

Ryanair Value Chain Analysis

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A value chain analysis as explained by Sekhar (2009) explains the various operations that occur in a given organization in relation to the competitive position of the organization.

Differentiation and cost leadership are some of the strategies that organizations can adopt in order to gain competitive advantages (Bensoussan and Fleisher, 2008). The aim of this report is to analyze Ryanair value chain. In particular, since Ryanair has adopted a cost leadership strategy in order to gain a competitive advantage (Schermerhon, 2011), the report focus on how the airline manages to maintain cost leadership in the airline sector.

Inbound logistics

In perspective of inbound logistics, the low cost airline has managed to maintain its low costs model by sourcing material from suppliers who can supply them at cheaper rates than what is normally charged by others. For example, unlike other airlines based in airports located in big cities where landing fees as well as ground services attract premium rates, most of Ryanair flights depart and land at airports outside major cities with the exception of Dublin airport where the airline has access to the airport (Ryanair, 2012). That strategy helps the company to be able to charge low fees since it does not have to incur high expenses for using smaller airports that are located outside the main cities. In addition, the company has established strong relationship with other suppliers like airplane manufacturer Boeing and Jet fuel suppliers in order to ensure that the deliveries are made on time thus ensuring that efficiency is achieved.

Operations

In the perspective of operations, Ryanair has adopted various strategies that will ensure that the company manages to keep its operations efficient while at the same time charging low prices. According to Calder (2003), Ryanair automation of the booking system implies that the

company does not require hiring a lot of staff since customers can reserve, book and check in on their own. Furthermore, the fact that Ryanair does not offer onboard meals and entertainment unlike in situations where passengers are willing to pay more implies that the company is able to avoid additional expenses (Calder, 2003).

Outbound Logistics

Unlike is the case with traditional airlines that rely on brick and mortar agents as well as online agents to sell their tickets to prospective customers, Ryanair does not use any agencies and relies on the company's website for the sales of tickets. The direct marketing approach through the company's website implies that the company can be able to sell the tickets at low costs since there are no commissions to be paid to travel agents as is the case with other airlines. Furthermore, Ryanair focuses on short turnaround times (TAT) which ensures that planes are in the air at most of the times thus bringing down costs (Denholm, 2006).

Service

In the perspective of service, Ryanair's service offering is based on adherence to set schedule at all times. This approach helps the company maintain its low cost model as it implies that the airline ensures that the airplanes are in the air most of the time. From the customer's perspective, the approach appeals to them as they don't have to spend a lot of time in departure halls waiting for the flights (Sally, 2011).

Supporting services

In the view of supporting services, Ryanair subcontracts other support services such as aircraft and baggage handling services to various third parties that are experienced and have the necessary resources in order to ensure that no time is wasted. The approach ensures that the Airline can be able to offer high quality low cost airline services to its customers. Finally,

Ryanair ensures that all the staff e.g. pilots, cabin crews and check-in staffs are well trained and experienced in order to ensure that they offer high quality services to the passengers (Grob and Schroeder, 2007)

In conclusion, it is evident from the analysis that Ryanair has developed an effective value chain analysis that ensures that the company continues to make profits while charging less for its services. Consequently, the company has experienced growth over the years as its service offering has appealed to a lot of customers.

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