

Service Management Report: Comparative Analysis of British Airways and Easy Jet

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## Service Management Report: Comparative Analysis of British Airways and Easy Jet

### ***Introduction***

Almost every developed country around the world has adopted the procedure to transform themselves into service based economies so as to play an important role in enhancing their share in economic activities in order to improve the employment rate in the respective country. Taking a look at the United Kingdom, in which the service industry has taken a marvellous turn towards the improvement in the sector followed by the improvement in the country. This particular report is comprised of the service management in airline industry based in the United Kingdom. The two companies chosen for the comparative analysis are British Airways and EasyJet. The report is divided into two sections. The first section includes the introduction to British Airways and EasyJet, the services they offer, their operations and the relevant theories, the concepts available in the literature and their relevance to the activities performed by the British Airways and EasyJet. Moreover, challenges faced by the service industry are also mentioned in the report. The second section contains the recommendations given to both the service based companies in order to enhance their operations to increase profitability. The report also contains a brief conclusion about the companies' activities, findings, and recommendations.

## ***Findings (Comparative Analysis of British Airways and Easy Jet)***

### *British Airways*

British Airways is known to be one of the major and most renowned airline companies in the United Kingdom. Along with the flight services delivered by them, the company is also recognized as the dominant player who provides premium carriers services across the globe. The company is headquartered in London, England, which is the leading premium market for traveling in the world. British Airways also enjoys its presence at Heathrow, Gatwick, and airports based in the city of London. Heathrow terminal 5 is the home for British Airways. According to the SkyTrax survey, Heathrow Terminal 5 is rated to be the Best Airport Terminal around the world. British Airways have dispersed operations in more than 70 different countries by joining hands with codes hare and franchise partners and now has become the most wide-ranging route network of airlines having international schedules. British Airways contains a fleet of almost 280 aircraft and even more. Moreover, the company carries around 40 million passengers in a year. The company has also created an alliance with different airlines providing services all around the world and together they serve approximately 1000 destinations worldwide. British Airways is also a founding member of Oneworld (British Airways website).

According to Grundy & Moxon, (2013, p. 56), the core values which the British Airways have adopted are convenience, network, service quality, experiences, and facilities. Since inception, British Airways is striving to excel in the marketplace and this need to be excellent has made them create the alliance with Ajilon to fulfil their commitment to producing more satisfied customers. For British Airways, providing the customers with the best of their services is of crucial importance, and the company makes all the efforts required to enhance the passengers' experience with the globally recognized airline company. Certainly, the service

quality standards are compromised at certain occasions. To lessen the passenger's level of dissatisfaction under such circumstances, British Airways has developed a wide network of customer relationship offices, who are involved in reshaping customers' perceptions through communications via channels, for instance as email, fax and phone.

The importance of the existence of British Airways is of critical importance, as it constitutes as a major player in the service industry. To consider the significance of service industry in the United Kingdom, the following diagram shows the portion that service sector shares in the overall industries based in the UK:

