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Ryanair: Flying Too Close to the Sun?[[1]](#endnote-1)

Ciaran Heavey and Dorota Piaskowska wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Since Ryanair DAC’s[[2]](#endnote-2) emergence as an upstart challenger to the Aer Lingus Ltd.–British Airways plc duopoly in the late 1980s, it had been both a consumer champion and antagonist; a technological leader and laggard; a paragon of management discipline but also one of hubris. Between 2013 and 2018, it successfully architected and delivered a strategic turnaround enshrining its position as Europe’s largest, cheapest, and most profitable airline. But the fallout from the 2017 rostering crisis, in which Ryanair cancelled up to 50 flights per day, inconveniencing over 400,000 customers, illustrated some key vulnerabilities in its strategy. As Ryanair faced months of bitter union negotiations, the sustainability of its business model and its growth were brought into sharp focus. Could Ryanair sustain its low-cost model in the teeth of increasing union demands? How much further could Ryanair grow, and where would future growth come from?

Market and Competitive Context[[3]](#endnote-3)

In 2018, the European market for air travel grew similarly as in prior years, with continued but slowing growth expected in the near future in the order of 1.9 per cent between 2018 and 2040.[[4]](#endnote-4) Airlines had total revenues of €132.4 billion[[5]](#endnote-5) in 2017 and enjoyed a compound average growth rate (CAGR) of 6.9 per cent between 2013 and 2017. In volume, the airlines flew more than one billion passengers in 2017, with a cumulative growth rate of 5.5 per cent between 2013–2017. This growth was facilitated by the European Union’s (EU) internal market for aviation, which replaced national rules with a single set of EU rules in 1992. Yet challenges appeared on the horizon. A key issue was capacity at European airports, which struggled with the surge in air traffic and delays due to air traffic control strikes and weather factors that weighed heavily on Ryanair’s and other airlines’ profitability.

The emergence of low-cost carriers (LCCs) in the early- to mid-1990s opened air travel to customers who otherwise might not have travelled by air or at all. By 2018, LCCs held 43 per cent of the European travel market, up from 9 per cent in 2002.[[6]](#endnote-6) In the early days, it was easy to distinguish the value proposition of LCCs from that of full-service carriers: LCCs appealed to price-conscious customers and offered a different level of service compared to full-service airlines. However, over time, the low fares of LCCs began to attract the customers of legacy airlines. Full-service airlines responded with changes to their cost structures and either re-positioned themselves as LCCs, or they pursued a hybrid strategy of maintaining frills on the legacy carrier but setting up a low-cost subsidiary airline. In 2010, long-haul (transatlantic) LCCs had emerged, including Norwegian Air Shuttle ASA and WOW Air hf. In 2018, there were 47 aircraft in Europe deployed on long-haul, low-cost routes.[[7]](#endnote-7)

Due to the capital-intensive nature of the airline business, few firms earned a rate of return in excess of the cost of capital. Airlines’ profitability was particularly sensitive to oil prices. Traditionally, the industry had many competitors and new entrants, a high proportion of fixed costs, and high exit barriers. Lax capacity management during upswings in the economic cycle led to cost overhangs and aggressive price competition to fill capacity in the downswings. The failures of Monarch Airlines Ltd., Air Berlin plc and Co., and Alitalia (Società Aerea Italiana)—all in 2017—illustrated just how cut-throat competition was.

Revenue drivers in the industry included capacity, passenger yield, load factor, ancillary charges and fees, and cargo.[[8]](#endnote-8) For LCCs with a policy of “load factor active, yield passive” (maximizing volumes by minimizing price), ancillary sources of revenue compensated for the relatively low yields. Airlines were also increasingly turning to data analytics to improve their service offering and boost ancillary revenues—or as Kenny Jacobs, Ryanair’s chief marketing officer, said, “to cross- and up-sell the products you already have to the customers you already have.”[[9]](#endnote-9) Others experimented with predictive analytics to boost revenues.[[10]](#endnote-10)

Ryanair’s History: A Sputtering Start[[11]](#endnote-11)

Ryanair was founded by Thomas Anthony (“Tony”) Ryan in 1985 with a staff of 25 people. Ryan’s initial idea was to use Dublin Airport as a hub to connect flights between the eastern United States and various locations in Europe, with eventual planned expansions to the Middle East. The business model was planned to combine low operating expenses with efficient operations and aggressive marketing. Ryanair obtained an airline licence following the collapse of Avair Ltd. in 1984 and commenced daily flights with a 15-seater Bandeirante aircraft from Waterford to London Gatwick.

