

Task: Write a detailed business study of British Airways

Topic: Business Environment Analysis of British Airways

Type: Coursework

Length: 10 pages

Formatting: MLA

Requirements:

Use reliable sources only

Name:

Instructor:

Course:

Date:

Business Environment Analysis of British Airways**Introduction**

Based at Heathrow Airport (London), British Airways (BA) is the largest global scheduled airline company in the United Kingdom (UK), operating both global and locally charter and scheduled air services for passenger carriage, freight and mail as well as the provision of auxiliary services. The airline operates in over 550 destinations across the world, and is the industry leader. The organization started in 1974 before its privatization in 1987, and has progressively grown despite the stiff rivalry in the industry (Oum, Jong-Hun Park and Zhang 17). To profitably gratify the needs of the customers, a firm must comprehend its external and internal situation that includes its customers, the market, and its individual's capabilities. Moreover, it should recognize and adapt to the vibrant and disorderly factors of the atmosphere in which it operates. This paper examines the industry within which the British Airways operates.

1.0 Identify the background and the purpose of British Airways

In 1916, the company was initiated as an Aircraft Transport and Travel, and soon after the First World War, the first global scheduling air service had their launch between Paris and

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Comment [1]: I already hate the title.

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Comment [2]: Unnecessary word...

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Comment [3]: The capabilities of some single individual, who belongs to the company?

MostAwfulEssays 9/17/14 1:31 PM

Comment [4]: Like thunderstorms and typhoons, right?

MostAwfulEssays 9/17/14 3:07 PM

Comment [5]: Never EVER present a thesis statement like this.

MostAwfulEssays 9/17/14 1:31 PM

Comment [6]: Do you mean that it had been started somewhere between London and Paris? Or that the first flight between these to cities took place?

London. In 1939, the Imperial Airways became its core competitor and the regime publicized both companies from the BOAC (British Overseas Airways). The BOAC used the Long Haul Flight whilst the BEA (British European Airways) operated the short for Short Haul Flights. By 1974, the BOAC had a great knowledge about Long Haul Flight while the BEA had an immense acquaintance about the Short Haul Flight. The two companies merged, becoming the British Airways before its privatization in 1987.

The company is among the leading scheduling premium global airlines worldwide. In 2009, the British Airways earned returns of 8 billion pounds, which was 11% less than in 2008. According to the Annual Report BA (2009), the passengers take 87 percent of the returns; cargo represent 7% and 6% is received from other activities. In 2009, over 33 million passengers travelled using the company and 777,000 tonnages of cargo destinations all through the work. The British airways provides services to other airline firms, such as airframe protection, cargo management at airports, consultancy services as well as computer and communication services.

The British Airways is aimed at being the chief airline corporation worldwide, and the industry is merging at a hastening pace. Their effort to merge with the American Airlines is an example of international aviation, which is always in focus to benefit its costumer. During March 2009, the British Airways launched a reduced-price airfare sale with cost ranging from \$478 between New York and London and also expanded its trendy "Europe for Free", a program providing reduced-cost fares and two free hotel nights in seven selected towns on the European continent.

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Comment [7]: Doesn't make sense.

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Comment [8]: Is this supposed to mean something to readers?

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Comment [9]: Awkward...

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Comment [10]: Not needed.

MostAwfulEssays 9/17/14 1:35 PM

Comment [11]: Better yourself with being understandable, at least sometimes.

MostAwfulEssays 9/17/14 1:36 PM

Comment [12]: "All through the work" is charming, but I have no idea what you mean.

MostAwfulEssays 9/17/14 1:37 PM

Comment [13]: Cells merge, companies merge, Excel columns merge, but how does an industry merge, and with what?

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Comment [14]: Whose?

MostAwfulEssays 9/17/14 1:38 PM

Comment [15]: This entire line sounds weird.

MostAwfulEssays 9/17/14 1:39 PM

Comment [16]: Why so brief? Compose longer sentences! One page long sentences look much cooler than those that take just a half of a paragraph.

The organization's mission **statement states** that "One Destination aims at ensuring our clientele fly certain that, together; we act sensibly to care for the world we dwell in" (Lu 158). The organization aims at making the customers feel safe and gain confidence as they use their services. In history, the company has had very few accidents, **has new fleets and it's updated with technology.**

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Comment [17]: The butter is butterly butterous.

MostAwfulEssays 9/17/14 3:21 PM

Comment [18]: Vagueness achieved.

