Strategic Challenges for Emirates Airline

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Introduction

It is estimated that the aviation industry in Dubai accounts for 27 percent of the country's GDP, with Emirates acting as the global hub for airline traffic related to passengers and cargo. The Dubai International Airport is the world's leading airport in passenger volume, estimated to handle over 83.6 million travellers according to the 2016 report from the Airports Council International. Emirates Airlines launched its first operation in 1985 with only two aircraft (Emirates, 2018). Today, the airline has over 230 aircraft that fly to over 150 destinations globally. Emirates Airlines' goal has been quantity since its launch, which has turned the airline into one of the world's influential tourism leaders operating in more than 80 countries (Emirates, 2018). As the aviation industry in the Middle East continues to grow and expand, Emirates Airlines receives competition from other competitors such as Air India, Etihad, Qatar, and Turkish Airlines. However, regardless of the stiff competition, Emirates is still the leading airline in the Middle East.

Emirates Airlines has continued to stress the quality rather than quantity of its products and services to its consumers. The airline aims to provide an exceptional customer experience by offering comfort to detail to all its customers so that it can be an airline that can be relied on by passengers. Emirates has one of the youngest fleets in the world, made up of the ultra-modern Emirates A380s and the spacious Boeing 777s. Passengers are guaranteed the utmost comfort when using the airline, regardless of their seating positions in the aircraft, due to the latest in-flight cabins. Apart from the fleets, Emirates Airlines has various lounges across the world that help start the memorable experiences of their passengers before they start boarding for the upper cabin classes and the elite frequent fliers. Passengers are guaranteed to enjoy spas, bar services, beauty treatments, and food buffets in the lounge. Emirates Airlines also provides air cargo services that include secure, dangerous goods, priority, and animals.

History

Emirates, in 1985, started off with only two aircraft. By 2015, the airline had 243 aircraft, which showed a 636 percent increase in the number of fleets under the airline. The company usually retires some of its oldest fleets and replaces them with fuel-efficient and modern fleets as the airline aims to win more customers and beat the competition.

