# Swissair alliances

[Business](#)

In 1990, Sassier was among the top 20 airlines in international revenue-passenger-kilometers flown and among the top ten in international passengers carried. The carrier had revenues of $2. 2 billion in 1989, with strong enough cash flow to self-finance between 50% to 100% of its expenditure for aircraft and other capital equipment each year. It owned several subsidiaries, including two charter airlines and the largest travel agent in Switzerland. Unlike many of its European competitors, Sassier was not owned by the national government.

Only about 22% of its equity was owned by various Swiss authorities.

Corsair's main hub was Church's Kiloton airport with European traffic also routed through Geneva. About 7 million people lived In Switzerland, Its two major clues, Zurich and Geneva, were Important global business and financial centers, helping Switzerland become the wealthiest nation, per capital, In Europe. Switzerland gross domestic product was forecast to reach nearly $175 billion in 1990, having grown steadily at between 2% and 3% per during the period, with unemployment as low as 0. 5%.

Despite this, Swiss inflation was low and stable; prices rose an average of 2% per year in the asses.

Although Switzerland had not Joined the European Community (CE), almost 60% of imports and over 70% of exports were traded with the European neighbors. Corsair's route structure in 1990 consisted of flights to over 100 destinations. Most flights were " short hauls" within Europe (Sassier carried 5. 9% of European traffic in 1990) but it also flew to destinations on every continent except Australia. Government approved prices for short haul flights between Western Europe and Switzerland were among the most expensive in Europe.

Sassier concentrated on attracting international business travelers.

Despite high fares, 5. % of passengers traveled first class on Sassier, compared to 2% for the average European airline. Similarly, 38. 5% of Corsair's passengers flew full fare economy, while 34. 8% did so on the average European carries.

Sassier repeatedly won awards and strong praise from the air transport and business media for excellence in customer service and overall product superiority. Sassier faced higher wages and operating costs than most other European airlines. The 1000 pilots and flight engineers bargained collectively, as did the 2500 flight attendants.

Sassier invested heavily in aircraft maintenance. They ell their planes very young (average age for a Sassier plane was 7 years in 1990, compared to an industry average of 12 years). Like most major international airlines, Sassier also invested heavily in computerized reservation systems (Cars) during the asses; it cost Sassier SF 20 million (about $16 million) in 1989.

In 1989, there were 157 member airlines in the International Air Transport Association (DATA). They transported approximately 858 million passengers in 1989, of which 25% flew internationally.

Operating revenues of the world's airlines had grown 10. 1% annually between 1984 and 1989. Reaching $182. Billion in 1989.

In fact, by 1990, limited global deregulation became a reality: governments of many industrialized nations in Europe and Asia were loosening restrictions on operating rights and fare pricing, while retaining regulation of traffic safety and security. Corsair's management viewed its primary competition as large quality-oriented European firms. They were Air France, Lufthansa, British Air, KILL, and AS.

The European Community passed the single European Act in 1985, they set in motion plans to integrate the area into a single, unified trading zone, with reduced regulation by the end of 1992. They will have a home market of 350 million, compared to our seven million. Negotiations on tariffs, market access, and capacity will be lopsided and we will be over a barrel.

In March 1989, Sassier and Delta signed an agreement for transatlantic cooperation. Sassier and AS signed a cooperation agreement which led to the formation of the European quality alliance with Austrian Airlines and Funfair in October 1989.

Sassier had revenues amounting to more than $3 billion in 1989. The company also had strong cash flows to self-finance its aircraft expenditures and capital equipment. 2.

Willingness of its passengers to pay premium fares in exchange for its excellent carrier services were among the main reason for the company's financial strength. 1 . Sassier had low profitability ratios compared with other airlines such as return on assets was 1. 6% and return on equity was 6. 59%.

Marketing 1 . Strong in marketing poisoning as ‘ one of the premier air carriers in the world”. Production Operations 1.

By 1949, the company had become the Swiss flag airline 2. Sassier was also undeniably superior as compared to most of its competitors. 3.

Provided high quality services. 1 . Sassier is mainly short-haul routes; number of long-haul routes is few. Organization and Management . Sassier was strong line-up of customer service, technical and maintenance staff (pilots, flight attendants, flight engineers, ground personnel,..

). 1 . High cost structure of its wages and operations. 2. Corsair’s management was also too centralized as all decisions were being made in Zurich.

Ill.

Assumptions 1. General environment stability Based on the facts identified in the case study, it would be safe to assume that Sassier was part of a general environment that was relatively stable economically and politically. As part of a country with an unemployment rate that was almost zero recent, a low and stable inflation rate and a profitable business environment, Sassier had all the opportunities to expand its business and go beyond its geographic limits to tap new markets and strengthen its position in its existing customer bases. . Industry Growth Prospect The case study facts emphasized the consistent travel demand growth in the airline industry that has been happening for many decades since Sassier was founded. Thus, it would be safe to assume that the industry growth will continuously transpire for many more years and will open up more opportunities for international air carrier impasses such as Sassier to expand their business.

