

RYANAIR IS LOOKING FOR NEW SOLUTIONS TO COPE WITH THE COMPETITION

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Abstract: *A careful look at the world economic picture allows us to highlight unquestionable defining features: diversification and renewal of commodity supply, modernization of markets and modernization of clients and the demands of society. In view of these conditions, the quality of services has become a determining factor in the competitiveness of enterprises, regardless of the field in which they operate. Operating in a market with significant competition, Ryanair Company is looking for strategies to cope with this competition. This paper exemplifies how the company chose to put in place a quality strategy that would bring advantages over competition.*

Key words: *air transport, services quality, low cost company, quality strategy*

1. Introduction

In a very general definition of the Romanian Language Explanatory Dictionary (DEX), it is stated: quality is the totality of the attributes and essential aspects by virtue of which one is what it is, differing from other things (Voicu, Severin, 2003).

According to ISO 9000/2000, quality is defined as: the extent to which a set of intrinsic characteristics meet all requirements (Miramas, Elhorn, 2002).

The term of services have been defined differently in the literature. For example, services have been defined as "those identifiable activities, essentially intangible, which provide satisfying necessity and are not necessarily related to the sale of a product or service" (Omara et al., 2016).

For a long time, the importance of service activities was not recognized, services being neglected by economists and included in the non-productive sphere (Ionciă, 2000). This has changed over the last 2-3 decades, on the basis of the following: only services can create cash jobs to limit or solve the problem of unemployment; the tertiary sector is restricted only by regulations that are being discussed in the context of a process of liberalization of international trade; the offer of differential services and on-demand adaptation is an element of the competitiveness of enterprises, whatever their activity is. (Ionciă, 1999).

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Traditionally, service quality has been conceived as the difference between customer expectations regarding a service to be received and perceptions of service received (Grönroos, 2011). Service quality is a real global strategic force but, at the same time, it is difficult to be accomplished (Băltescu, 2010). Nevertheless, quality, alongside superior technology and brand strength, are important pillars to assure the market advantage (Boşcor, 2016).

In order for quality improvement actions to succeed, a strong and clear commitment is required, as well as a strong determination from management in organizations.

To achieve continuous and effective leadership and to compete, a quality strategy is needed to track the efficient use of teamwork, such as coordinating and monitoring the team.

The development of a quality strategy requires the involvement of internal and external customers, especially for the negotiation of objectives with external clients. Leadership and commitment to quality are essential. All models for the achievement and implementation of the Quality Management System must be based on leadership guidance. In general, the leader is the one who puts the strategy in action and communicates the vision of the employees.

Air transport has evolved, which is due to increasing trade between countries in different geographical areas. The participation of those countries to this process is a prerequisite for boosting economic and social progress of each geographical region (Neacsu, 2016).

2. Ryanair Company

Ryanair was founded in 1985 by Christopher Ryan, Liam Lonergan (the Irish Travel Agent, Club Travel owner) and the well-known Irish businessman Tony Ryan (the company's name), the founder of Guinness Peat Aviation.

Ryanair's objective is to firmly establish itself as the European leader of low-cost airlines with continuous improvements and to expand its services offerings at low cost. The target is to offer low tariffs generating increases in passenger traffic while maintaining focus on cost containment and operating efficiency. This target was reached by Ryanair in 2016 when it outperformed Lufthansa, with the largest number of passengers transported (<http://incont.stirileprotv.ro>).

Lufthansa, the German airline, re-emerged in 2017 as the largest airline in Europe by the number of passengers transported, detracting from Irish low-cost Ryanair, which had to cancel several thousand flights at the end of the year, according to Reuters, folded by Agerpres.

However, the airline Ryanair announced that in 2017 it transported a record 129 million passengers despite the first pilots strike in the company's history that forced it to cancel several thousand flights (www.economica.net).

The Ryanair airline followed a rapid expansion as a result of the deregulation of the airline industry in Europe in 1997 and the success of the low-cost business model. Now, Ryanair operates from 86 bases in 37 countries (www.investing.com).

Ryanair operates over 600,000 flights a year and 88% of those flights arrived on time in the last 12 months (<https://corporate.ryanair.com>).

From the point of view of the number of passengers transported, statistics show that Ryanair have managed to increase the number of passengers they carry in each of the financial years recorded here, growing from 76 million passengers in 2011/12 to approximately 130.3 million passengers in 2017/18 (<https://www.investing.com>).

From the point of view of the financial indicators, the evolution of the Ryanair airline company can be seen in Tables 1, 2 and 3.