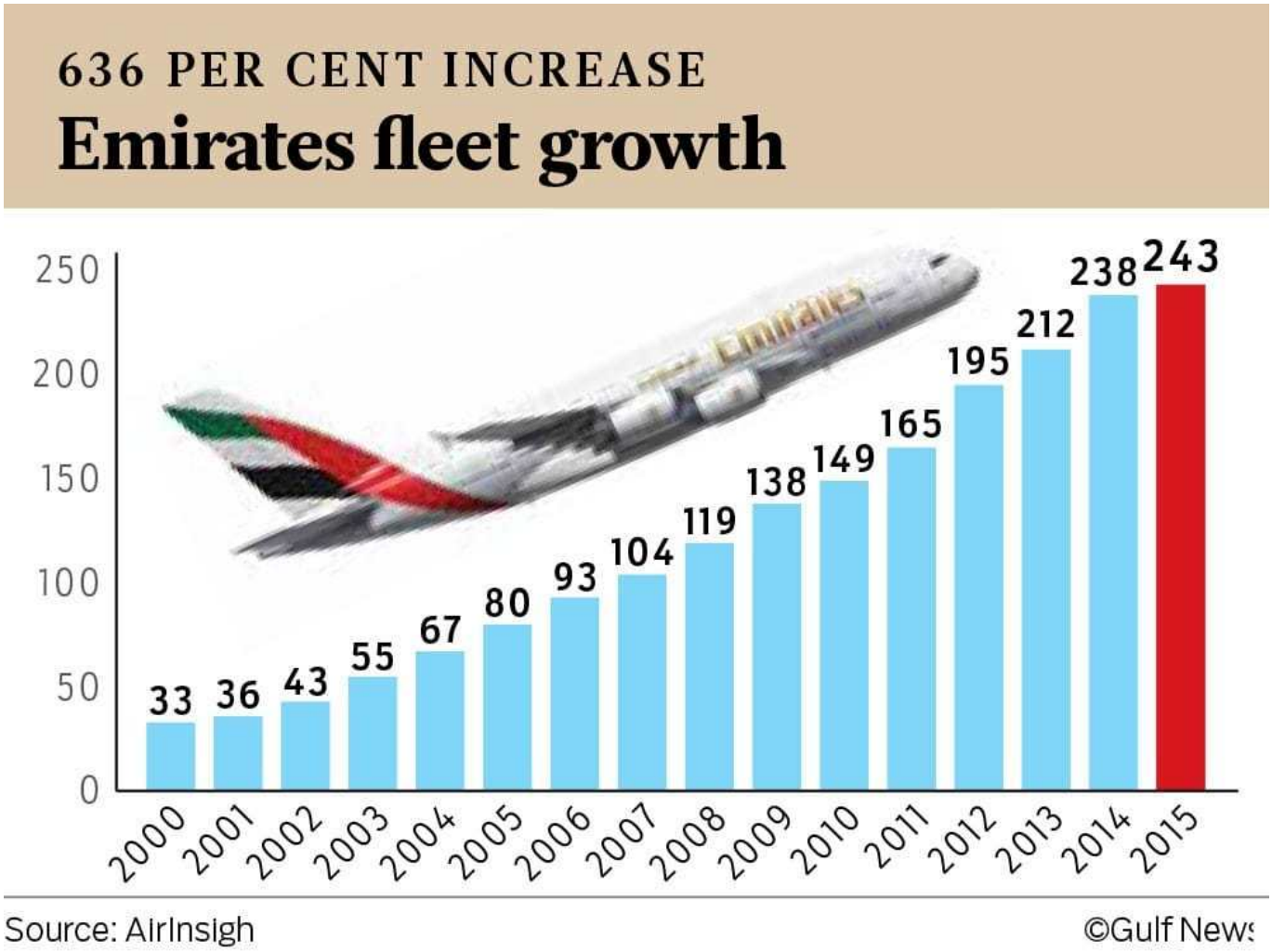


Figure 1

The aviation industry in the Middle East indicates that Qatar and Etihad Airlines have been the major competitors for Emirates since 2007. The data indicate that although Emirates is still the leading airline in the Middle East, it would have to come up with strategies that can help it stay on top of the stiffening competition.