1.1 Describe the Extent to Which British Airways Meets Objectives of its Shareholders

The main objective of British Airways **is to effectively satisfy its stakeholders.** These are individuals with vested interest on how the company performs because they hold a certain percentage **if** shares. **The company has satisfied its employees, customers and the general society.** They have improved the workplace including working hours and employees' wages. **However, the society has benefited by receiving the company's services, help received from NGO's through works of charity funded by BA, reduction of pollutants.** Finally, **the customers the company** has improved the economy class cabin and their general services.

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Comment [19]: But I thought that...uhm..., "The organization's mission statement states that "One Destination aims at ensuring our clientele fly certain that, together," and other blah-blah-blah you wrote.

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Comment [20]: Typoooooooooooooooooooo.

MostAwfulEssays 9/17/14 1:44 PM

Comment [21]: Present perfect tense implies that it's once and forever.

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Comment [22]: This sentence sounds like an odd grocery list.

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Comment [23]: Con.Fus.Ing

1.2 Explain Responsibilities of British Airways and the Strategies to Meet Them

By maintaining a business ethical criterion, British Airways has motivated its stakeholders and abide by the set rules and regulations to guard financial, environmental as well as the financial position of the stakeholders. Rules of safety and employees rights are catered for. This is a good indicator of loyalty towards the social corporate responsibility. Also, the environmental protection act has helped in saving the environment.

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Comment [24]: Wow. I think I have had enough for now....

1.2.1 Safety and Security Act:

British Airways is known for its severe security measure. Passenger's safety and crew are the main concern. The company follows the highly developed machines in BA, and the most advanced and refined services to ensure the safety of their passengers.

1.2.2 *Employees Act:*

The company's staff is individuals working for a particular company or a industry and the larger society. The British labor law of 1974 targeted employees as well as organizations. This aimed at keeping employees happy and smooth running of organizations.

BUSINESS ENVIRONMENT

Organizations are inserted in business environment with various factors or forces that have an effect on their functions. Some of the factors are close to the organization like intermediaries, suppliers, and distributors that denominate the adjacent macro environment. Other factors with a wider outlook like the cultural, economic, legal, technological, and political factors also impact the results of the company.

Technological Factors

According to Buhalis (813), the emergence of recent technology has been beneficial to more consumers. The airline industry can use evaluation websites that has highly contributed to their bargaining power. Similarly, besides facilitating customers, online booking firms need not to pay to agencies (intermediaries) anymore. Moreover, the British Airways can reduce the number of workforce because it is feasible to use more machinery than individuals, and the company enhanced its competence. For example, the use of clocking-in system realized by the British

Airways to manage employees' hours, and creation of new ways to communicate with their customers (Buhalis 817).

At the end of 2011, 46% of clients evaluate prices through the Internet that augmented the consumers' bargaining power. Whilst employing technological advancements, the British Airways must evade over reliance on technology. For instance, elderly clients may still be reluctant to these trends.

Environment Factors

Among the strategies used by the British Airway is reducing various effects on the environment. To achieve this, the organization chose to employ Corporate Social Responsibility (CSR) to assist attain the company's strategic goals. CSR can also help the British Airways to recognize health risks, security, and environment. This policy can also draw more patrons and grow the company. According to the Kyoto protocol and conference for Climatic Change, one big problem that needs to be addressed is the carbon emission. Airlines firms have an elevated involvement in carbon emission. In response to this, the British Airways resolute to come up with a program to lessen the issue. Its first target was 30% reduction of fuel efficacy between 1990 and 2010. This savings represented 50 metric tonnes of carbon dioxide (CO₂). The company has a vast reduction in carbon emission for use by other companies that have the desire to go over its carbon emission.

Further, another key issue for the British Airways to address is noise pollution. To curtail the issue, the company invents in quieter aircrafts and alters the manner of their flights to lessen the standard noise per flight by 15% in 2015. Individuals living near to Heathrow airport are the

most affected by the noise, but the company reduced approximately 30% of the noise linking 2008 and 2009. Weather conditions as well as natural disasters can impact the operations in terms of costs, leading to the company's profit. The British Airways should also follow local as well as worldwide policies on air pollution and waste disposal (Oum, Jong-Hun Park and Zhang 27). Noise pollution and control of consumption of energy as well as the scarcity of land for airport growth and establishment because of the population increase has a great effect in the operations of the airlines. This forms a significant fraction of the current strategy of the British Airways.

