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Emirates

Business Case Study of EMIRATES AIRLINES

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www.emirates.com
BOEING 777-300ER

The Reality of Airlines Business

- If you want to be a millionaire, start with a billion dollars, and launch a new airline → Richard Branson.
- Airlines is one of the most expensive business and less profitable business in the world.
- Fuel cost alone account for 30-40% revenue.
- Profit margin barely 10%.

Emirates Profitable Airlines

- Emirates has been profitable in35 of its 38 operations.
- From 2018 to 2020, average revenue $16.5 billion and average profit $428 million.

Emirates Background

- I have good news and bad news. We have found oil but not much. → Sheikh Rashid Bin Saeed Al Maktoum.
- UAE 7th most oil reserves country, could have served for 50 years
- They found on airlines to generate new source of revenue.
- Dubai is 8 hour flight distance away from 60% of world population.
- Dubai airport as an transit hub.
- Dubai’s geographical location to become a port hub.
- Govt. allocated only $10 million budget for an airlines.

Wet Leasing of Emirates

- Made a deal with Pakistan International Airlines.
- Got 2 airplanes in lease.
- Got some qualified pilots and crew members.
- Only maintain fuel costs and maintenance cost.

Advantages of Emirates

- Commence operations within five months of its inception.
- Flexibility to test routes and gauge passenger demand.
- Avoided significant upfront cost.
- Offered quality services.
- Invested in its own fleet.
- Started operating within 5 months and within 9 months Emirates was a profitable airlines.

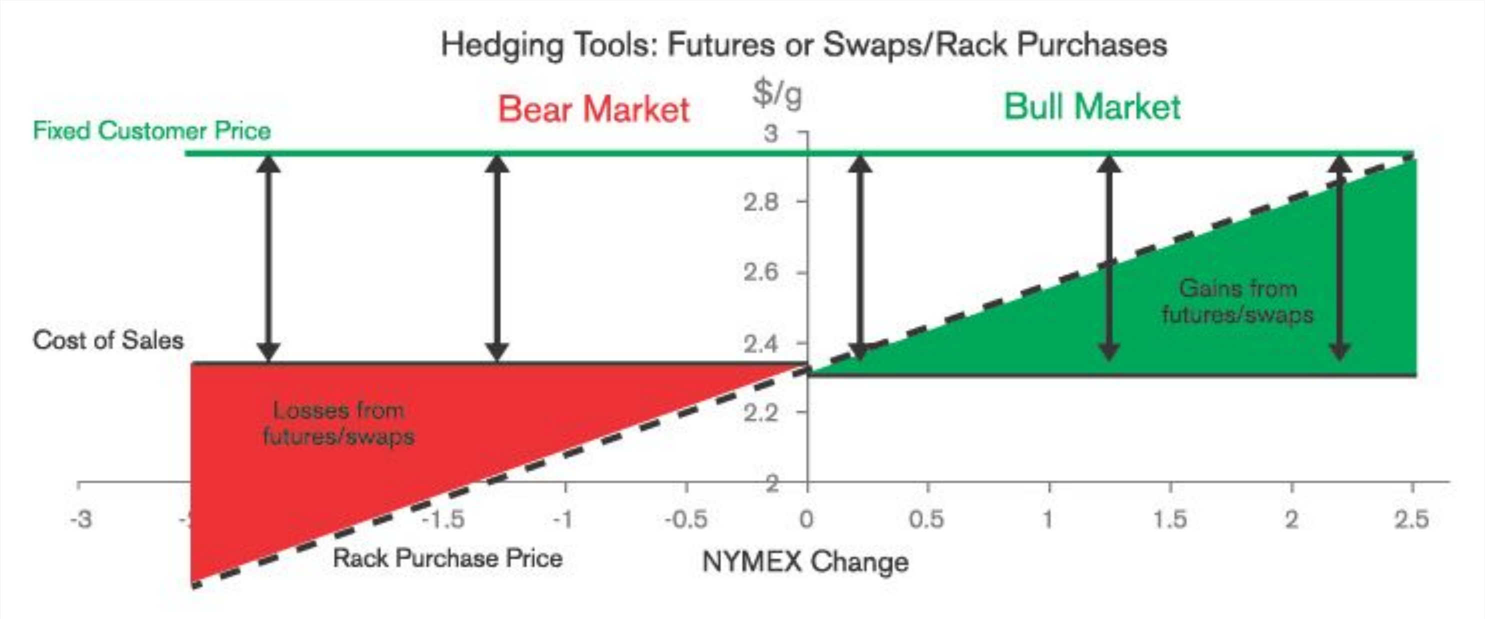
Labour Management

- Average employee cost 21.6% of their operating revenue, relatively low than other.
- No labour strikes.
- Does not recognize trade unions at all.
- Signs with fixed term contracts.
- Competitive tax free salaries, accommodation and other benefits.

Fuel Strategy

- Less fuel transportable cost.
- Fuel hedging, fuel insurance.
- If tomorrow fuel price skyrocketed, they will still get discount.
- Allocate money in other expenses.
- Stability and predictability of your expenses.

Fuel Hedging



Fuel Efficiency

- Younger aircraft more fuel efficiency and needs less maintenance.
- 1% increase in the average fleet age of Turkish Airlines causes 6.93% increase in fuel expenses.
- Average fleet age of Emirates is 9 years, younger than other market players.

Promoting Tourism

- World Expo at Dubai, govt and Emirates partner together.
- Special combo packages are offered.
- Promoting Dubai’s attractions, events, festivals.
- Wealthy tourists spend on experiences and services in Dubai.
- Tourism of Dubai is benefited due to Emirates marketing.
- Emirates is benefitted by Dubai’s festivals and tourism traffic.
- Dubai gets marketed to the richest people in the world.

Emirates & Dubai Expo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Emirates SWOT Analysis

Emirates Economic Performance

Business Lessons

- Frugality is not a trait of the impoverished, but a hallmark of the wise.
- Spot opportunities and risks in the business are equally important.
- The synergy of complementary products is one of the most powerful instruments of growth.