



CASE STUDY: RYANAIR

A) INTRODUCTION

i. History & Background of The Company

A brief history of Ryanair is set out to provide a background of submissions.

Ryanair started in year 1985 with only 57 staff members and with one 15 seater turboprop plane from the south of east of Ireland to London-Gatwick which carried 5000 passengers on one route. In 1986, Ryanair manage to be the top of the Aer Lingus or British Airways high fare cartel on the Dublin-London route. The staff increased from mere 57 to 120 staff members and the plane carried for about 82,000 passengers on two routes. In 1989, the company employed 350 staff and their average maximum passengers increased to 600,000. In 1990-1991, the company has 700,000 passengers.

However, despite of the increase of passengers, the company is not so good in managing cost that the company has lose its money. A new management team is brought in to sort it out and re-launch as a “low fares or no frills” airline, closely modelling the Southwest Airlines model in the U.S. And in 1994, Ryanair bought its first Boeing 737 aircraft which carried over 1.5 million passengers. In 1995, Ryanair is the biggest passenger carrier on Dublin-London route, the largest Irish airline on every route being operate and carried 2.25 million passengers in the year.

In 1997, the European Union air transport deregulation allowed the airline for the first time to open up new routes to Continental Europe with over 3 million passengers on 18 routes carried. Ryanair launched services to Stockholm, Oslo, Paris and Brussels and took time out to float Ryanair plc on Dublin and NASDAQ Stock exchanges. The company was awarded

as Airline of the Year in 1999 by the Irish Air Transport Users Committee.

In 2000, they announced the launch of 10 new European routes for the summer 2000 after much deliberation and watching others burning money. The company has also jump onto the internet with the launching of Europe's largest booking website –

www.ryanair.com.which was launched within 3 months has taken over 50,000 bookings per week. Hence, each year that came by subsequently gained more and more passenger growth up to millions which is keeping Ryanair alive till now.

The mission of Ryanair is to offer low-fares that generate increased passenger traffic while maintaining a continuous focus on cost containment and efficiency operation. And the objective of Ryanair is to firmly establish itself as Europe's leading low-fares scheduled.

ii. **Problem Statement**

However based on the background of Ryanair's success, Ryanair today is a "monster" of borderless Europe with its crowded population and vaguely defined political boundaries. But the airline's success is also a product of O'Leary's genius. The Dubliner joined Ryanair in 1988 and became chief executive in 1997. He is famous today because he is recognized worldwide since he managed to make small business into big player on the market.

However, Ryanair faced problems just like all airline business did. One of the most important things in managing an airway company is to have all its operational features (such as reliability, clarity of fees, availability of fares, on-board comfort, service, etc.) under control,

which Ryanair cannot handle in various ways, resulting in negative thoughts of customers about this company.

For example, Ryanair accumulates 'hidden' taxes and other fees, restricted customer services, and deceiving advertisements. Ryanair imposes charges for anything from checking bags. This creates an undesirable a feeling towards the customers of Ryanair.

In short, Ryanair's journey has not been a smooth run for the company over the years. Being in business since 1985, it has carved a niche market for itself in being the most widely used low cost airline today. Global recession of 2008 definitely affected Ryanair in a huge way. Its scope to increase fares and increase volume of passengers was hit hard. Since economies collapsed spending power of the regular consumer collapsed too.

B) BODY CONTENT

This part will be answering the first hurdle right up to the fourth hurdle. In short the four hurdles would be:

- i. Competition
- ii. SWOT Analysis
- iii. The N(s)
- iv. The IMs

i. Competition

Living is globalized and much competitive world to be the best among the best, Ryanair should take in consideration to know their current standing among the

competing airline industry. Based on my analysis this is where Ryanair is at the current perceptual mapping.