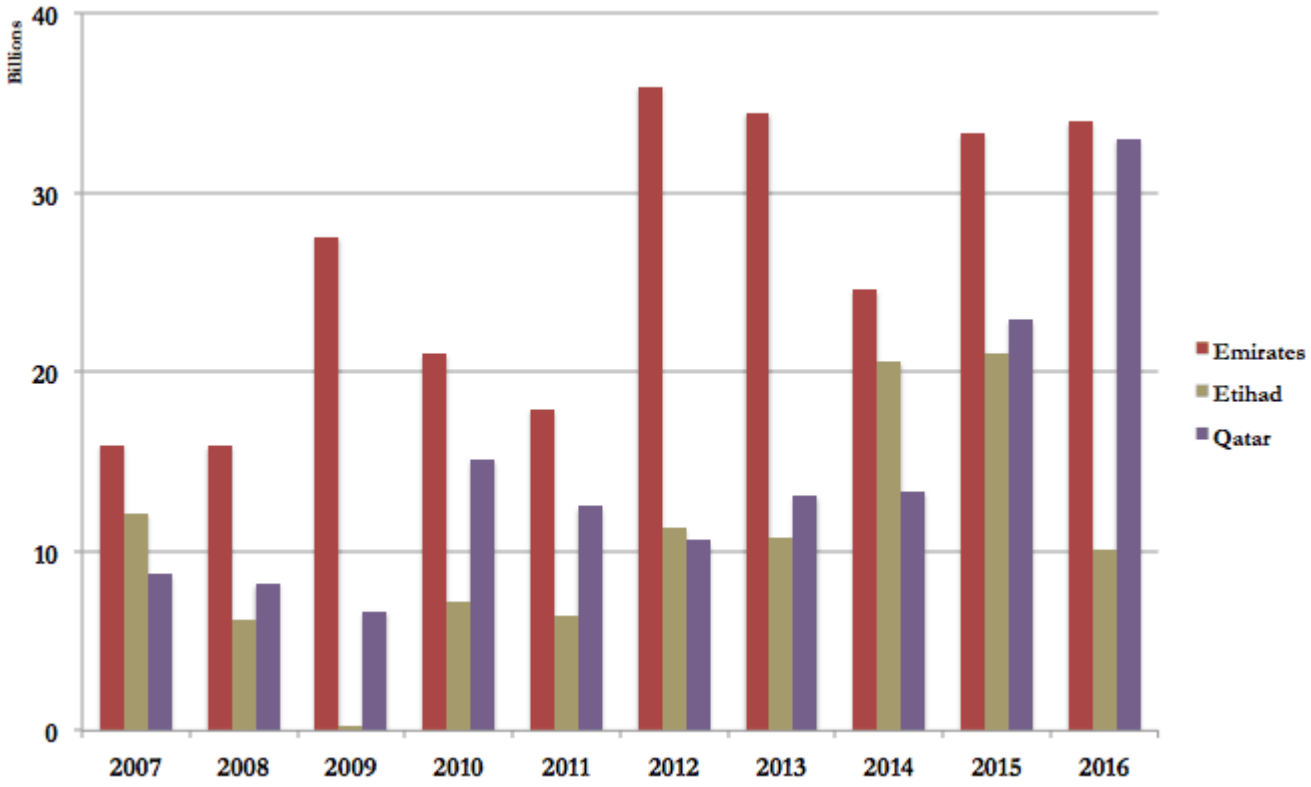


Figure 2: Yearly Revenues for Emirates, Etihad, and Qatar.

Qatar Airlines, for example, has shown a sharp acceleration from 2015 and continued to expand its operational bases. The airline poses a threat to Emirates Airlines, which continues to maintain its steady growth in the aviation industry in the Middle East.

Mission and Vision of Emirates Airlines

Like all other airlines in the Middle East, Emirates Airlines hopes to maintain its position and beat its competitors by introducing modern and comfortable fleets, commercial partnerships, and improving customer experience. Factors associated with the growth of Emirates include the geographical location, availability of cheap fuel, and its ownership by the Emirates Group. However, the success of the airline relies on Emirates Airlines' decision-makers. To assert whether the airline's strategies would help it beat its competitors and maintain its leading position in the Middle East, it is essential to analyze how the strategic options outlined have so far helped Emirates achieve its goals, mission, and vision. Emirates Airlines has already started implementing these strategic options to fulfill its set objectives.

Strengths and Opportunities of Emirates Airlines

First, the support from the Emirates Group has provided an advantage to Emirates Airlines as it has

put it in a position where it can acquire subsidies. The capability of investing in more fleets has been evident with the constant growth in the number of fleets in the airline. The traditional aviation passengers were more focused on the services provided by an airline when airborne. The focus of modern consumers has shifted towards better both on the ground and in the air. The strategic option of improving customer experience is an excellent idea for the airline, but it will have to involve both ground and airborne experiences.

Secondly, the digitalization of materials and services in the aviation industry has continued to increase competitive pressure. Aviation passengers are now more comfortable with purchasing tickets online and traveling on modernized aircraft. Introducing modernized fleets that are meant to improve comfort for the consumers and provide entertainment during their flights puts the airline in line with the customers' expectations. The current change in Boeing 777 aircraft, for example, provides passengers with luxury and privacy due to the fully enclosed private suites, the presence of Wi-Fi, and the personal spaces present within the aircraft (Rhoades, 2016). The Airbus also needs to be incorporated as the airline introduces new modernized fleets to its consumers.

Thirdly, a partnership with other airlines is a good way for Emirates Airlines to beat its competitors. A commercial partnership will greatly help Emirates Airlines grow its network and bring positive economic benefits to the local economy. The alliance of Qantas and Emirates Airlines in the United States, for example, has helped spur tourism in Dubai and Australia. It is estimated that in 2017, over 250,000 Australians visited Dubai as a result of the convergence of the two airlines (Emirates, 2018). Commercial partnerships are also essential for airlines that want to expand to other regions. Such partnerships can prove to be vital during the planning process of laying down the right infrastructure needed to support and capitalize on the growth of the venturing company. Commercial partnerships can further help Emirates Airlines advertise its products and services to grow its network and consumer base in foreign countries. Therefore, Emirates Airlines can use the commercial partnership to increase its dominance, beat its competitors, and easily expand to new regions. So far, the three strategic options seem to be in favor of the airline.

Question 1: What benefits will investing in modernized fleets provide to help Emirates Airlines maintain its dominance by beating the competition in the aviation industry?

