Ryanair: Business Analysis

Strengths

Ryanair is one of the cheapest low-cost airlines and has the lowest unit costs structure such as solid profits based on the lowest charges, major short-haul network in Europe, best on time performance and good customer service (MarketLine, 2019). Ryanair is the largest European airline by the number of travellers carried, allowing to the company to accomplish economies of scale, possibility that keep ticket prices low (Ryanair, 2019). Ryanair's management has a solid motivation keeping the low prices and cost because that is what works best (DaSilva, 2014).

Weaknesses

Ryanair is involved in various, lawsuit and claims that pursue damages and penalties in considerable quantities on remediation of ecological contamination (Perez, 2019). Investigations were undertaking by the European Commission into Ryanair's contracts with numerous European airports, in order to verify if the arrangements create illegalities under European law (Perez, 2019). These legal proceedings might impact the company’s image also resulting in financial penalties (BBC, 2018).

Opportunities

Many European airlines are undergoing reorganization processes, reducing their ability to keep up with the industry (Caputo, 2019). Ryanair could fill that gap by introducing new routes and increase the regularity on its current ones, start routes not carried be other low-cost companies in EU, and establish new bases (Caputo, 2019).

Threats

Ryanair has a determined growth plan, however, there are certain factors that the organisation cannot control, such as fuel prices and currency movements (Cui, 2019). Brexit unpredictability might also affect the business. The possible change of employment rules and freedom of movement between U.K. and E.U, are relevant threats to the company (Dobruszkes, 2019).

Porter Five Forces

Threat of new entry

Considering factors as economies of scale, technological innovations, government policies, capital requirements and high competition, entering into the airline industry it is not easy for new contestants (Khan, 2019). Likewise, customers prefer to select between airlines with a reliable historical performance over unknown companies, this being another aspect that might lower the potential threat (Barrett, 2004).

Threat of substitution

Travel by train, using ferry or boat services might be a substitute for air travel. However, due to the strategy chosen by Ryanair that relies on cheap prices as the main source of competitive advantage, these services are usually more expensive than their flight tickets (Ryanair, 2019). Regardless of the deficiency of customer’s loyalty or switching costs, the fact that Ryanair provides a much faster, comfortable and cheaper alternative, the threat is low (MarketLine, 2019).

Buyer Power

The progress of the Internet is a significant source of information which is allowing the clients to compare fees between a broad variety of air company before buying a ticket (Tomova, 2015). The low-cost airlines do not have customers or brand loyalty because their customers are loyal just to low cost. In order to gain and maintain customers, Ryanair should reduce its operating expenses and provide the flyers with grate facilities (DaSilva, 2014).

Competitive rivalry

Even if these days the number of low-cost airlines has increased, Ryanair has managed to keep a strong position on the market (Cui, 2019). The strategy was in avoiding the main airports, making a significantly reduces in the operational cost. On the other hand, it could also be a disadvantage since numerous travellers choose to use major airports (Cui, 2019).

Supplier power

Being a low budget airline, Ryanair have to deal with powerful companies in the industry. The suppliers usually use their negotiating power in order to obtain higher charges from the businesses (Caputo, 2019). Trading with contractors of aircrafts, fuel and other essentials, is hard for Ryanair to conduct negotiation. The company have to maintain a good collaboration with its suppliers to deliver the desired results and increase the company's profit (Cui, 2019).

Conclusion

In conclusion, it can be stated that Ryanair is succeeding a strategy that works well for them. They are aware and understand the importance of monitoring their business environment. Still, this environment is continuously fluctuating and evolving, and adapting to any changes should be a fundamental part of their strategy (MarketLine, 2019).