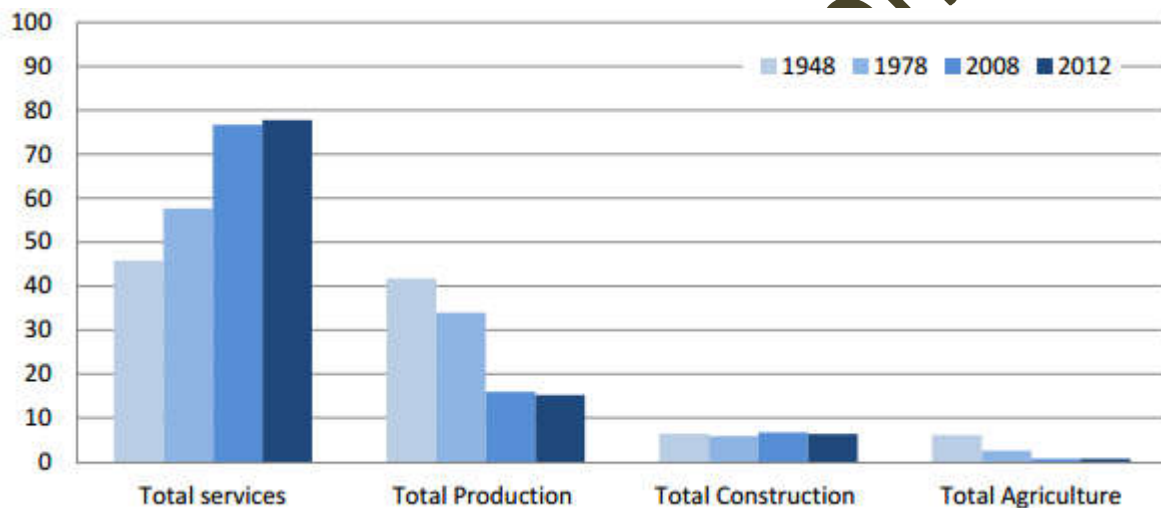


Figure 1: UK GDP Industry Weights

Source: Jones (2013)

*EasyJet*

Established in 1995, EasyJet is a British low-cost airline based at London Luton Airport. It operates international and domestic flight scheduled services in 32 different countries on over 700 different routes. It has emerged as one of the most successful airlines since its launch in 1995. In November 2000 EasyJet secured its reputation for efficient and focused management

because of its active public profile and successful floatation in the stock market (Rae, 2001, p.325). The key attraction of customers towards EasyJet is the prices they offer. By providing convenience, EasyJet stands out among its low-cost competitors. It allows free of charge changes to its customer under the 'flexi fare' scheme. Its acceptance and popularity among the leisure and business class travellers have earned its way in becoming UK's best airline company in terms of passengers carried.

EasyJet satisfies its customers by providing unique facilities which minimises the hurdles at the customers end. Check-in desks at the airport are no longer available, although passengers can still check at the bag drop desks for free. To save the time of ticket booking at the airport, passengers can check in online and print out their boarding cards. Passengers can check in a month or up to two hours before they want to fly. Upon check in seats are allotted for free, but if a passenger wants to have a different place they can always pay for it. Priority of choosing a suitable place is given to customers who check in first. Per passenger, only one piece of luggage in the cabin is allowed. Extra charges are imposed on those passengers who wish to bring extra luggage with them. Extra weight can be easily purchased online or at the airport. Facilities of booking is available on both credit and debit cards (Skyscanner, 2016, p.n.a).

EasyJet's marketing strategy has one key aspect that is its simple fare structure, in which a single price is quoted for the seats that are available on a given flight at any point in time. However, the prices of the seats increase as the date of departure approaches. All sales are booked on the internet or the telephone. Figure 2 (a) and 1 (b) illustrates the number of sold seats on a given date and the price charge for it. Both the numbers have an upward trend in price charged; however, uncertainty is noted in the pattern of demand.