Question 2: What role will commercial partnership and improving consumer experience play in expanding the consumer base of Emirates Airlines to other regions in the world?

Teaching Notes

Question 1: What benefits will investing in modernized fleets provide to help Emirates Airlines maintain its dominance by beating the competition in the aviation industry?

Analysis of the Differentiation Strategy Applied by Emirates Airlines

Product differentiation is an essential aspect of an organization when it comes to overcoming competition in the market. Differentiation refers to the changes that a firm makes to its products or services that are meant to distinguish them from other competitors in the market. Product differentiations are meant to attract consumers to specific products that have unique and contrasting qualities to other products in the same market. Successful differentiated products should be able to create a competitive advantage for a firm, and this can be achieved if the product showcases superiority. Product differentiation does not necessarily require an organization to change the entire product. Just like Emirates Airlines, organizations can incorporate new functional features to their original products that are in line with the interests of the consumers. The concept of product differentiation is usually subjective, with its main aim being to change the customers' perspectives towards a product and the organization as a whole (Vilotic, 2016).

Throughout its history of growth, Emirates Airlines has been associated with quality that matches the customers' preferences. Recently, the airline has adopted the strategy of retiring its old planes and replacing them with new, modernized airplanes. It is estimated that since 2015, the airline has retired approximately 39 old aircraft and replaced them with fuel-efficient and modern aeroplanes. The company has further announced that it plans to retire 13 more old planes in 2018 and replace them with modernized ones. The planes added by Emirates Airlines include Airbus and passenger aircraft. The airline describes its new fleet as one that guarantees comfort, privacy, and safety to its passengers. The new Boeing 777, for example, has new features such as enclosed private suites that contain smart technologies that are intelligently designed to provide first-class passengers with luxury and comfort. Additionally, all the newly launched planes have leather seats that are designed to give the passengers a feeling of relaxation and weightlessness (Taneja, 2016).

As Emirates Airlines distinguishes its fleet from other competitors like Qatar and Etihad Airlines, the airline creates value for itself. A company that applies a differentiation strategy that focuses on the customer demands and cost value, it creates a perceived value among its consumers. The use of smart technology in its aircraft indicates that the airline is aware of the preferences of modern consumers. Modern consumers are associated with digitalization, which involves access to the internet. The presence of Wi-Fi in the Emirates aircraft provides an opportunity for the passengers, especially entrepreneurs, to access the internet. Such differentiation tactics will assist Emirates in attracting more customers to its airlines, as it has created value for itself. Value creation separates a company from its competitors. Emirates Airline by creating value for itself through differentiating its fleet from its competitors, creates a competitive advantage for itself. This will, in the long run, help it maintain its dominance in the aviation industry.

The modernized fleet creates an opportunity for Emirates Airlines to compete at a higher level in terms of price. Emirates Airlines offers its services at a price that is in line with its competitors. The

strategy puts the airline in a non-price competition, and passengers searching for more will shift towards it. The quality and design of the fleet in Emirates Airlines give it a competitive advantage in the aviation industry. The airline creates an opportunity for itself to maintain the profit margin that can help it further maintain its dominance in the industry. The non-price competition associated with Emirates Airlines will help it focus on its mission of maintaining quality for its customers. Consumers are likely to choose Emirates Airlines due to the added features in its aircraft, helping it to expand its consumer base and beat competitors.

Although Emirates Airlines is young in the aviation industry, the airline has managed to maintain its dominance over the years by focusing on quality. Improving the design of its fleets creates the perception of no substitute for its consumers. The differentiation strategy applied by Emirates Airlines primarily focuses on providing a product that is unique from its competitors. Consumers are bound to be loyal to the airline as they see changes that are in line with their demands. This will eventually help in creating brand loyalty among Emirates customers, which can significantly assist the airline in maintaining its dominance. Brand loyalty can only be achieved if an organization maintains quality and implements changes to its products that are in line with the demands of the consumers. Emirates Airlines is implementing a tactic that is aimed at achieving brand loyalty from consumers, which is an excellent move for gaining a competitive advantage and maintaining dominance (Taneja, 2016).