Table 1

Annual revenue of Ryanair from 2013 to 2018 (in million euros)

| 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 4884 | 5036.7 | 5654 | 6535.8 | 6647.8 | 7151 |

Source: <https://www.statista.com/statistics/756060/ryanair-annual-revenue/>

Ryanair Financial Summary

Table 2

| | 2015 | 2016 | 2017 | 2018 |
|-----------------------------|------|------|------|------|
| Total revenue (bil€) | 5,65 | 6,54 | 6,65 | 7,15 |
| Net income (bil€) | 0,87 | 1,56 | 1,32 | 1,45 |

Source: <https://www.investing.com/equities/ryanair-holdings-financial-summary>

As shown in Table 3, for the three months ended 30 June 2018, Ryanair Holdings plc (ADR) revenues increased 9% to EUR2.08B. Net income decreased 22% to EUR309.2M. Revenues reflect Revenue Passengers increase of 7% to 37.6M, Ancillary revenues increase of 25% to EUR624.9M, Scheduled Revenues increase of 3% to EUR1.45B. Net income was offset by Staff costs increase of 34% to EUR244.9M (expense), Marketing.

Ryanair Financial indicators (in million euros)

Table 3

| Period Ending: | Jun 30, 2018 | Mar 31, 2018 | Dec 31, 2017 | Sep 30, 2017 |
|------------------|--------------|--------------|--------------|--------------|
| Total Revenue | 2078.9 | 1320.8 | 1404.9 | 2515 |
| Gross Profit | 745.1 | 362.8 | 388.4 | 1321.8 |
| Operating Income | 361.2 | 64.9 | 126 | 1016.2 |
| Net Income | 309.2 | 52.1 | 105.6 | 895.4 |

Source: <https://www.investing.com/equities/ryanair-holdings-financial-summary>

In Romania, Ryanair had approximately 900,000 passengers on the routes to and from Henri Coanda Airport (Otopeni) in the first half of 2017, according to data from the Bucharest Airports National Company (BANC), (<http://www.zf.ro/auto>).

At the same time, Ryanair has steadily increased its local traffic and estimates traffic of more than 2.9 million passengers on routes from the airports it operates locally in the fiscal year 2018 (April 2017 - March 2018), with? 60% over the same period of the previous fiscal year (www.zf.ro). Ryanair operates 21 routes from Romania, Timișoara, Bucharest, Oradea and Craiova. ([Http://www.economica.net](http://www.economica.net)). However, the company decided this year to stop several flights from Craiova and Oradea airports during the summer and these flights will be permanently removed for the winter. This decision was argued by poor commercial performance, as demand for Ryanair aircraft is rising at other airports in Europe (<http://incont.stirileprotv.ro>). Starting March 25 this year, the company is no longer operating on this basis. But two routes to Milan and Bucharest continue to operate during the summer of 2018.

3. Economic Environment

3.1. The clients

The company's clients can fit into any category. The company focuses especially on low-income and medium-income people. Having the lowest prices as an airline, low-income people are attracted by their offers.

But the company wants to increase its clientele so that it attracts people with high incomes. To do this, the company wants to implement a new strategy.

3.2. The suppliers

Ryanair collaborates with over 1,600 suppliers, but the most important are:

- Aircraft suppliers (Boeing 737, this being the only aircraft the company uses),
- Suppliers of kerosene (for fuel),
- The marketing provider, etc.

Ryanair must maintain a good collaboration with its suppliers to deliver the desired results and increase the company's profit.

3.3. The competitors

Ryanair has several low-cost competitors, but at the moment, the main competitors are: Wizzair, Blue Air, EasyJet, and Vueling.

With Blue Air, there is a lot of competition on domestic flights, so Ryanair has greatly reduced prices to get Blue Air customers.

In September 2014, Ryanair's biggest rival, EasyJet, first announced routes to the Republic of Ireland, starting with the Cork-London Gatwick route. Until then, EasyJet did not compete directly with Ryanair on its own. EasyJet later withdrew its Gatwick-Cork, Gatwick-Shannon, Gatwick-Knock and Luton-Shannon routes.

In 2016, Ryanair also responded to the decision of another low-cost carrier, Wizz Air, to move its flight operations from Warsaw's Chopin Airport to Poland to the new Warsaw Modlin Airport in Nowy Dwór Mazowiecki. Ryanair previously operated on the Dublin route from Warsaw, but withdrew claiming that the charges at Warsaw's main airport were too high. When Wizz Air began operations at Modlin Airport, Ryanair started

several new routes from the same airport, most of which were identical to the routes offered by Wizz Air.