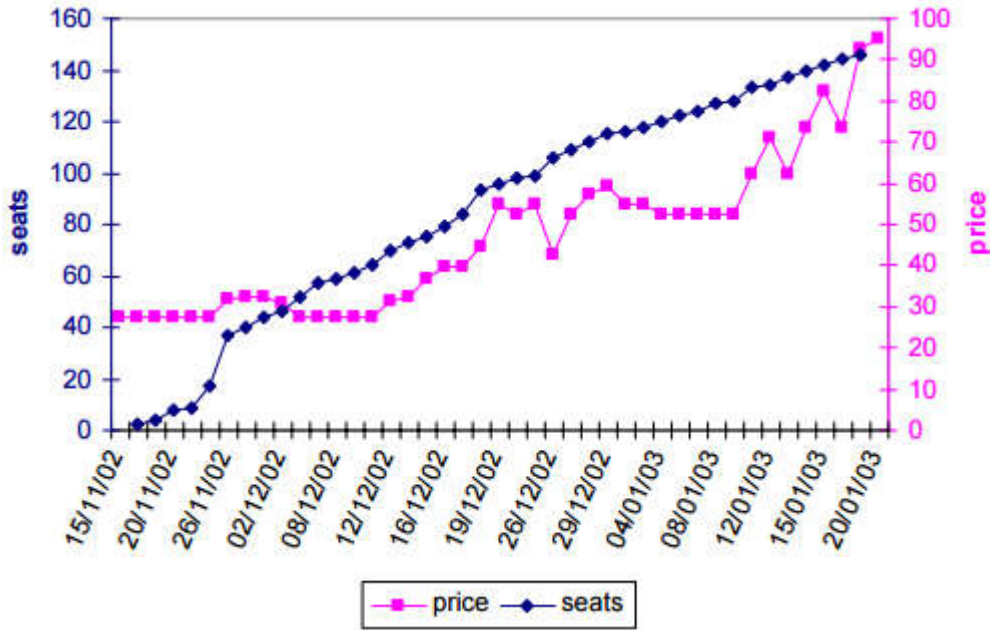


Figure 2 (a): Seats sold and prices paid, a one-way ticket from Liverpool to Alicante.

Source: (Koenigsberg, Muller, Vilcassim, 2004, p.3)

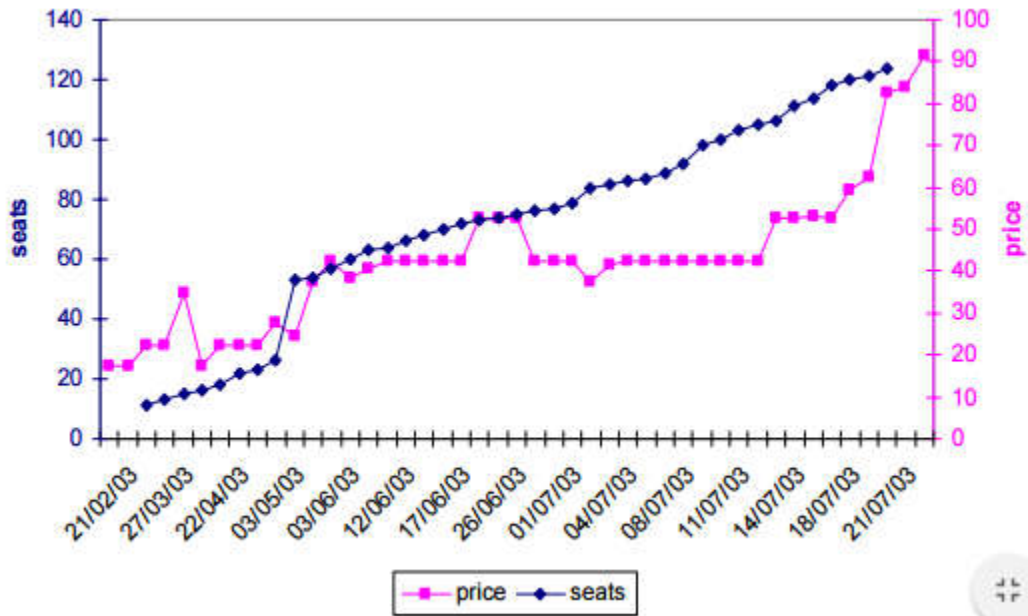


Figure 2 (b): Seats sold, and prices paid, a one-way ticket from Stansted to Edinburgh.

Source: (Koenigsberg, Muller, Vilcassim, 2004, p.3)

### *Pricing strategy*

According to Looy& Backer, (2013, p. 105), pricing strategy is defined as a broad-spectrum outline created by the firms in order to make important decisions related to pricing and decides the manner to set the prices. British Airways has a competitive edge because the company has set the prices in a differentiated manner. For the customers who want tickets at a lower price can avail the Economy pricing strategy. Customers who want to get some benefits during the travel can buy the ticket using the medium-value pricing strategy and customers who wish to travel using all the high-class services can avail Premium pricing strategy. This type of pricing strategies helps the British Airways in generating higher profits while maintaining the service quality standards (Dennis, 2012, p. 8). The following diagram shows the difference between the prices charged by British Airways for the same routes.