Subsequently, Ryanair took on flag carriers Aer Lingus and British Airways on Dublin–London routes. It focused on London Luton Airport, which technically lay outside London but was served by a direct line to London’s King’s Cross railway station and the M1 motorway. With no direct competition for Ryanair, Luton Airport allowed the airline to establish its own fares and compete on the Dublin–London corridor. In May 1986, Ryanair initiated the first airline price war in Europe with a fare of IR£99 (return)[[12]](#footnote-1)—less than half of the lowest return fare of IR£209 charged by the incumbents. Subsequently, Ryanair expanded its network, offering flights from Dublin to Liverpool, Manchester, Glasgow, Cardiff, Brussels, and Munich, as well as flights from Luton Airport to several Irish airports.

Despite growing passenger numbers, Ryanair was losing millions, only turning its first profit of IR£293,000 in 1991. With the help of Michael O’Leary (at that time, Ryan’s personal assistant), Ryanair pruned unprofitable routes, focused primarily on underserved markets, and introduced new control systems. But Ryanair’s greatest challenge was the competition it faced from Irish flag carrier Aer Lingus, which followed Ryanair into almost every route it entered using state funding to finance predatory price cuts, increased capacity on key routes, and aggressive marketing.

While Ryanair retreated from some routes where competition was greatest, it had no choice but to cohabitate routes such as Dublin–London. Having eventually succeeded in convincing the Irish government to implement a two-airline policy on routes to London and other European airports, Ryan agreed to invest IR£20 million to fund Ryanair’s expansion.

The Ryanair Model: Cleared for Take-Off

In the early 1990s, O’Leary visited Southwest Airlines Co. and was able to observe its operating practices, the fast turnaround, and the zeal for utilization of aircraft.[[13]](#endnote-12) O’Leary returned with a clear business model in mind: lowest fares, highest frequency, lowest costs, and highest productivity relative to other airlines. When he eventually became chief operating officer (CEO) in 1994, O’Leary replaced the existing fleet with a single fleet of Boeing 737s, simplified the fare structure, added new routes, and focused on secondary airports to minimize airport charges and facilitate fast turnaround. Expansion of the route network into mainland Europe followed in the second half of the 1990s.[[14]](#endnote-13)

Bases and Fleet

In addition to growing its route network, Ryanair opened new bases in secondary airports throughout Europe. Flying to secondary airports offered several advantages. For instance, greater negotiating leverage resulted in lower passenger fees and landing charges, and the lack of congestion at secondary airports enabled Ryanair to maintain industry-leading turnaround times. By 2005, Ryanair had 15 bases throughout Europe. This number increased to 44 in 2010, 75 by 2015, and 87 by 2018. To fuel this expansion, Ryanair continued to grow and renew its fleet (see Exhibit 1). This was especially evident in 2014 when Ryanair signed a deal for up to 200 Boeing 737 Max 200 aircraft, allowing Ryanair to cut fuel costs by 18 per cent, accommodate up to 197 passengers per plane, and offer more legroom.[[15]](#endnote-14)

No Frills

Aggression on the pricing front was supported by rigid adherence to the no-frills model (see Exhibit 2). For O’Leary, Ryanair had the most clearly defined customer service philosophy in the world:

We guarantee to give you the lowest airfare. You get a safe flight. You get a normally on-time flight. That’s the package. We don’t and won’t give you anything more on top of that. Listen, we care for our customers in the most fundamental way possible: we don’t screw them every time we fly them.[[16]](#endnote-15)

This no-frills policy extended to situations in which flights were delayed or cancelled. Ryanair would neither refund the fare nor aid discommoded passengers. As O’Leary succinctly explained, “If a plane is cancelled, will we put you up in a hotel overnight? Absolutely not. If a plane is delayed, will we give you a voucher for a restaurant? Absolutely not.”[[17]](#endnote-16)

To maintain the no-frills model, Ryanair almost always passed costs along to customers. At one point, the airline charged customers for ice when Ryanair was in dispute with Gate Gourmet Inc. over the cost of delivering ice, an initiative that O’Leary claimed would save £40,000 a year.[[18]](#endnote-17) While low fares were central to Ryanair’s strategy, punctuality, cancellations, and lost baggage were also key service indicators and essential elements of Ryanair’s value proposition.