The introduction of young and modernized fleets by Emirates Airlines is an excellent strategy for maintaining dominance and beating the competition. However, some changes need to be considered to make the tactic more effective. Most of the additional features found in the young and modernized fleets are directed to the business and upper classes. The airline needs to take into consideration the economy class passengers. Economy class passengers make up most of the travellers in the aviation industry. Qatar Airways has been able to rise rapidly in the aviation industry by considering the economy class, as it implements its strategy of trying to. achieve a competitive advantage. By not taking serious consideration of the economy class passengers, Emirates Airlines has started receiving some challenges from other airlines such as Qatar and Etihad. This can, in the long run, contribute to Emirates Airlines losing its dominance in the aviation industry. The chart below can further help the airline better understand its products and customers and improve its differentiation strategy.

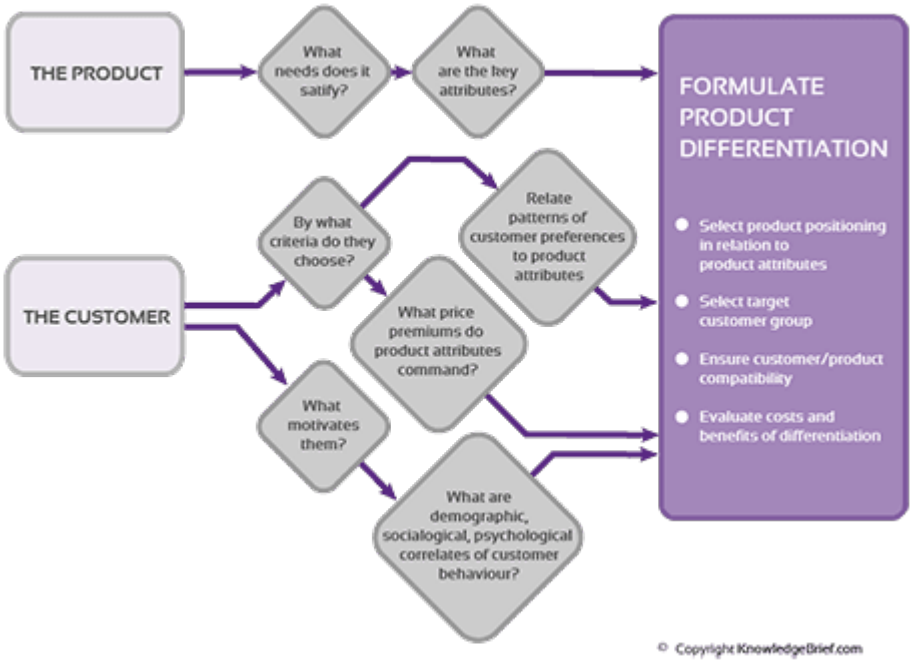


Figure 3: Improving the Differentiation Strategy

Question 2: What role will commercial partnership play in expanding the consumer base of Emirates Airlines to other regions in the world?

Analysis *of Commercial Partnership Strategy*

A commercial partnership is an excellent strategy for expanding any business. Emirates Airlines has engaged in a partnership with other companies such as Qantas, Korean Air, and JetBlue Airways. Such business alliances can enable Emirates to penetrate new markets and grow in the existing markets. Business alliances are one of the ways that companies can gain access to their partners' customers. Business alliances can help the airline have access to the unique know-how of its partners due to the knowledge sharing present between the partners. Emirates can use its partners' bases to expand its consumer base, requesting access to their operations in the regions. Business transactions are easy to conduct between commercial partners (Abner, 2015). Such information can help Emirates Airlines understand the consumer demands in different geographical regions and better position itself to meet the needs and increase its consumer base.

A commercial partnership can assist a company in gaining economies of scale. Economies of scale refer to the advantages related to cost that a company can gain by expanding. Business alliances are strategies aimed at the growth of a company through expansion. By partnering with other airlines

such as JetBlue in America, it gradually continues to expand its consumer base in these regions. Such partnerships provide Emirates with an opportunity to access wider market channels, which might have posed a challenge without the partnership. Through the commercial partnership, Emirates Airlines can reduce its average production costs through specialization. The airline can relocate other responsibilities to its partners and reduce its responsibilities, which can help it focus more on how to increase its consumer base in these regions. Achieving economies of scale will further assist Emirates in carrying out its operations more competitively in larger markets with the help of its partners. The commercial partnership will help Emirates improve its flexibility in the regions. The partnership provides an easy way of managing and running businesses since there is more capital to be invested. Business alliances are also less strictly regulated than government or individual businesses since the partners determine the requirements for the operations of the company.