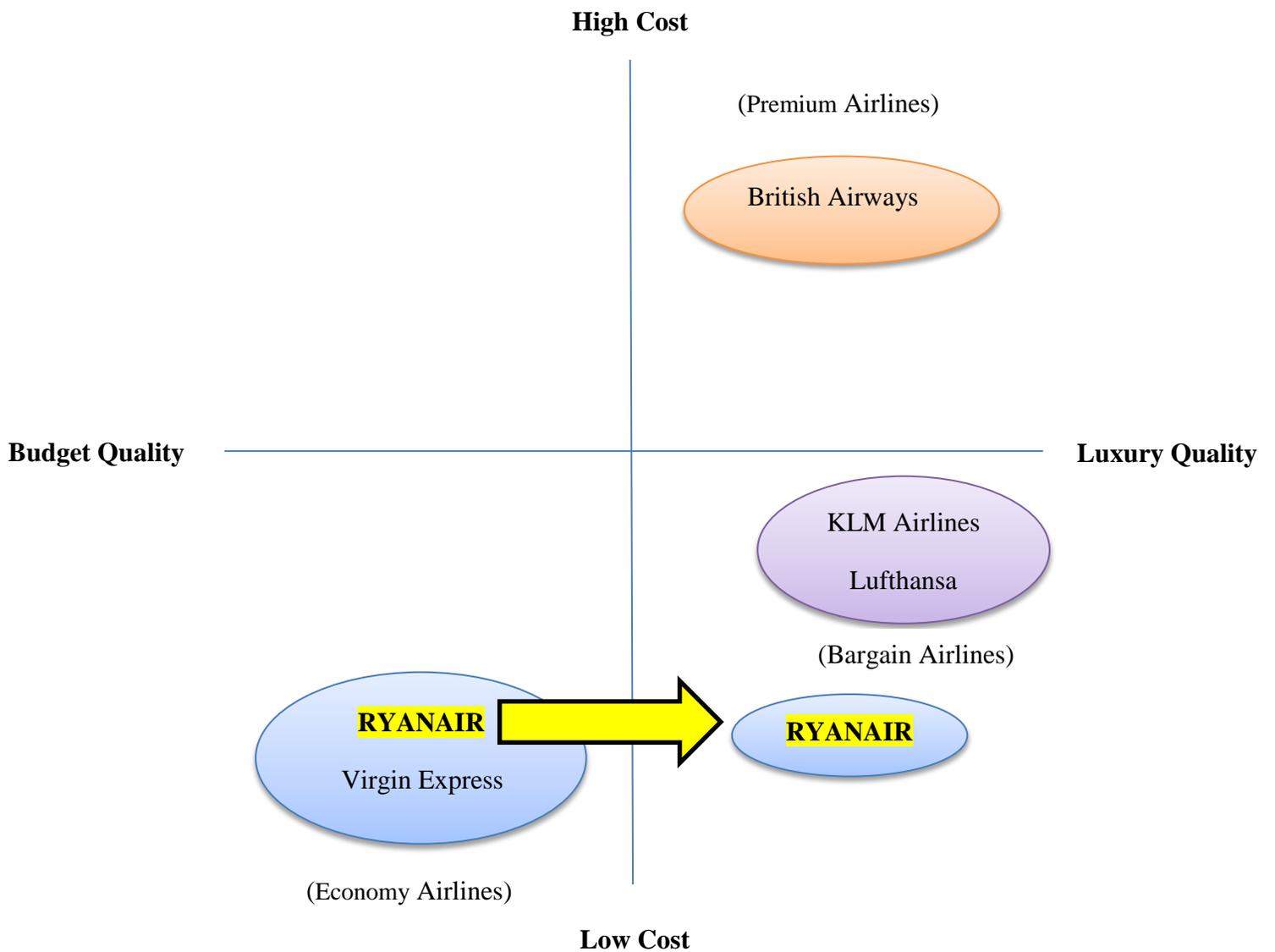


Figure 1 – Perceptual Positioning Map

Figure 1 shows the representation of similarities and differences between the different airlines which are made available. As shown above, the service offered by British Airways is of a very high standard which is aimed at meeting customer expectations at a high level which is known as premium airlines. Therefore, British Airways have positioned themselves as high cost, luxury quality. On the other hand, for the positioning of low cost, luxury quality has been taken by KLM Airlines and Lufthansa.

At the lower scale as in low cost, budget quality, is where Ryanair and Virgin Express airlines have positioned themselves. Focusing more on Ryanair airlines, I think the best position for a new shift to a better success would be to maintain the position of the low cost but luxury quality as the new face axis. The low cost element axis is important to be maintained as that is what Ryanair is known for and has established in the eyes of the consumer. Therefore, adding new luxury quality but at a low cost is what is found to be ideal for it meets Ryanair's vision which is to be the most efficient low-cost carrier in Europe.

ii) SWOT Analysis

SWOT analysis is an important step in planning and its value is often underestimated despite the simplicity in creation. The role of Ryanair's SWOT analysis is to help identify and

understand key issues that is affecting their airlines business. The SWOT analysis will consist of four components which are: S: Strengths, W: Weaknesses, O: Opportunities and T: Threats

STRENGTHS

- Ryanair is the 1st to launch low cost flights in Europe and has continuously maintained the low fare policy.
- They have a strong brand image and strong bargaining power in airport deals.
- New fleets results in maximum aircraft utilization.

WEAKNESSES

- Earn publicity through negative press reporting which affect brand image.
- Very poor customer relations which is damaging to the success.
- Low level of understanding for employees.
- Misleading advertisements about ticket fares and destinations.

SWOT ANALYSIS

OPPORTUNITIES

- Withdrawal of traditional companies from most of the less traffic intense point to point routes using regional airports.
- Industry growth in European air travel industry
- Being an fine choice of most of the market due to recession

THREATS

- Upper middle class economy travelers may seek greater value proposition than just low fares.
- Increasing Prices of Oil Markets and fluctuating currency issues
- Terrorism
- Impending legislations for environment protection.

The whole analysis has summarized both pluses and minuses in the company. The following strategies can be used to decrease the weaknesses and avoid threats of the company and improve its competitive upgrading.