LONDON-NEWYORK			£	Index	LONDON-RIYADH			£	Index
Return (flexible)					Return (flexible)				
First	8224	100			First	5168	100		
Club World	5334	65			Club World	3912	76		
World Trav Plus	1832	22			World Trav Plus	1824	35		
Economy	1144	14			Economy	1364	21		
Return (restricted)					Return (restricted)				
First	5148	63			First	2994	58		
Club World	1999	24			Club World	1670	32		
World Trav Plus	828	10			World Trav Plus	754	15		
Economy	362	4			Economy	440	9		

Figure 3: Price Comparisons of British Airways prices on the same routes

Source: Dennis (2012)



With regards to EasyJet, the company uses dynamic pricing strategy. In Dynamic pricing seats are priced according to the demand level, the prices of seats will vary as the demand varies for seats that still have to be sold. The higher the demand for seat become the more they are likely to get expensive. As the departure of the flight comes closer, the demand automatically gets stronger, and the prices start to rise. Seats which are less expensive are sold first. Prices drop if the demand starts weakening. Customers are encouraged to book seats early to get tickets at lower prices. EasyJet offers discounts and special promotions from time to time on selected seats. During this period seats are available at standard prices and remains until the promotion ends or the customers buy them. These promotions are designed to attract customer towards the brand and to avail the opportunity as soon as possible (EasyJet, 2016).

### *Communication*

The communication network of British Airways is so strong that opening of Heathrow terminal 5 was a huge success. This has also improved the revenue streams of the company. Moreover, the company has redoubled their efforts in cutting their cost of operations while maintaining their service quality standards (British Airways annual report, 2008-9, p. 25).

On the other hand, EasyJet's main competitive advantage was its low fares that it provided to its customers and other facilities that eased the process of booking for clients. For branding EasyJet the owner Stelios himself involved in the proactive marketing approach where he willingly attended press meeting and participated in easyJet's advertising campaign. Extensive use of orange colour was done by the airline. Their buildings and planes were painted orange, the uniform of the crew was also orange, and even the trash bags were painted orange. The value for money was represented by orange 'easy' brand. This was quietly effective as a branding strategy

because it created a theme park type of atmosphere. It was positioned as common man's airline (The easy way to succeed, 2003). But, from 2010 onwards EasyJet repositioned itself to a more customer-centric brand than a pure low-cost business, which resulted in the shift of strategies to long-term brand building rather than traditionally effective price/response plan. The shift towards more customer-centric brand improved the overall image and perception of the brand and gained extraordinarily profitable dividends in return (Europe by EasyJet, 2016).

### *People management*

Based on universal phenomena that employees constitute to be the most important asset for the success of any organization, the same is relevant in the context of British Airways. Maria da Cunha, who is the director of legislation and people management, stated that employee engagement is of paramount importance to obtain the robust performance of British Airways. Maria further added that they continuously challenge the people to discover the new ways of task fulfilment in order to enhance the efficiency and productivity, which can be achieved only when the employees are engaged during the crucial times and put in extra efforts to bring things back to order. It is evident from the research that the relationship between the management and the employees is the driver of organizational success or failure" (Churchard, 2015). With respect to the theoretical perspective, British Airways has adopted the following model for the management of people.

