

Ryanair, is one of the most profitable companies, with its current year growth forecasted at 29% and annual revenue of €390m. It is also the largest low fare airline and the pioneer of the concept in Europe. A consideration of the business environment, the alternative strategies at disposal and recommendations are provided for future growth.

Environmental Factor Analysis - PEST

Political factors such as increased terrorist activities have prompted airline industry to tighten security measures. For Ryanair which strives to keep the turnaround times of their flights to a minimum, this means high costs. Political turbulence in the Middle East has jacked up fuel prices leading to high costs. On a positive note, political integration in EU increase air travel between EU countries. **Economic factors -** Growing per capita income across the world indicate increased possibilities for industry growth. Fluctuating currency status, especially with Ryanair's heavy hedging activities against fuel price increases can bring high business risks. With Europe's population ageing, the workforce will shrink, and output may dip, bringing in recessions dampening economic growth. **Social factors -** Ageing population indicate lower levels of air travel in Europe in next decade. Other social trends such as cocooning effect where people perceive the outside world dangerous and prefer to stay indoors and reduce travel is largely associated with increase in terrorist and other criminal activities. **Technological factors** such as internet, innovative developments in telecommunication such as video conferencing, instant messaging, web conferencing etc will mean less need for travel, especially for business meetings.

Industry Analysis Porters Five Forces

Industry attractiveness can be assessed using five dimensions of Porter's Five Force Model. **Threat of substitutes** is medium for Ryanair and is basically in the form of land travel, and indirect substitutes as video conferencing which may reduce the need for air travel. **Bargaining Power of Buyer is high** as low budget air travel is almost a commodity today and carriers are many. Buyers are well informed of prices and deals via internet and other mediums. **Bargaining Power of Suppliers** as Ryanair with its large scale holds the power to switch suppliers and demand better terms, especially to cut costs. **Threat of new entrants is medium** – as entrance to travel industry needs special licenses etc as well as high capital investments. **Existing Rivalry is high** with Ryanair competing against national carriers as well as low budget carriers for their share of market. Overall the industry which Ryanair is currently in is of medium attractiveness.

Competitor Analysis

Strategic Group Map analysis of the industry will indicate that Ryanair has to compete with Air Lingus and EasyJet very closely while British Airways and other National carriers in the region. Other smaller budget airlines based across Europe such as FlyBEBudget, Germanwings and Hapag Lloyd Express also pose competition in routes which they commonly compete.

Strategic Options for Growth

- Move in to long haul market segment
- Enter segments other than low cost in Europe

- Increase existing business and use volumes to drive down costs further
- Introduce new products complimentary to air travel

Evaluating Strategic Options

Strategy Alternatives – SWOT ANALYSIS	
Entering Long Haul Market	<p>Strengths</p> <ul style="list-style-type: none"> *Existing experience in the industry *Financial strength – Profits for last 14 years *Low cost business model which can be replicated <p>Weaknesses</p> <ul style="list-style-type: none"> * Lack of experience in long haul segments. * Long distance travel and “no frills” flights may not give customer satisfaction <p>Opportunities</p> <ul style="list-style-type: none"> *US and EU Open Skies agreement scheduled to come to effect in 2008 opening Transatlantic routes for European carriers. <p>Threats</p> <ul style="list-style-type: none"> * Competition from other transatlantic carriers. (BA, American Airlines, United Airlines and Virgin Atlantic, Silverjet, Maxjet and Eos) * Fuel price increases may pressure the low cost business model
Other segments in Europe	<p>Strengths</p> <ul style="list-style-type: none"> * The existing brand image and reputation in European low cost segments. *Financial strength to support the expansion <p>Weaknesses</p> <ul style="list-style-type: none"> * Lack of compatibility between current low cost strategy and other full service market segments which are usually targeted with differentiation strategies. <p>Opportunities</p> <ul style="list-style-type: none"> * Overall Industry growth in European air travel industry. * Exit of competitors such as Sebina Air Lines.

	<p>Threats</p> <ul style="list-style-type: none"> * Social, economic and demographic trends associated with the Aging population in Europe. * Legislative actions such as increase in air passenger taxes prompting other means of travel.
<p>Expanding Existing Business</p>	<p>Strengths</p> <ul style="list-style-type: none"> *Market leader in the segment and first mover advantage. *Financial strength and low cost base to support price cuts and promotions such as free ticket giveaways. <p>Weaknesses</p> <p>I*mage issues associated with customer service</p> <p>Opportunities</p> <ul style="list-style-type: none"> *Moving in to market vacuums created by existing competitors such as Serbina and other small operators <p>Threats</p> <ul style="list-style-type: none"> *Highly saturated market conditions *Possibility market stagnation due to aging population trends *Developments in telecommunication which can substitute short distance air travel. *Rising fuel costs and fluctuating currency situations.
<p>New Compliment ary Product</p>	<p>Strengths</p> <ul style="list-style-type: none"> * The high volume of existing customers who can be targeted with products such as holiday packages, rent a car bookings, online gambling etc. * Increased profitability through new products which can subsidize the core product costs even further * Ryanair.com website which can be used as the medium of sales for the new products <p>Weaknesses</p> <ul style="list-style-type: none"> * Business risks associated with new products <p>Opportunities</p> <ul style="list-style-type: none"> * Increased usage of Internet and facilities such as wireless connectivity which allows for easy access of Ryanair’s main medium of sales – the website.

Threats

* Legislature which may curtail development of Ryanair's new products such as phone in gambling etc.

Based on above analysis, it is recommended that Ryanair consider the expansions in to long haul markets – specially the transatlantic routes which accounts for more than 60% of world's air travel. By moving in to this new market with its low fare strategy coupled with added service options the company can utilize its existing expertise in low fare business model as well as financial strength. Developing its existing business with introducing complementary goods and services via its web site is also recommended as this will allow the company to further reduce its cost base per unit of customer. It is also recommended that the above two recommendations be further evaluated through an Environmental Strength Analysis (ETOP) and an Organizational Capability Analysis(OCP) to see the scoring which this quantified analysis tools will yield.