a single sector.

Weakness:

Because of work in luxury segments only, the company's market scope is limited, any new competitor and launch of new luxury aircraft can force the company to drastically change its market statistics. Also the desired customer volume is also limited. It is not that the company strategically aims at the single luxury segment but the weakness lies in the fact that most of the earnings are coming from a single segment. Presently the hold on economical class and cargo facility market is not that good.

Opportunities:

Recently the company is exploring opportunities to invest in Eastern Europe including Russia. The company is looking constantly for new markets apart from Gulf region. The present 41 destinations can be increased to more handsome number. Also because of the current financial crisis, most of the airline companies like Boeing and Airbus has reduced the cost of the aircrafts. As the company is a government owned subsidiary and is less affected by financial crisis, the company can exploit this opportunity to enhance its aircraft number.

Threats:

The main threats to the company are form increasing number of aviation services in luxury class. Another threat is from economic crises that is indirectly affecting the end customers of Royal jet Airline. Also the number of customers in aircraft industry has reduced because of the financial crisis which again makes it difficult to have a profitable run.

Pestle Analysis:

Political:

Royal Jet, like other aviation firms, has to follow strict government regulations. Any small incident can result in heavy burdens in terms of rules and possessing aircrafts.

Economical:

Economical problems are an obvious outside factors for Royal Jets. As the company is trying to increase its span, namely in Russia, it needs more Aircraft and investment.

Social:

The Company also has some social responsibilities to follow. The company has to take serious steps in order to meet the social responsibility towards its people and towards the nation's culture. The reason is as Aviation co-exists with country's hospitality industry, it has to make sure that hospitality industry does not get suffered.

Technological:

As the technology changes, the employees who can deal with new technology are needed in every aspects of work. Also there arises a need that the existing employees must also be re engineered so that they can cop-up with new style of work.

Ethical:

There are some Ethical constraints like cannot limited work hour etc.

Legal:

Aviation laws, labor laws, governments rules form the legal periphery for Royal Jets. .

Company Performance over time:

Royal Jet was recognized in 2003 and on 4 May 2003 it started its operations. It started as a joint venture by Amiri Flight (50%) and Abu Dhabi Aviation (50%). The objective of Royal Jet is to stand different from their competitors and provide customers with the luxury of their dreams, privacy, and security.

The Company has strong brand image in luxury sector. The company already has 12 jets including 5 Boeings other world class luxury aircrafts like Learjet

35, Learjet 55, Avro RJ70 and Avro RJ80 etc to support its luxury market. As there is an increase in number of traveling investors both international and regional, executive aircraft charter is required. Because of such a high demand Royal Jet tripled its fleet and capacity within one year of its operation and to open 3 new Regional offices in Jeddah, Dubai, and Kuwait. The company has a small market and even small market share. In recent years, the company's performance was quite nice in its domain and is mainly due to sound marketing strategy of the company.

In marketing dimension, Royal Jet aims to make air travel more convenient, luxurious, secure, and private and frequent without sacrificing the standards of safety, quality, or service offered. Market strategy that Royal Jet enacts upon is to expand their network. The company is presently trying to stretch its legs in Russia and other East European countries. The company recruits the best crew, provides the best luxurious services and also the scheduling is done on demand basis of the private charter planes. Promotional advertisements are being regularly published in newspapers and various offers at the time of peak season are being offered by the company.

The company is trying new investors to increase its investment in new market and promotional activities.

Key strategic issues:

Business Strategy

Though Royal Jet has a fleet of 10 aircrafts now inclusive of five Boeing Business Jets, two mid-range Gulfstream 300s; a long-range Gulfstream IVSP; an Avro RJ85 jet and a Learjet 60, it's in a process to increase the number

and its services. Upon entry in the market, an aviation firm will take market share from an incumbent in addition to making of a new market space. However, following a low price strategy has the potential to put the company at risk. What their market strategies focus on is advertising and promotions focusing on secondary airports' catchments areas to develop a corporate culture that acts as a source of entertainment for the passengers. Recently launched campaign by Royal Jet includes a pricing strategy. It comprises of providing passengers with special offers, it aims at gaining customer's confidence in them and boosting their travel experience. Royal Jet is making constant efforts to expand their network and increase frequency of existing destinations.

IT Strategy

Royal Jet has formed a strategy of using the e-speculator model that gains maximum information in least time. E-ticket facility also has reduced the costs. One of the biggest achievements of Emirates made by the use of IT is the developing of a new generation cargo system, Chameleon. It has all the facilities of managing the entire chain of activities involved in the receiving and dispatching of cargo. Royal Jet has made a strategy to included web enabled traveler management services. This IT related feature includes real time reporting, easily accessible internet booking services and most importantly subsidiary revenue generation. A number of processes that airlines include from the time of check in at the airport to boarding in the plane are absolutely unconvincing for the passengers.

Merger Strategy

Royal Jet supports the idea of company mergers to extend Globalization. It has planned strategies to form alliances between international airline companies and UAE airline companies. It is on a spree to reveal the importance of alliance in the market for profit maximization. Royal Jet, LLC has signed an agreement with Arab Wings of Jordan together managing a new Challenger 605.

Marketing Strategy

Market strategy that Royal Jet enacts upon is to expand their network, attain maximum profitability and providing their customers efficient and effective services. Through the promotional campaigns it enables those passengers to fly who have not been able to afford traveling by air previously and makes their regular passengers to travel more frequently. Royal Jet aims to make air travel more convenient, luxurious, secure, and private and frequent without sacrificing the standards of safety, quality, or service offered.

