

Strategic management college

Business



Ryanair entered the market as pioneers in the budget airline industry and adopted a ical airline business model focusing on service. They were distinctive as they offered air route for the Irish immigrants working in England whose status was elevated from ferrying across to air travel (Bhagavan Ertekin, Geijerman & Kuznetsov, 2003). Hence they created a market segment for themselves. Their strategy was not just to divert other airlines' passengers to them but to convert passengers of other modes of service to air travel. This required low prices to sustain competition, which in turn meant offering no frills, introduced direct sales, increased the number of seats and reduced staff.

Ryanair uses online booking and ticketing system to lower brokerage fees and ticketing costs, thereby redefining its relationship to its customer markets. They follow differential pricing depending upon availability and demand, they operate on short-haul routes or airports which have competitive cost terms, but these cost-saving techniques do not really add value to the service to the customer. They have reduced services like not allotting seats and provide no frills to the services. They concentrate on outbound logistics, attempting to reduce the turnaround times by opting for secondary airports. This results in fewer terminal delays and more competitive airport access and handling costs. Faster turnaround results in maximizing aircraft utilization but ultimately these are merely cost reduction techniques. They have outsourced the non-core areas like partial maintenance and ground handling activities. Ryanair has been concentrating on process and service but not on its people and maximizing utility of technology.

Ryanair faces several challenges in its strategy to push down costs. They

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have not been concentrating on enhancing business communications which reflects in their poor employee and volatile customer relations. People and stakeholders are an equally important part of the value chain and effective communications with each of them add to the value. They have antagonistic relationship with their competitors. Ryanair has the competitive power and the bargaining resources but has been unable to maximize the utility.

They used yield management to gain customers through price drop instead of finding opportunities to raise fares without losing existing customers (Bhagavan Ertekin, Geijerman & Kuznetsov). Deregulation has lowered the barriers to entry and hence they face the threat from competition. Its supplier's power has also decreased as the airports increase the fees when they renew their contracts because of the airline's exponential growth and profitability. They are unable to compete on long-haul sectors because passengers are not willing to compromise on comfort and food. Secondly, on long distance flights their direct costs increase, which leaves them with very little profits on hand. Since it is not very difficult for the traditional airlines to duplicate their services, Ryanair needs to come up with innovation to add value to their customers.

Ryanair should use technology to enhance visitor relationship management to enhance customer relations. Customer's online experience influences consumer perception of a product's brand (Fink, 2006). Ryanair encourages passengers to carry their own baggage and is even thinking of disallowing checked baggage facility altogether with a view to further cut costs. It has increased the weight limit in carry-on bags and has hiked rates for overweight checked baggage (Wyld, Jones, Totten, 2005). This might be detrimental to the airline's interest in the long run. They should employ the <https://assignbuster.com/strategic-management-college/>

RFID technology as other airlines have already started.

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