Total Quality Management - The low cost strategy has hidden the quality of the service. To attract and retain the customers Ryanair has to follow an effective total quality management process. Efficient total quality management values could make a great difference in the service quality. It will not only enhance the quality but also it will increase the productivity. Thus effective quality management will make the brand identity stronger and make a more brand loyalty with in customer base.

Customer Relationship Management (CRM) - In the service sector what is important is the satisfaction of the customers. Due to poor facilities and services Ryanair has lost their customer relationship. Therefore, a strong CRM strategy should be implemented to minimize the weaknesses of the company. Apart from the CRM strategies Ryanair could move on to CSR projects to draw the corporate position to the organization.

iii) The N(s)

Based on the actions taken by Michael O'Leary, who is consistently trying to cut cost in all ways to maintain the cheapest and lowest airlines was seen in many ways. He turned all the negative

odds that he faced to positive by slashing down all their expenses in order to maintain the cheapest flight.

This can be seen, when Ryanair blamed the introduction of the teneuro tourist tax as a reason for their need to reduce costs and keep their competitive edge in the market. In the following years Ryanair cut further jobs as a result of this tourist tax. Ryanair's aim is to keep costs minimum so with continuing rising costs of production, Ryanair has to continue to reduce its staff numbers. At the end of February 2012 Ryanair announced that it plans to cut 300 jobs in Edinburgh due to the high airport charges there. Ryanair have cut up to nearly 2000 jobs since 2009. However with the introduction of online check in, the need for employees has fallen. If Ryanair continues to cut jobs in places where costs are rising they will continue to achieve their goals of low fares and low operating costs. Ryanair as a company serves where costs are low so if price srise they reduce costs in any way they can, whether it be cutting jobs or cutting routes.

Besides that, air's stewards and stewardesses perform the basic cleaning duties in collaboration with their normal everyday work duties. Another plan that Ryanair have discussed but have not yet implemented was an idea to remove the toilet at the rear of the plane to insert 18 extra seats (which could lead to an increase in profits) and charge customers 1 euro to use the toilet at the front of the plane. The idea is to have more people in per flight with profit by paying to use the toilet.

iv) **The IM's**

The marketing mix is “the combination of elements that influence a customer’s decision whether or not to purchase Ryanair’s air fare. They need extended marketing mix to make sure they can achieve the aims.

The **products** or service of Ryanair for the customer is just flying from A place to B place. The customer just wants to spend less money to fly to another place, so the service for the customer is basic. Fly-it-cheap do not supply food and drink, if the customer need we can sell them on plane. The product that fly-it-cheap offer is very basic.

The **price** of Ryanair is the focal point for the customers. Most seats of Fly-it-cheap are sold with the lowest price; however, if the customer wants a more comfortable seat or need extra service, they need to pay more money

For **place** Ryanair, there is no travel agent and they must find a cheap airport to reduce the landing cost. Budget airline use secondary airports that are farther away.

Promotion is price is very low, so they cannot put much money in promotion. Ryanair use Internet site to promotion. Ryanair makes controversial statements to get into the news and promote themselves. For example, they suggested charging to use the toilet in-flight.

People they use the young staffs and recently-qualified pilots and most staff from European countries with lower wages than the staff from UK. This can reduce the income cost.

Ryanair uses the **process** of online check-in, no seat reservation the people who first come in the plane can choose the seat he\she like.

For Ryanair's the most important **physical evidence** is the plane. They buy planes which are good quality and cheap. The second-hand planes are cheaper than the new one. However, the decoration inside is basic and they get the maximum number of passenger seats as possible to make more money.

In advertising, the TV advertising is expensive and because Ryanair has low price, so they need a low cost of advertising. They can use newspaper to advertise their service. For example, Ryanair put their advertising on the newspaper. When people read the newspaper they can see that advertising. This is a quick and effective way to advertise the service to a mass market. However advertising is quite expensive and not targeted well. In the future , Ryanair can use the National newspaper to advertise their service and not use TV. So it is cheap to do the advertising.

Despite their low costs, Ryanair's reputation is one that sparks controversy and a lot of bad press. Michael O'Leary the company's CEO is a hated public figure, often making outlandish claims about his future plans for the airline. But because of his ability to stir up trouble, he manages to attract a lot of free press (pr) & advertising for his brand and boasts the lowest advertising costs compared to other market competitors. Despite keeping their advertising budget as low as possible, O'Leary makes sure it grabs attention- with several past ad campaigns being banned as create free publicity for Ryanair.

Last but not least, I feel for the branding should be maintained as it is for the identity of Ryanair to be known as the same – the cheapest airline fare. The branding part of the airlines is well done for everyone knows that it is the cheapest flight which is available.

Other than that the product strategy, for Ryanair should be move from international strategy to transnational strategy as this would create a need for the local responses.

C) Conclusion (5TH HURDLE)

The Ryanair is the cost effective leader in the European airline market. It maintains the lowest operation cost, when compare with others. However, Ryanair should take the customer service into consideration such as by increasing the customer service, increase customer loyalty. Besides that, further reduce the cost could be a minor part to help attract more customers.

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