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## Battle in the skies - the challenge of the low cost carriers

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**Studieretningsprojekt 2008-2009:**  
***Battle in the skies – the challenge of the low cost carriers***



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## Problem statement

A study on how British low-cost carrier easyJet achieved its current market share and what the recessionary future holds for the airliner. The paper identifies the competitive and environmental forces driving the airline business as well as the associated offensive and defensive strategies employed by the warring factions. Included are issues related to buying behaviour, segmentation, positioning as well as examples of marketing mix tactics.

## Abstract

This assignment first describes the low cost carrier business model, which easyJet have implemented in Europe. The low cost carrier model is a complete rethought airline model, which lowers costs drastically. The model has also repositioned air travel, changing it into being more accessible to the average consumer.

The next part analyses the airline market. Firstly, the macro environment has been analysed. This shows that the changes in technological environment and political environment made it possible for easyJet to obtain the large market share they have obtained. Furthermore, it revealed that in the future, it becomes important to adapt to the economic environment and natural environment, and in extension to this, Eastern Europe provides a potential market for low cost carriers. After this, the report contains an analysis of the industry profitability and its development. It reveals that before the low cost carriers entered the market, the profitability was high – but as competition has changed into being purely based on price, profitability has gone down.

Finally the report analyses the strategic moves of the different types of airlines in the industry. On the first part it can be concluded that the traditional airlines have pursued a wide range of strategies in order to compete with the low cost carriers, but that none of them have worked properly. Finally, the report advises easyJet as how they can adapt to the marketing environment, and what strategies they should pursue in order to maintain high profits in the future. Basically, easyJet should currently develop their products to suit the recession, and at the same time pursue market development and capture a part of the business travellers. On a long-term basis easyJet should aggressively promote their environmental advantages, and set up new bases in Eastern Europe.



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## Introduction

I have divided the assignment into three major parts:

In the first part, I will characterize easyJet and the low cost airline model they are representing. I will relate this to the traditional airlines in order to get an understanding of how easyJet can beat these carriers on price. I will do this by describing easyJet according to the service marketing mix, and afterwards I will give a brief overview of easyJet's use of strategic business units.

In the next part of my assignment, I will analyse the development of the airline market. I will do this in order to determine how the low cost carriers (focusing on easyJet) gained quick success. I will also use this analysis to assess how the airline industry will look in the future. I will do this by first analysing the development in *macro environmental forces* that have shaped the airline market, and how easyJet have responded to these forces. I will follow this up by analysing how the buyer decision process has developed. Finally, I will analyse the development of the profitability of the market, by using *Porter's 5 forces*.

I will, in the final part, analyse which strategies the warring fractions have implemented. I will do this by first defining the different groups of airlines, by using Porters generic strategies. Afterwards, I will analyse how the traditional airlines have responded to the threat of low cost carriers. Finally I will assess how easyJet can adapt to the environmental and competitive forces in the future.