Legal Factors

In 2010, the British airways announced a high turn down in passenger number as compared to September 11, 2001 terrorist attacks. This was the worst decline in over a decade for the number of passengers, and the company used various strategies to cut some its operational costs. This was a Cabin-Crew Walkouts generating around £45m loss to the company because over 47 percent of the flights were cancelled in Heathrow airport. However, at the same time, the passenger number increased by 13 percent because of the no-frills.

Besides the legislation that reflects the heavy regulatory that governments have over the airline industry, firms are also affected by employment relations regulation and trade unions recognition. For the BA, this has represented several problems because of the strikes performed by employees. Apart from the image, the corporation has incurred huge losses. Other laws that can affect its approach are the limitations on mergers and acquisitions. Good public relations avoid industrial action and operational disturbance. Through the Open Skies Agreement, the

British airways together with its competitors can liberally operate between the United States and the European Union.

Political Factors

In every facet of an airline industry, there are tight regulatory controls. These vary from the routes used by the companies, the trade partners, the airport slots to use, the fare set, and the cost of infrastructure they pay (Oum, Jong-Hun Park and Zhang 19). Stern regulations also oversee safety and the administration of their ecological impact. However, terror attacks have been a political setback that affects organizations. For instance, the U.S. attack of 2001 declined the flights demand and also required from firms more reserves on security policies to re-establish confidence of the consumers.

SWOT Analysis

Strengths

British Airways has significant capabilities and resources like a fleet of approximately 250 airplanes and over 550 routes (Neely 9). Additionally, it has a global customer database and economic resources. The company increased its revenues from 2005 to 2008 by 10% in operating profit margin. Moreover, the firm has slots in the major airports. These capabilities and resources are precious and can aid the company to respond against some probable threats and exploit opportunities.

However, the British Airways has some exclusive resources and other competencies more difficult to copy, rare, and signify a significant value for the organization. It is the only firm with

accessibility to terminal 5 in Heathrow (London). Additionally, it has a reputable brand image renowned internationally and reinforced by its venerable survival within the industry. The British Airways has aimed on services like punctuality and customer services. Imperative factors to realize this aim are Terminal 5 at Heathrow that allows the company to provide customers with an absolute level of services in an efficient way. The company has an outstanding fleet base process and has its strong network route. The company has more than 245 aircraft in service, and its fleet operation helps the organization to achieve its advantages over its rivals, and to be effectual in the use of its asset base (Neely 11). Additionally, the company has airbus A138 and Embraer E190SR as well as E170 aircraft that replaced RJ85 and RJ100 Aircraft, and are currently operating from the City airport.

Moreover, the company transports over 33 million passengers in a year. It focuses on providing online services in an effort to preserve old clientele and attract new ones. The e-services were significant factors to help the British airways reduce costs as well as increase revenues. Further, they help customers to book cars and hotels all through the website (Morrell 309).

Weakness

The British Airways has a elevated liability, whereby this value increased from £1,072 million to £2,382 million from 2008 to 2009. The increase in debt makes more intricate for a company to pay its initial amount as well as the interest regarding its responsibilities. This can also reduce the company's ability to use its working capital (WC). The company is among the biggest in the world with 62.5% of its revenue coming from Europe, which is risky for a business to depend on a specific market. If the continent faces a financial problem, the corporation will

incur huge losses. The company should invest in other continents to improve revenue as well as risk aversion.

Opportunities

To improve its revenues, the British Airways should center on trade agreement with other airlines firms. In 2008, the company formed a dual trade agreement with Iberia and the American Airlines on flights amid Europe and North America to enlarge their universal cooperation. This association was shaped to promote clientele to increase fly options as well as flight schedule to travel across the world.

Another opportunity for the British Airways is the Open Skies amid the US and the EU, because the company can extensively augment its number of end choices that the airlines can present to the customers. While Airlines pertain for EU-US anti-Trust Immunity, Heathrow airport in London is open to any EU or US Airline that intends to fly to US and whereby the competitor alliance have immunity. To achieve this, the airlines firms can develop the choice of the client through support of more flights not cheaply feasible for the airlines firms.

Threats

The world economic recession extremely impacts the Airline industry. The growth rate reduced from 5.1% to 3.1% between 2007 and 2008. Due the crisis, most Airline firms had monetary loss and the most affected class was the premium one because companies decided to terminate trade travel to save capital. The trend of economic recessions has affected airline companies over the past, leading to amalgamation and joint ventures in the companies.

The Open Skies Agreement amid the European Union and the United States has had a high crash on long haul flight (Lu 159). During its first phase at Heathrow, the rivalry had to change the US Carriers Delta as well as the transatlantic routes. The US Airways and the continental airways have celebrated new voyage to Heathrow providing over 100 services in a week (Lu 161). Other key markets are under liberalization is Canada, and others nations.

