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International Marketing Management

Bang & Olufsen Case Study

A. How are the Bang & Olufsen audio systems marketed? Please explain.

Bang & Olufsen's marketing strategy is quite unique and imaginative. Three of their goods are on permanent display at the New York Museum of Modern Art. They also utilized the "lifestyle" marketing technique and this renowned branding advertisement. Their primary target market is middle- to upper-class folks who can afford their items. They center their marketing efforts on informed and nurtured subjects and concepts based on their tiny target group's lifestyle. They coined the slogan "B&Q is for individuals who value taste and quality over money" as part of their "lifestyle" promotion. The phrase implies that their products are for those who have the luxury of not worrying about price and instead focusing on quality.

Bang and Olufsen create a unique and exclusive line of televisions, audio systems, loudspeakers, phones, and multimedia goods that blend technological innovation with emotional appeal. The company has partnered with e-commerce giant Amazon to influence customer behavior. Customers will receive warranty registration forms with devices they purchase, allowing them to register their purchases for support throughout the product's lifetime.

B. As a niche market product, elaborate on the target market.

The company has a very specific and narrow target market. As previously said, they target moderate to upper-class consumers who value product quality. They also cater to people who enjoy simple but high-quality technologies. They claim to make unique products for unique

clients as part of their mission. They aim to make clients feel special by using individualization. The author of the essay names four target groups, three of which fit into their target market: young adults with no obligations and a disposable income; middle-aged adults with financial security; and senior persons with enough funds to spend on luxury technology.

Bang and Olufsen items are marketed as "lifestyle" products and are carefully targeted at educated, well-to-do, cultured in their hobbies, and extremely individualistic and self-motivated middle and upper-class customers. Bang and Olufsen frequently refer to Mercedes-Benz as their biggest competition, believing that the two companies are battling for upper-middle-class discretionary spending.

C. How does Bang & Olufsen, differentiate their audio system, including speakers from their competitors.

Bang & Olufsen have a plan to differentiate themselves from their competition in addition to their particular target market. It's known as the "high-brow" strategy since it focuses on intellectuals. Instead, of mass-producing and selling their items at a lower cost like other companies, they make a limited number of things. They strive to appeal to particular needs rather than the general public. They also place a premium on the aesthetics of their high-performance products. Customers are particularly devoted to the company because their items are of high quality and endure a long time.

In the worldwide market, the high-tech industry is facing fierce rivalry, particularly in the areas of audio/video, loudspeakers, and digital appliances. Bang & Olufsen and Sony are both successful companies that have outstanding strategies in their respective marketplaces in the same business. However, Sony is a less expensive brand that was created in 1946 in Japan, as

opposed to Bang & Olufsen. It is a prominent electronics and entertainment company that provides high-quality digital and media products to a global audience.

Peter Bang and Sven Olufsen, two young Danish engineers, created Bang & Olufsen in 1925. Known throughout the world for outstanding, concept-driven, high-quality items. It designs and manufactures a wide range of digital appliances and audio/video equipment.

D. Please explain the four (4) categories targeted customer profiles.

Younger groups developing, nest builders, medium-aged middle to upper-class persons, and the 'grey gold' are the four client profiles addressed in the essay. The first group comprises of young, educated adults with extra cash. They live alone and have no obligations or commitments. The second group is made up of younger people who have begun to construct their nests and settle down. Because they are on a budget, they usually do not have much additional money to spend on fancy products. The third category consists of middle-aged people who have financial obligations but are at a position in their lives where they can purchase expensive items. The final profile is made up of senior adults who have most likely already retired. They have more free time and some money that they could spend on novel products.

To further explain the categories above, the first group consists of people who are young and well-educated, have few commitments, a lot of spare income, and are eager to achieve their goals. Younger folks who have recently started a family are in the next category; money is tighter, and home purchases are done only after careful deliberation. The third group consists of those who have it all: their children have grown up, and despite some possible financial commitments, the family still has excess cash and is looking for pleasures such as second homes, exotic vacations, or maybe Bang and Olufsen equipment. The final group, known as "grey gold," consists of parents whose children have left home, who have money to spend, and who may

consider purchasing Bang and Olufsen products for the purpose of novelty or owing to external influences.

A. What are the competitive advantages of RyanAir. Please explain.

Ryanair, according to Mennen, was able to gain a competitive edge by synchronizing three business system components. Their competitive advantages stem from their low-cost strategy, which allows them to offer extremely low-cost flights. They offer frequently scheduled short-haul destinations inside Europe. They uncovered and are exploiting a previously untapped low-cost market area in Europe. The huge demand generated by the low fares creates an uncontested market known as the "blue ocean."