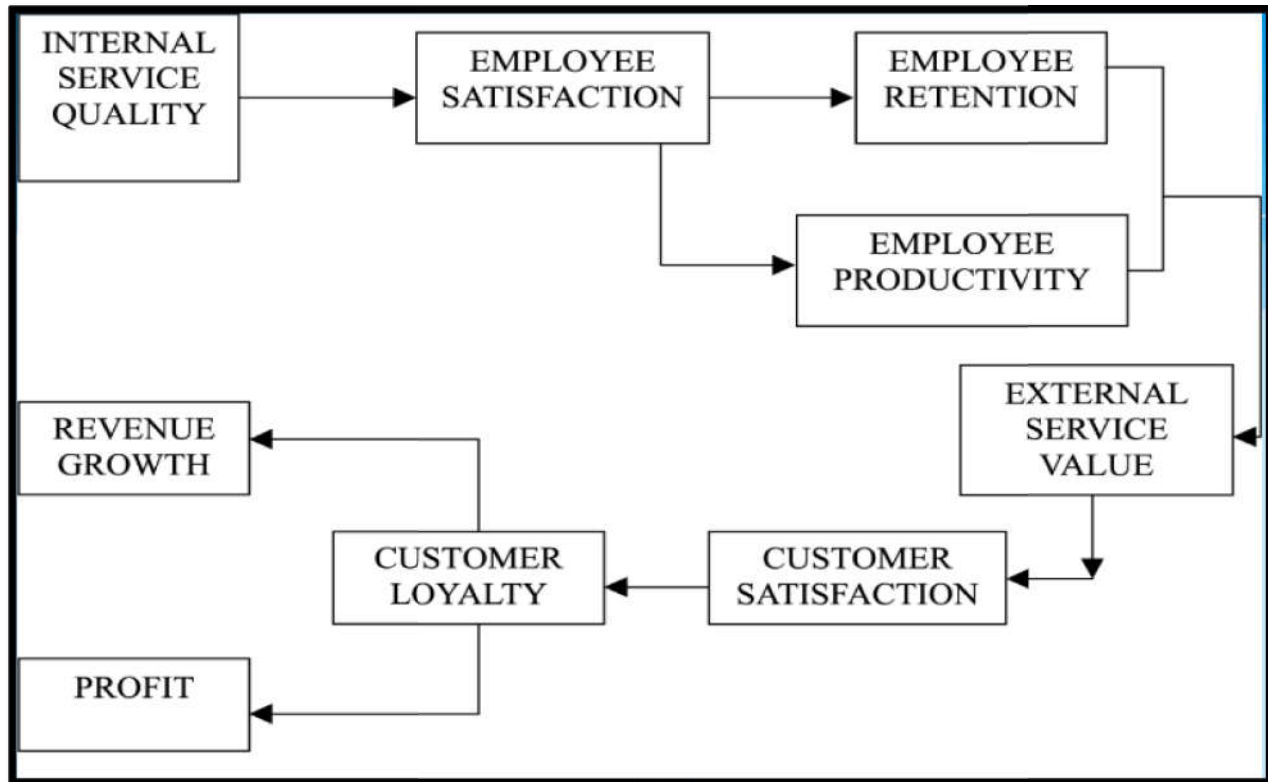


Figure 4: Employee Engagement Model

Source: Lau (2000)

The company has adopted the model of employee engagement from Lau, (2000), in order to improve the service quality and produce more satisfied customers. at British Airways, the aim is enhancing the employee's productivity and efficiency by constantly challenging the workforce so that they are more interested in performing as per the standards set by the organization to be a global leader.

As compared with British Airways, the corporate culture of EasyJet operates on five core values; Teamwork, integrity, passionate, pioneering and safety. People whose values are same with the company are recruited. Employees are put through an extensive induction training program, which helps them in acquiring the right skills, culture and experience crucial to company's performance. High-quality management and technical expertise are provided to

managers continuously. Employees are communicated on a regular basis through meetings and information is spread electronically. Employees are motivated and retained through several rewards including career development opportunities, benefits and pay. Workshops are organised for the employees to enhance their performance and to cope with challenges that will incur in future (UK Essays, 2013).

### *Innovation*

Innovation is another key aspect in service business which plays an integral part in the service industry. The company believes in adopting incremental innovation to improve the service quality. The reason behind adopting the incremental innovation strategy is that radical change often leads to high employee turnover as people resist change. According to Curtis (2015), the company has opened up a flight data for the developers to further enhance customer's online booking experience. British Airways have unrestricted APIs for the developers to free their access to available flight data and content. The Air Shopping API will allow customers to search for the available options along with their prices, resulting in easy seat reservations and issuance of tickets along with the payments.

Similarly, innovation is the most crucial element in the growth of EasyJet because the service sector is always evolving and therefore technology is required to fill adequately the gap that occurs in between. Many other giant players in the same business can affect the customers market of EasyJet. Therefore innovation in providing services to customers is important. To improve the efficiency of the operations, EasyJet has outlined the number of innovations under consideration which includes, visual inspections of the aircraft performed by automated drones, spare parts for the planes are produced by using 3d printers, training of the cabin crew is usually

done by using virtual reality technology, and to predict the requirements of aircraft maintenance real-time flight information is being utilized (London Air Travel, 2015).