The travel demand growth will more likely continue as the population expands which will further strengthen the airline industry business.

However, more intense competition will more likely be stirred up among the different international air carrier companies. 3. Financial strength of the company During the latter part of asses, Sassier had revenues amounting to more than $2 expenditures and capital equipment. The strong customer service reputation of Sassier and the willingness of its passengers to pay premium fares in exchange for TTS excellent carrier services were among the main reasons for the company’s financial strength.

One solid proof of the strong financial capabilities of Sassier was its initiative in forming several global and intercontinental alliances with other international air carrier companies. Given these facts, it would be logical to assume that Corsair’s act of establishing global alliances was driven not by the need to become financially strong but to maintain and further establish its financial strength and strong competitive position in the airline industry in the long run.

Through Ass’s new policy, Sassier was no longer allowed to fly and operate domestic flights within the United States (e. G. , flights from New York to Boston) although it maintained international flights from Zurich to any point in the United States and vice-versa.

Thus, Corsair’s operations became limited and its profitability was adversely affected. Another significant issue that was faced by Sassier was the rise of a new and more radical political environment in Europe. The European Community’s Single European Act of 1985 brought about political and regulatory consequences on the Sassier operations.

Among the important repercussions of this new regulation was the deregulation of the fare pricing structure on all international flights which placed emphasis on deep-discount fares. This huge change in the pricing structure led to profitability issues for the Sassier business. In forming global alliances with other international air carrier companies, Sassier found itself in a precarious position of not knowing whether or not the global alliances it formed will help the company weather the upcoming changes in the competitive airline business environment.

II.

Alternative Course of Action A. Description of Alternative 1 The Swiss Air Transport Co. Ltd should launch its own airline carrier brand apart from Sassier that offers cheap or discounted international flights to cater to the business travelers who are part of the lower end of the market. Since Sassier has a take travelers to and from Europe at more affordable airfare rates.

However, Sassier must be cautious of maintaining its premium brand image and its excellent customer service so as to differentiate itself from the new airline brand that its mother company will establish.

A. L . Advantages Creating and launching a new airline brand that offers cheaper international flights o and from Europe to other continents will enable Sassier to tap more profitable markets of business travelers who are searching for a more affordable means of traveling around the world. The Swiss Air Transport Co. Ltd will not be able to violate the European Community Single European Act of 1985 which includes provisions for deep-discount fares as it will be launching a new carrier with cheaper international fares.

A. 2. Disadvantages It would be require a huge amount of investment for the Swiss Air Transport Co. Ltd. To create and launch a new airline brand that offers cheaper international flights.

It may take longer time for the Swiss Air Transport Co. Ltd. To respond to the European Community's Single European Act of 1985 as it would take years to create and launch a new airline brand. Profitability issues may arise from creating and launching a new airline brand that offers cheap airfare rates. B.

Description of Alternative 2 Sassier should focus on maintaining its brand reputation of delivering premium quality and excellent customer service that will Justify its high airfare price rates. Sassier must do niche marketing to specifically target business and luxury travelers ho are not price sensitive and are willing to pay a huge amount of money for a uniquely superior and one off kind travel experience. 8. 1 . Advantages By further improving its brand position, Sassier will be able to build a loyal following of customers willing to pay airfare prices at premium.

Sassier will eventually own the niche market of business and luxury travelers who prefer a superior and excellent travel experience.

Sassier will be able to further improve its current quality and excellent customer service which will make the travel experience of its customers more exciting, fun and memorable. . 2. Disadvantages Sassier will encounter cost-structure issues with the European Community (CE) Single European Act of 1985 and will be required to renegotiate terms with the European Sass and the representatives of the CE.

Corsair’s customer base will be very limited.

Sustaining good profit may become an issue in the long run. C. Description of Alternative 3 Sassier must find a way to overhaul its existing cost structure and cut down unnecessary expenses on wages and operations. The Sassier management must assess all the variables affecting the company’s airfare rates and identify which cost areas it must cut down. C.

I. Advantages By cutting down unnecessary costs, the Sassier management may be able to lower down its “ expensive” airfare rates.

Lower airfare rates will enable Sassier to tap additional markets of travelers. Profitability issues may potentially be solved through cost-cutting measures. C.

2. Disadvantages The premium image of Sassier may be negatively affected by the cost-cutting measures. The quality of Corsair’s products and customer service may decline as the Recommended Alternative and Action Plans

Based on the analysis above, alternative No. Is the best alternative among three alternatives and it should be chosen to implement.

Function area Objective Strategies Timeline Budget Production To negotiate costs of production of every new aircraft and others inputs purchased by Sassier Ensure that Sassier personnel are able to successfully negotiate production costs for the Sassier aircrafts. Within one year Operation & Management To cut 10% cost of operation and management The Sassier management must inform all its operations and marketing personnel of the areas where the cost-cutting measures will be applied.