Lowest Costs

Ryanair was relentless in lowering costs in each aspect of its operations. Ryanair consistently achieved lower costs per passenger when compared to rivals (see Exhibit 3). The various elements of its activity system—no frills, no assigned seating, direct bookings, point-to-point flights, emphasis on secondary airports, and use of a single type of aircraft—enabled Ryanair to decrease costs through a combination of scale economies, experience curve effects, and low cost inputs. By one account, O’Leary prohibited the purchase of biros (ballpoint pens) and was quoted as saying, “Hotels are great companies that offer free biros. So, I regularly purloin my biros and pens ... and I’m happy to supply hotel pens whenever I can.”[[19]](#endnote-18) At one point, O’Leary contemplated charging passengers to use the toilets onboard to lower usage and replace some of the toilets with an additional row of seats.

The drive for low costs was supported by an entrepreneurial culture and lean organization. Even as Ryanair added pilots, aircraft, and engineers, its structure remained flat and its headquarters in Dublin Airport were remarkably low-key.

Public Relations and Marketing

O’Leary’s persona was key to Ryanair’s aggressive marketing. Publicity stunts, combined with promotions and seat sales, were a key part of Ryanair’s marketing strategy in the early years. The goal was to generate as much controversy as possible while minimizing expenditures. A notable example was a 1999 newspaper advertisement entitled “Pope Reveals Fourth Secret of Fatima.” The ad showed a nun whispering to a pope, with the caption, “Psst! Only Ryanair.com guarantees the lowest fares on the Internet.” Due to the intended trenchant reaction from the Roman Catholic Church, the advert created huge publicity.

In addition to a penchant for generating controversy-fuelled publicity, O’Leary had a knack for turning bad news to the company’s advantage.[[20]](#endnote-19) For example, in October 2000 when 264 passengers were stranded in Beauvais, France following bad weather, the airline refused to provide hotel accommodation or even a cup of tea. O’Leary’s response reinforced the company’s mantra—low fares, nothing more: “Some people paid as little as £9 return for their fares, so they can’t really expect such extra benefits.”[[21]](#endnote-20)

Technology

Ryanair formally launched its website in March 2000 and offered customers discounts for booking online. It was one of the first companies to bring e-commerce to Ireland and was disruptive in wiping out the intermediaries.[[22]](#endnote-21) O’Leary saw huge potential in a website that would not only sell seats but also serve as a single source for customers’ travel needs, including travel insurance, hotels, and car hire.[[23]](#endnote-22) Within three months, the website was taking over 50,000 bookings a week and subsequently became one of the most searched websites on the Internet.[[24]](#endnote-23)

A Change in Strategic Course

Ryanair’s growth from the late 1990s to the early 2010s was meteoric. It had emerged from the global financial crisis of 2008–09 relatively unscathed. By 2013, Ryanair was Europe’s most profitable airline, flying almost 80 million passengers per annum and beating every other airline on price on every route.[[25]](#endnote-24) Traffic was growing, new routes were being served, new bases opened, and new aircraft delivered. Despite some describing it as Europe’s most hated airline, Ryanair was excelling across the board: it had the highest punctuality rate (93 per cent), lost the fewest bags (less than 1 bag per every 3,000 passengers carried), and received the fewest complaints (less than 1 per 2,000 passengers).[[26]](#endnote-25)

But all was not well at Ryanair. In autumn 2013, it issued two profit warnings in close succession. Multiple reasons were cited for the lower than expected profits: a hot summer leading to lower demand for autumn breaks, competitors’ price actions, weaker sterling–euro exchange rates, capacity increases in some markets, and weak economic conditions across Europe caused by years of cumulative austerity.[[27]](#endnote-26) But others believed that Ryanair’s business model was losing its lustre. According to one survey, Ryanair was ranked the worst among short-haul airlines.[[28]](#endnote-27) Customers were also tiring of the cumbersome process of booking a flight on Ryanair.com—which could involve up to 17 clicks—and the multitude of extra charges they faced, such as luggage, seat, and transaction fees.

Recognizing it was losing customers willing to pay higher fares for marginally better service, Ryanair announced a strategic change that would combine low fares with improved customer service. The strategic pivot that unfolded arose when Ryanair management learned that 70 million passengers were flying point-to-point on short-haul routes, but not with Ryanair.[[29]](#endnote-28) Its preferred strategy was to take over Aer Lingus, in which Ryanair held a 30 per cent stake, and offer high levels of customer service to primary airports on Aer Lingus while maintaining and growing low-fare, no-frills Ryanair business. When its takeover bid was blocked by the European Commission, Ryanair briefly contemplated setting up a new airline to achieve its growth aspirations, but this was quickly discarded as too complex, costly, and risky.[[30]](#endnote-29)