Market/ Customer Segmentation Strategy:

The Company had divided the consumer market into various segments based on income and profession. The segment which appears to be the center of consideration for the company is those of high earning business people who need to travel consistently and comfortably.

Presently the market is segmented on the basis of income and traveling frequency of the people. It results in generation of segments like high business class consumers, consumers traveling too often but expending less, tourism based consumers (not fixed) etc.

Apart from these segments, a variety of new segments can be created like low-spending domestic class, mainly for tourism. As example of this segment can be India's growing domestic aviation market which depends little spending but large sized segment.

Talking about the competitor's involvement in these segments, Air Arabia is a big player of cheap flights segments along with Easy jet. Some other like Palm operates in multiple segments. Some competitors are head to head rival of Royal Jet in Luxury market like Sky jets etc. Thus the competitors are widely spread in these segments. This segmentation strategy of Royal jet is derived from its marketing mix provided below:

Products: The services it provides comprises of VIP Aircraft Charter, these services are inclusive of a Fixed Base Operation at Abu Dhabi International Airport, Aircraft Management and Consultancy, and the very first specialized Medevac service called Medical Evacuation Service was also started by Royal Jet.

Place: It covers the entire Gulf region and expanding its approach towards USA, Central Asia and Russia.

Price: As Royal Jet is an aviation firm providing with luxurious charter planes, the cost is accordingly set. But to attract customers irrespective of high cost marketing tactics like holiday offers, peak season offers are introduced.

Promotion: Promotion is done through internet tools, advertisements in newspapers and broadcastings in television. This will ease customer accessibility of its product and also serve an advertisement.

Questionnaire analysis:

A questionnaire was asked form 20 employees in Royal Jet regarding the strategic plans of the company. The questionnaire is provided in the appendix and the analysis (in graphical form) is as follows:

How is your company's performance in recent times?

Strongly Disagree 2.) Disagree 3.) Neutral 4.) Agree 5.) Strongly Agree

Responses:

Do you think that company's hold on luxury segment is satisfactory?

Strongly Disagree 2.) Disagree 3.) Neutral 4.) Agree 5.) Strongly Agree

Responses:

Responses:

Is marketing for Royal Jet is strategically important?

Strongly Disagree 2.) Disagree 3.) Neutral 4.) Agree 5.) Strongly Agree

Responses:

Is the external environment too competitive?

Strongly Disagree 2.) Disagree 3.) Neutral 4.) Agree 5.) Strongly Agree

Responses:

Is the company's market scope is limited because of work in single segment?

Strongly Disagree 2.) Disagree 3.) Neutral 4.) Agree 5.) Strongly Agree

Responses:

The company's merger with Royal wings of Jordon is beneficial for the company?

Strongly Disagree 2.) Disagree 3.) Neutral 4.) Agree 5.) Strongly Agree

Responses:

Is buying new aircrafts in new time is a good decision in company's strategic terms?

Strongly Disagree 2.) Disagree 3.) Neutral 4.) Agree 5.) Strongly Agree

Responses:**Strategic Alternatives:**

The objective of Royal Jet is to stand different from their competitors and provide customers with the luxury of their dreams, privacy, and security. Presently the company exists at the cutting edge of service delivery and therefore recruitment of the best crew is done to provide flexibility, responsiveness, and carefulness which make them different from their competitors. The company wants to achieve high standards of lavishness in their suites and greater number of their fleet so as to increase the percentage of customer satisfaction around the globe. Royal Jet's success in future will try to achieve the crown of international center of aviation excellence for Abu Dhabi which in turn will generate career opportunities for the UAE youth and will also provide economic benefits to the Emirates. Keeping this in mind, the key alternative strategies that the company can have can be:

Aiming for acquisition: Royal jet is a small airline and the actual problem in all the strategic aims of the company is due to lack of finance. Any strategy like buying new aircrafts and opening new flights etc requires a further more plans to go simultaneously. One measure of this problem is to invest in a pre-established firm. In doing so, for the investment, the company not only receives an already set staff, planes and infrastructure but again win a new market and customers too. Such acquisition plans can be uses by Royal jet to fasten its progress.

International business: Presently the company has its customers from only UAE. The company can grab customers from places where it provides services. For example, for its non-stop flight from Dubai to New York, the company only takes orders from its Dubai office. If the company can entertain the customers in New York also, the company can have a better pool of customers. Similarly, the company can build more bases in countries where it already have its operation and thus can enhance its business without significant new investment.

Implementation:

Royal Jet, LLC has signed an agreement with Arab Wings of Jordan together managing a new Challenger 605. Though Royal Jet has a fleet of 10 aircrafts now inclusive of five Boeing Business Jets, two mid-range Gulfstream 300s; a long-range Gulfstream IVSP; an Avro RJ85 jet and a Learjet 60, it's in a process to increase the number and its services.

The company in recent times ordered 5 new aircrafts to support its strategy to run on new routes. Royal Jet, LLC has signed an agreement with Arab

Wings of Jordan together managing a new Challenger 605. Instead of buying big planes, the company is buying smaller private jets which include class luxury aircrafts like Learjet 35, Learjet 55, Avro RJ70 and Avro RJ80.

Few more implementations include:

Royal Jet has recently participated in various air-shows and is registered in Dubai Air-shows also. In this way, the company is trying to get more popularity for its business.

As we mentioned earlier that the company operates few non-stop flights, the company has opened new customer help line centre at its international destinations to give better customer support.

To support its little expansion policy, the company has recently recruited 15 more staff people just for hospitality service.

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