However, there are more advantages such as online bookings, one class travel, ticketless boarding, unallocated seats, flying to secondary airports, point-to-point flying, in-house marketing, no-frills, reduced turnaround times, no refund policy, corporate partnerships, no cargo service, bargaining power, new aircraft, owns own fleet, operations denominated in Euro, hedge fuel risk, highly successful ancillary service offering, outsourcing of services at international airports, limited airport transportation, advertising on airplanes, yield management, uniform fleet, high productivity, high service levels, general cost, reductions, eliminating seatback pockets, airsickness bags distributed on request, and charges larger penalties for overweight luggage.

B. What American airlines did RyanAir emulate in developing its business model?

Explain.

They emulated Lufthansa in developing its business model. In Europe, Lufthansa and Ryanair are two of the most important participants in the aviation business, with about 260

million passengers in 2017. The major question is why passengers picked Lufthansa or Ryanair and what products they offer.

The disparity between Lufthansa and Ryanair is palpable. Rather than traveling Europe's capitals in search of taxpayer-funded handouts, Ryanair is inventing its way out of the crisis by offering passengers lower tickets and better connectivity at a time when Europe's regions and cities sorely need tourism and local economies to recover. In addition, Ryanair had reduced their trip ticket to under ten dollars, causing Lufthansa to suffer a significant backlash.

Ryanair's advantages that helped it beat Lufthansa are as follows: Training costs: They only have one kind of plane, so all of their staff are trained to handle only that kind of plane. Everything is the same, and this will reduce the costs of training staff for different planes. Also, the staff is more efficient when cleaning the plane, boarding, and using all of the features. This reduces the costs. Secondary airports: Ryanair takes advantage of airports that are inactive by landing on them. They pay lower fees, the time it takes to taxi to the runway is way lower and they can land when they want (if they are delayed, they don't need to wait for their slot). This will increase the punctuality and reduce the costs. Efficiency stress: The ground staff and the cabin crew are stressed to board the plane in the least amount of time. You will see ground staff passing passengers through the boarding gates without a plane to go. The cabin crew also wants to seat everything in the least amount of time possible to get to the destination on time. This reduces parking fees and keeps punctuality. Fees: You will have a fee for arriving at the airport without doing the online check-in; you have to pay to choose your seat; you have to pay if you want priority boarding

and you will pay if your luggage does not fit the box. Of course, these are costs you don't need to pay if you pay attention to what you are doing. Government grants: Some cities give grants to Ryanair. Ryanair then promotes the "low fare" routes to their passengers and even creates new routes. They will pay Ryanair almost anything for arriving at the airport with a plane full of passengers. Power to negotiate: When you have more than 300 planes landing at your airport and the company responsible for 30% of your passenger traffic demands to lower your fees, you do not have any chance of negotiation. This keeps the costs low. Free advertising: When was the last time you heard an advertising about Ryanair? Michael O'Leary is responsible for saying the worst things in exchange for attention from the media. In Portugal (in regards to the bird population around the new airport in Lisbon), he said he would go there and shoot the birds. He was also responsible for the rumors about the fat tax and the paying bathroom. They can lose 10€ for flying a passenger to its destination because they pay for the free advertising the media makes about the crazy low fares. Turnaround time: An airplane only makes money by flying, not by standing around on the ground. The turnaround times (25 minutes in secondary airports and 35 minutes in important airports) are important because they save 15 or 20 minutes in each turnaround. If you do the math, $15 \text{ minutes} \times 4 \text{ routes}$ (a normal airline company does 4 routes in a plane, by airplane) = 60 minutes route. Ryanair can fly the 5th route by each plane it operates, increasing the revenue per route and the overall revenue of that plane. Young fleet: Ryanair has a very young fleet of Boeing 737. This reduces the costs of maintenance and also reduces the possibility of a failure of a major component, costing money in meals and accommodation for its passengers.

C. How has RyanAir managed to keep the operational cost of the airplane through cost focus? Explain.

There are quite a few methods that RyanAir uses to avoid extra costs. These are: Utilizing smaller airports located outside of the metropolis. Because they don't receive as many flights from major carriers, those airports are frequently less expensive. They are located further from city cores, making them inconvenient for travelers on more expensive airlines. RyanAir is sometimes the only airline that flies to those airports, providing it a significant negotiating advantage because the airports' entire existence depends on RyanAir serving them. RyanAir can use its negotiation muscle to get airports to decrease prices even more. They're known for using a point-to-point model, in which passengers from smaller cities are flown into a hub (such as London Heathrow for British Airlines) and then transferred to larger flights to their final destination, rather than a hub-and-spoke model, in which passengers from smaller cities are flown into a hub (such as London Heathrow for British Airlines) and then transferred to larger flights to their final destination.