Growth Engines

Two fortuitous developments in 2013 provided new impetus for growth.[[31]](#endnote-30) First, after buying London Stansted Airport in January 2013, Manchester Airports Group plc engaged in discussions with Ryanair about a plan to bring additional traffic to Stansted Airport after years of decline.[[32]](#endnote-31) The resulting 10-year growth plan would see Ryanair cut prices, increase passenger volume by 50 per cent, boost jobs, add capacity, and introduce new routes out of Stansted Airport in return for lower landing charges. Although the details of the deal were never disclosed, analysts estimated Ryanair would save €11 million a year.[[33]](#endnote-32) The deal was key to Ryanair’s objective to serve 110 million passengers by 2019; Stansted Airport would account for 25 per cent of Ryanair’s growth.[[34]](#endnote-33) Between 2013 and 2017, traffic at Stansted Airport grew from 13.2 million to 20 million passengers.[[35]](#endnote-34)

The second capstone for growth was an aircraft purchase deal with the Boeing Company. In March 2013, Ryanair purchased 175 fuel efficient Next Generation 737-800 planes, capable of seating 189 passengers each. The deal was valued at US$15.6 billion (€12 billion)[[36]](#endnote-35) at list prices; the planes were to be delivered between 2014 and 2019. The deal was described as a significant boon for Boeing at a time when it was struggling with battery problems on its planes.[[37]](#endnote-36) Industry observers believed that Ryanair’s strong position and ability to play Boeing and Airbus SE against one another yielded a large discount of 45–55 per cent from the list price.It was estimated that the deal would facilitate growth in Ryanair’s passenger numbers from 82 million to 110 million between 2015 and 2019.[[38]](#endnote-37) On top of that, O’Leary emphasized, “This deal embeds our cost advantage and pricing advantage over our European competitors.”[[39]](#endnote-38)

A year later, Ryanair announced another deal for an additional 100 firm orders and 100 options for the Boeing 737 MAX 200, with a list price of $22 billion (€17 billion)[[40]](#endnote-39) and delivery from 2019 to 2025. Referred to as “the gamechanger” by Ryanair, the aircraft would seat 197 passengers and enable Ryanair to lower fares by 4 per cent.[[41]](#endnote-40) Over the subsequent years, Ryanair increased the purchase to 110 gamechangers in 2017 and added another 25 in 2018.[[42]](#endnote-41) While these deals were widely welcomed, some commentators questioned whether the investment was justified in light of Ryanair’s lower returns on capital as compared to EasyJet Airline Co. Ltd.[[43]](#endnote-42)

With these two foundations in place, Ryanair was poised for growth, and management forecasts continued to surpass initial expectations. Forecasts for fiscal year (FY) 2019 grew from 112 million passengers in 2014 to 139 million in 2018. Similarly, FY 2024 forecasts grew from 160 to 200 million passengers.[[44]](#endnote-43)

Always Getting Better

To exploit the 70-million passenger opportunity, Ryanair realized it needed to start treating customers better. The initial emphasis was on addressing frustrations that led customers to defect to higher-priced competitors. In the initial phase of the “Always Getting Better” (AGB) program, Ryanair introduced a raft of changes, including shifting to fully allocated seating; launching a much easier-to-navigate website with a host of new features; introducing a 24-hour grace period to amend minor booking errors; allowing customers a second, small carry-on bag for free; and reducing charges for boarding cards and baggage. To project a family-friendly image, Ryanair also scrapped its controversial charity calendar, which featured cabin crew wearing bikinis.[[45]](#endnote-44)

There were five pillars to the AGB program: fix the things the customers did not like; improve the travel experience; improve the digital experience; develop the offer; and improve the marketing and brand. This involved a shift on four levels: from passengers to customers, flights to travels, acquisition to retention of customers, and from transactions to relationships. The purpose of the various changes was to improve the likability of Ryanair as a functional service while also being different. The business logic underpinning these changes was that by improving customer experience, Ryanair would increase customer retention while also capturing new customers—notably business travellers and families—and thereby improve shareholder returns.[[46]](#endnote-45)

Subsequent phases of the AGB program saw a range of digital and social initiatives (see Exhibit 4). On the digital front, Ryanair brought the information technology (IT) function in-house, revamped the website, and introduced a mobile app and a website for US tourists visiting Europe. It also introduced a personalized website (“My Ryanair”) and invested heavily in artificial intelligence that supported the conversion of website visits into sales and sales into ancillary revenues. Newly established Ryanair Labs, essentially a tech start-up within the airline, led these initiatives.