A commercial partnership can be used as a tool for improving the confidence of customers in an organization. By partnering with local airlines in different geographical regions, Emirates can be able to gain the confidence of customers in these regions. Customers sometimes prefer to travel using their local airlines. By partnering with such airlines, Emirates will be marketing its brand to such customers and gaining their confidence. Various industrial zones are being introduced in other countries, such as those in developing countries (Leinwand & Mainardi, 2016). Commercial partnerships with local airline industries in such regions can help Emirates easily start its operations in such countries. The commercial partnership provides easy access for companies to venture into new regions and markets, easily carry out their operations, and expand their consumer base.

A commercial partnership can be used as a tool to find new customers. Partnerships can provide the customer knowledge required by an organization to effectively carry out its operations through knowledge sharing. The commercial partnership can help Emirates understand its targeted audience in different geographical regions, which can assist in finding new customers. This is usually achieved through the decision-making process, where all the partners are involved. By partnering with other firms, organizations can help out one another regarding the challenges in their market. From such discussions, industries can brainstorm on how to find new consumers in the region and come up with ideas on how they can capture these new consumers (Hussain, Nasser, & Hussain, 2015). Partnership decision-making processes are considered more efficient since more brains are involved, which creates room for brainstorming various strategies that can help capture new consumers. Emirates Airlines can gain relevant insights regarding different geographical aviation industries by partnering up with local companies that will help in the decision-making process on the required operational procedures.

The commercial partnership also creates more time that can be utilized by a company to its advantage. Emirates Airline, for example, partnering with other airlines means that there are more aircraft that can be used to fly passengers and cargo. Commercial partnership requires that both companies contribute resources and equipment that would be needed in the operations. Costs and responsibilities are significantly reduced through a commercial partnership that allows each organization to improve its operations. Time management is one of the benefits that can arise from

the partnership since the business operations are more streamlined. This can pave the way for a company to come up with ways on how they can utilize time, which can include expanding the consumer base. Providing more flights to consumers can be a good way of expanding the consumer base. Emirates can continue with the bold strategy of commercial partnership and increase its flights to consumers. Such convenience and reliability can give Emirates a competitive advantage over its competitors in the market, which can help it expand its consumer base. Increasing flights can also provide an opportunity for Emirates Airlines to venture into new areas due to the availability of aircraft and good schedules that may have arisen as a result of the commercial partnership with other airlines.

Emirates Airlines makes a bold move by trying to create commercial partnerships with other airlines and companies. However, there is a need for the airline to expand its partnership strategy to its other operations. Emirates Airlines mostly focuses its commercial partnerships on passengers. The cargo aviation industry can play an essential role in expanding the airline's consumer base. Emirates Airlines has a sub-branch known as SkyCargo that focuses on shipping cargo. However, the cargo sub-branches have few partnerships, with the recent one being with Cargolux. The two airlines signed an agreement for a strategic, operational partnership in the air cargo department in 2017, marking a major move by the airline. However, there is a need for Emirates to create more commercial partnerships in the air cargo industry if it hopes to make the best of the strategy as it aims to expand its consumer base. Business alliances can help Emirates understand its targeted audience in different geographical regions, which can assist in finding new customers.

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Appendix A

The location of Dubai is on the Eastern coast of the Arabian Peninsula. The Dubai people are popularly known for their warm hospitality and generosity when dealing with visitors. The country experiences sunshine in most months of the year, which has continued to attract visitors. Intriguing deserts, fascinating heritages, the thriving business sector, beautiful beaches, and luxurious hotels and malls have further facilitated the growth of the tourism industry in Dubai. The booming tourism sector has contributed to the growth of other departments, such as the aviation industry. The local currency for Dubai is the dirham, and the widely practised religion is Islam. The leaders in the country are constantly working to transform the economy of Dubai through the improvement of its sectors, such as the business community. The aviation sector is another sector that the government has taken a keen interest in due to the important role that it plays in supporting the growth of other sectors.

Appendix B

1. Figure 1: 636 Percent Increase: Emirates fleet growth.
2. Figure 2: Yearly revenue for Emirates, Etihad, and Qatar.
3. Figure 3: Improving the differentiation strategy

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