4. SWOT Analysis

| Strengths | Weaknesses |
|---|--|
| <ul style="list-style-type: none"> – Low costs: Ryanair has the lowest unit costs of any European airline and is one of the cheapest low-cost airlines. – Low tariffs: Low costs allow low prices on a profitable basis. Ryanair's average rates are lower than those of any of its competitors in Europe. – Innovation: with the possible exception of easy Jet, no European airline has done much to change the nature of the short-haul flight than Ryanair. The low-cost revolution in Europe began by copying the business model of Southwest Airlines, but after this initial imitation, innovation has become the key to Ryanair's success. – Size: Ryanair has the largest long-distance shipping network of any carrier in Europe. – Fleet: The company operates with only one type of aircraft such as Boeing 737. – Structured Management: Ryanair's leadership has a strong focus on doing what works best: keeping low? costs and prices | <ul style="list-style-type: none"> – Brand perception: Ryanair has poor track record on polls and prizes. – Profit seasonality: Ryanair's earnings are highly seasonal and profits are increasingly based on a strong summer in the northern hemisphere, especially from July to September, to offset a winter in losses (October-March). |
| Opportunities | Threats |
| <ul style="list-style-type: none"> – The opportunity to improve customer service. – Increasing the number of people travelling with low-cost companies, including businessmen – The emergence of new aircraft better equipped than the Boeing 737 brand it uses. | <ul style="list-style-type: none"> – Accidents: Ryanair was not afraid to defend its reputation in litigation courts. However, persistence of perception and a major accident could be damaging to Ryanair's reputation and to the detriment of its growth plans. – Loss of focus: Any significant distraction of management's attention to its key competence to provide short and safe short-haul flights at a low price could damage its history as one of the most profitable airlines in the world. – UK's decision to exit the European Union |

The SWOT analysis is designed to show Ryanair's reach of goals and missions by harnessing opportunities and using strengths to eliminate weaknesses and threats.

5. Implementation of Quality Strategy

5.1. Quality objectives proposed

Ryanair's main objective is to become the market leader in low-cost airlines. In order to achieve this goal, the company proposes several secondary objectives, especially for implementing a new strategy:

- Investments in aircraft to reduce fuel consumption;
- Prepare the best of staff;
- Acquisition of new furniture;
- Creating new menus

Other quality objectives for the future would be:

- Improving the site;
- Improving the application for easy access to customers;
- Continuous improvement of aircraft;

In order to find a solution, the company made a questionnaire to discover the customer's wishes. After getting the results, the marketing and maintenance team came up with a proposal to implement a new quality strategy, based on improving the quality of services, the aircraft, and the good training of pilots for passenger safety.

This strategy has been called "Always Getting Better" and has been accepted by superiors. The company's new service will give passengers a chance to travel on a Boeing 737-700 plane, used in the past to prepare pilots, equipped with luxury furniture and gourmet services. The new package targets executives from top companies looking for a trip to higher standards than Ryanair could offer so far. The airplane will be able to fly for 6 hours, and the charge will be made in an hour.

Stages for implementing the proposed strategy are:

- 1) Discovering customer desires: This stage has the role of discovering the wishes of the customers, and based on the results, it is possible to decide what improvements the company needs to make.
- 2) Acquisition of new aircraft: the company will purchase Boeing 737-700 aircraft.
- 3) Pilot Training: Training will be done to prepare future pilots to conduct the flights prepared for the new strategy.
- 4) New furniture: After purchasing the new aircraft, the company will change the furniture with some luxury and leather seats.
- 5) Introducing gourmet services: The Company will choose menus to attract executives to Ryanair's flights.
- 6) Personnel training during flights: the company will provide stewardesses with courses both for meeting and flight behaviour.

The duration of the implementation of these stages will be between 8 and 12 months, which is necessary for obtaining and endowing the aircraft. For stewardesses, the course lasts for a maximum of 2 months of training, and for pilots a training between 6 and 8 months is required.

It is expected a doubling of the entire sector over the next 10 years. The profitability of the industry has increased by more than 100% from 2010 to 2017 to \$ 746 billion, according to the Air Transport Association (IATA) data. This growth is strongly supported by the newly-emerging low-cost companies, which have accounted for 25% of all transport companies, emerging markets being the main support point for this advance.

6. Conclusions

Ryanair is one of the most sought-after low-cost companies and pursues a continuous improvement of its image.

With the lowest prices, Ryanair has the ability to attract customers both through its offers and short flight times. Following the analysis, it was found that through major aircraft investments, employee training and gourmet services, the company began to attract the line-oriented clientele.

7. Proposals

As well as proposals, the company should create a more structured database so that there are changes to the site (the topic is too tiring and its access is more difficult), and for mobile telephony to do customers easy access to them.

Another proposal for the company is that the company's website should also offer a 24-hour booking lockout, not a direct purchase.

A last proposal is for the company to enter more contact data on the site, namely, phone numbers and email, where customers can communicate faster with the company.

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