Jetways are not used. RyanAir refuses to employ jetways, bridges that connect planes to terminal buildings. They are considered a convenience, and their availability at airports is typically limited. As a result, airports frequently charge extra to use the restricted number of jetways available. RyanAir, to keep costs down, avoids using them and instead uses simple gates to which passengers are most typically driven by bus, forcing guests to load their checked luggage themselves.

Using the same fleet of planes. Only Boeing 737–800 aircraft are used by RyanAir, which purchased them following the post-9/11 aviation industry meltdown. They were able to get enormous bulk discounts from Boeing when they ordered a large number of airplanes because the industry was hurting. This gives them a strong negotiation position with Boeing in the future. Because mechanics must be trained to repair only one type of aircraft and only one type of aircraft requires a supply of parts, using the same aircraft type throughout their fleet allows them to save money on maintenance. Additionally, crews only need to train for one type of aircraft, saving time and money. They are also recognized for having a fleet of aircraft that is among Europe's youngest, with an average age of only 6.7 years. Younger airplanes are usually more fuel-efficient and have fewer breakdowns.

Flight crews at the entry-level. RyanAir frequently hires crew members who are just beginning their careers in the aviation sector. They cannot dictate their job terms because their employees are usually inexperienced, yet they require valuable experience to work for mainstream airlines in the future. They frequently come from countries with high unemployment rates (Spain, Greece, etc.). They also agreed with their employees that there would be no syndicate for staff who are often employed through recruiting agencies (head hunters).

A business model with no frills. Not everyone needs a snack on the aircraft, and not everyone travels with a lot of luggage. The people listed above frequently like the fact that they can save a few euros for the services they don't need to spend elsewhere. Those who require amenities such as checked bags or an in-flight meal must be prepared to pay a premium, as RyanAir has a large markup on in-flight services. For other people, particularly travelers, flying is just a way to get from point A to point B. It does not have to be a lavish affair. That is why some people refer to RyanAir as the sky subway.

Turnaround times are extremely short. When a jet is in the air, it generates revenue. That's why RyanAir flights spend as little time as possible on the ground. Due to airport taxes that are charged per minute and the jet not generating any revenue, every minute spent on the tarmac loses airlines' money. That's why travelers are urged to print their boarding cards at home (or pay a €45 fine if they don't) and board the plane as quickly as possible. Their CEO even mounted a taxi sign on top of his car to take advantage of Dublin's taxi lanes and escape traffic jams. This leads us to the following point:

Statements and actions that are controversial. RyanAir and its CEO in particular have a reputation for making provocative statements and actions that garner them free exposure.

The interiors are cramped. RyanAir is doing everything it can to cram as many people as possible into the plane. As a result, the seat pitch is low and the chairs do not recline. They also use the cheapest Boeing seats available and glue the safety instructions to the back of the seat in front rather than printing them. RyanAir discussed removing window blinds to save on fuel, weight, and plane purchase costs at one point, but the Irish government prevented them. One pair of lavatories was also proposed to be removed and replaced with two extra rows of chairs.

Running out of gas. Ryanair flights are noted for carrying just enough fuel to get them through the voyage without a little delay. A rule of thumb states that a plane uses 1/3 of its fuel only to transport its fuel. While this approach reduced expenses, it also resulted in several cases where a fuel emergency had to be declared and planes had to land in an emergency.

Every seat is taken. Unlike an empty seat, seats that are offered for extremely low costs and are sold earn some revenue. RyanAir prefers to have every seat on their plane filled rather than having vacant seats, which is why they provide affordable prices.

Ryanair's strategy of being the lowest cost airline comes with a cost focus to watch. This includes not offering paper tickets, passenger meals, and pre-arranged seating. Many passengers chose Ryanair because of the low prices, even though they don't offer these options. And because they don't offer these services, they can keep their operational costs low.

D. Is the low-cost price strategy in the long run sustainable? Explain.

Yes, it is sustainable. Low-cost carriers are frequently greener than their more expensive equivalents, according to Ryanair's aircraft models, CO2 emissions, and passenger counts. This is due to the fact that they tend to overbook their flights, resulting in lower carbon dioxide emissions overall. The experts also advise people who care about the environment to take a direct trip. A layover can result in a 35 percent increase in emissions per person. Because of their minimalistic approach, Ryanair's low-cost business model and strategy successfully result in sustainability as a by-product.

Low-cost airlines will continue to be popular. People will always select these airlines for short-distance destinations since the blue ocean will never disappear. Low-cost carriers, such as Ryanair, should pursue an alternate strategy to retain passengers in the long run. They can differentiate their message by giving the airline alternative values. For example, Ryanair's marketing strategy was varied by emphasizing efficiency and punctuality, for example. A hybrid strategy diversifies the message and can aid a company's long-term survival.