### *Challenges and Problems*

Despite the fact that the company has managed customer relationship in an effective manner, British Airways had to encounter certain problems while managing operations. The processes to run the operations were bit complex and lengthy. There were multiple databases to keep the customers' record making it hard to manage. The challenges became even more complex due to the lack of technological integration. For instance British Airways was operating in the United Kingdom and the United States with two highly moderated applications, without having any formal systems. Due to the lack of integration, the company had the less effective management of services leading to high-cost expenditure in customer relationship management. Multiple records for the same claim is also another problem faced by British Airways (Astute solutions, 2015, p. 2).

On the other hand, Easyjet faced many challenges during the recession period. During the recession, the demand was decreased and high costs incurred due to the rising prices of fuel, and the prices that airports charge airline to operate there. Also during recession people were also unable to go on holidays because of the increased prices everywhere, so it was difficult for Easyjet to cut the prices of their fares and still make a profit put off it to avoid the loss to the business. Other challenges that Easyjet faced were that it operated it selected countries whereas competitors were offering many more destinations to their customers. They have a strategic advantage to make their pricing policies attractive (Koenigsberg, Muller, Vilcassim, 2008, p. 283).

EasyJet also encountered ownership issues because the owner Stelios strongly opposed the expansion strategy. Stelios wanted to operate the airline at the lowest cost possible, but the shareholders wanted more profit from their investments. Therefore, they wanted the business to grow more. Stelios claimed that only 190 aircraft are enough to operate the airline, and the excess ones must be sold to conserve cash for the unsuitable economic conditions (UK Essays, 2015). These conflicts between the boards of directors created hassles between the top level and the managers. Stelios quitted the directors' board to show unacceptability towards growth strategy.

### ***Recommendations and conclusions***

With the above findings, we have come to know that both the companies are making remarkable efforts to improve the quality of their services. Despite the fact that British Airways is among the most renowned player in the service business and its importance cannot be neglected, however, there are certain problems encountered by the company in managing their operations as discussed in the main body of the report. Keeping in view the theoretical concepts that we have studied, certain recommendations are to be made to boost the company's performance. It was found in the literature that the opening of Heathrow terminal 5 was the crisis situation for the company, in such situations, the radical innovation is required, which the company was lacking at the time of emergency. Moreover, while implementing the innovation, there is a process that the company needs to adopt, such as, orientation and innovation, opportunity analysis, application analysis, implementation planning, testing the innovation and review the outcomes. As far as the people management is concerned, the company is already managing the staff so well, that no recommendations are needed, but people management can be

enhanced by finding out what motivates a particular employee and providing them such incentives will boost the reputation of the British Airways in the marketplace.

With regards to Easy Jet, the company has emerged as one of the best airlines in the United Kingdom. Its low fare strategy has attracted many customers towards the brand through the time. EasyJet has set its image as the carrier for ordinary people. Since its existence, it has faced many problems regarding its pricing, its service and its competitors, but EasyJet has managed to overcome all these problems and grow further more. EasyJet currently uses its dynamic pricing strategy for the sales of its seats, in contrast to British Airways which uses four different strategies to attract a stretched market segment. EasyJet must adopt the approach the British Airways uses because it would benefit them to target different customers. EasyJet should act proactively towards its expansion to grow in coming future and compete with the top airlines of UK. EasyJet is always communicating with its employees to provide them with the satisfaction they want. They are providing training and skill development sessions to their employees to have a competitive advantage over other companies. A satisfied human resource will work efficiently and efficiently and contribute more towards the productivity of EasyJet. It should strive to have a dynamic workforce so that they are capable or overcoming any problems that occur over time.

EasyJet must incorporate other luxuries into their services. They must provide meals to their passengers and other extra beneficial entertainments to enhance the experience of their customers. To have a better image in the minds of the customers, it should provide the services that the clients are looking for. Now a days travelling is not only restricted to the transportation of people from one place to another, but it has evolved as a mean of gaining experience. So EasyJet must modify their strategies to deliver the most engaging experience to their customers.

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