2.0 Explain how Economic Systems Attempts to Effectively Allocate Resources

Airline firms were directly affected by the 2008 economic depression, which was the most horrible experience the company has ever faced within the U.S and Europe. The comprehensive recession has affected the passengers as well as businesspersons in the air travel industry. This provoked its annuity shortage and it also affects its demand due to several companies try to lower the travel costs; in its place, they try to use communication skills, such as teleconferencing. Currency fluctuation poses more problems. For the British Airways, the weakness of the pound affected its costs because many of them happen in euro or dollar. Other factors include fluctuations in oil prices and increased unemployment that impacts the confidence of the consumer.

2.1. Judge how the Business and Cultural Environment Shape the Behavior of British Airways

Over the preceding 25 year, the population of the United Kingdom (UK) aged 65 has augmented from 15 percent in 1984 to 16 percent in 2009, which is equal to a rise of 1.7 percent. This shows that the population of the UK is ageing. Similarly, the young population has reduced from 21 percent to 19 percent. It is promising to know that individuals focus on their profession and

probably have one or no child leading to decline in young population and increase in old population. The British Airways should advantageously use the situation because this age may desire to take pleasure in the live travel and visit their friends. British Airways can attract the customer and this customer will be likely to offer better services and company, and company class for this client are the best alternative to the British Airways introducing them.

The Unemployment rate in the UK is growing very high, and this factor directly impact on the British Airways, because people have no job, becoming hard for them to travel by plane. However, individuals aged between 16 and 54 have been a major boost from 2009, and can attract more customers to the company. The aging populations in Europe have a high possibility of spending more in vacation, and provide good business potential. Additionally, increased redundancy increases bargaining power of organizations as the employer.

3.0 Explain how Market structures Determine Pricing and Output Decision of British Airways

Perfect Competition:

In a market with various individuals and other conditions, no one can influence the price other factors kept constant. It mostly occurs in a market with many sellers and buyers thereby no one can affect the quantity sold or the entire amount needed by the buyers.

Monopoly:

This is a market dominated by a single supplier of product or service. Monopolists hold key resources that substitutes cannot easily find. They also decide the market price.

Duopoly:

This is a market with two sellers competing for an homogeneous product. There is a fixed output of a firm.

Oligopoly:

The presence of a few large suppliers in a market with business decisions affecting one another, leads to an oligopoly market.

3.1 Explain the impact of competition policy and other regulatory mechanisms on the activities of British Airways***Competitive Commission***

This is a self-governing public organization established the 1998 competition Act. It aimed at replacing mergers and monopolies who took superior power and authoritarianism. The body tried to eliminate cartels and mergers and change the market from monopolies to oligopolies. Competition in the airline industry is very intense with factors, such as safety record and reputation, customer services, routes services, price, flight schedules, in-flight entertainment systems, capacity, types of aircraft, frequent flyer programs, code-sharing relationship etc. The market for short haul in the company has more competitors, especially Ryanair and Easy jet and on these flights, it is more hard to have differentiation. Goods and service are effortlessly virtual and it is hard to achieve loyalty of customers. Conversely, long haul market as well as the open skies changed the competitive patterns. Currently, there are five new firms with slots in Heathrow to operate and fly to the U.S (Morrell 307).

4.0 Discuss the Significance of International Trade to British Airways

International trade entails the exchange of products and services among nations. Being an international airline in service in over 550 destinations as well as a member of the EU, such as Asia, America, Europe etc, and the company has made Europe its global market. The main benefits include;

- The low cost of labor in Europe as compared to Britain
- Low cost of land in Europe
- Free trade agreement between the company and the American airways can enhance their returns in investment.
- Use if similar currency reduce losses during currency exchange
- Cheap raw materials from European nations

Conclusion

This paper analyses the British Airways together with its business environment. To survive in its dynamic environment, the company uses various options where appropriate within the company. The airline is still among the best globally. Nevertheless, other airlines are not asleep. The company is also working round the clock to develop its business operations. The British Airways faces severe competition with local airlines and if it is to uphold its financial firmness, it must come up with effective strategies. Failure to do so will lead to irrelevancy within the market place, resulting in business failure.

Works Cited

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Overall Impression

The paper is amazingly boring, though it kind of discusses serious things. Grammatical issues and poor word choice make it difficult to read, and its boringness has even effected my sarcasm, in a negative way.