An emphasis on social initiatives was the most recent addition to the AGB program. Ryanair introduced an environmental plan to eliminate non-recyclable plastics and give customers the opportunity to make a climate contribution when booking a flight. Ryanair also continued to invest in the most fuel-efficient aircraft. In terms of environmental performance, Ryanair was ranked first in 2011 among the largest airlines, using less than a third of the fuel of the least efficient airline.[[47]](#endnote-46)

To measure the impact of these initiatives, Ryanair relied on a range of metrics. In addition to tracking the normal hard metrics such as load factor, flight delays and cancellations, efficiency, and website conversion rates, Ryanair also started tracking customer satisfaction, including satisfaction ratings derived from Rate my Flight and Net Promoter Score.[[48]](#endnote-47)

Sometime during the early phases of its strategy, Ryanair began using the language of “customers” rather than “passengers”—an ideological shift in orientation from a company whose CEO once described its target customer segment as “anybody with a pulse and a credit card.” Ryanair was increasingly focusing on business travellers and families, introducing new packages tailored for both.

Despite these changes, Ryanair continued to maintain an aggressive policy of maximizing ancillary revenues, including in-flight and Internet sales, which grew from €1.046 billion (representing 21.8 per cent of total revenue) in 2013 to €2.017 billion (28.2 per cent of total revenue) in 2018. In 2017, Ryanair was ranked fifth in the world for ancillary revenues.[[49]](#endnote-48)

Although its focus on customer experience and choice created new ancillary revenue opportunities, their pursuit sometimes caused Ryanair to clash with customers. In mid-2017, there was consternation about Ryanair’s random seating allocation. Two years earlier, Ryanair had introduced an assigned seating charge; customers could choose to sit with their travel companions for a small fee or receive a free randomly allocated seat. As uptake of assigned seating grew, customers choosing random seats found themselves dispersed throughout the plane. When customers complained about the changes on national radio, O’Leary called up the radio station to address concerns, but ultimately told customers to “stop whinging.”[[50]](#endnote-49)

While the effects of the AGB program were positive in terms of growth, customer engagement, market share, and increasing penetration among business travellers and families, the program was not without risk. The continued success of the initiatives depended on the extent to which increases in cost—notably airport fees and marketing expenses—would be spread across an increasing customer base.

While costs remained relatively flat throughout the implementation of the AGB program (see Exhibit 3), some initiatives had the potential to lower efficiency and, in turn, increase unit cost. For example, the policy of allowing passengers to carry two bags on board slowed down the embarkment and disembarkment process as customers struggled to find space for two bags. When this began to affect turnaround time, Ryanair changed the policy and required non-priority customers to check in their largest bag (for free) at the boarding gate.[[51]](#endnote-50) By November 2018, non-priority customers were allowed only one small handbag or backpack altogether, having to pay extra for any additional luggage.[[52]](#endnote-51)

As Ryanair increasingly operated in bigger and busier airports, there was a further risk that its efficiency and costs would suffer due to greater congestion and higher airport charges.

Amazon of Travel

Improving the digital experience was a central pillar of the AGB program. In 2014, Ryanair Labs was established, replacing an earlier contract-based relationship with an external technology provider. Ryanair Labs was tasked with developing Ryanair’s presence across digital platforms, introducing new digital products and services, entering into partnerships with digital leaders, and investing in emerging digital trends.[[53]](#endnote-52) The main activities of Ryanair Labs included data analytics, quality assurance, software development, and user experience design.

The offices of Ryanair Labs had a look and feel of a tech start-up, with brightly coloured partitions and walls, glass partitions and whiteboards for brainstorming, a fully stocked staff kitchen, and a game room with a pool table, Microsoft Xbox, and a giant chessboard.[[54]](#endnote-53) Although it would have been easier to attract talent with a downtown Dublin office, Ryanair Labs remained closely interwoven with the main Ryanair operation, occupying the same building. As Ryanair’s chief technology officer, John Hurley, explained, “Labs is the engine room that will drive [Ryanair’s] growth through winning new customers, keeping existing ones, and eating its rivals’ lunch.”[[55]](#endnote-54) By 2018, Ryanair Labs had grown to almost 600 staff, with offices in Dublin, Wroclaw, and Madrid.

The strategic intent of Ryanair Labs was to create a digital platform. My Ryanair would be pivotal to this initiative. Introduced initially as a registration service, it would serve as a customer database that would enable Ryanair to personalize its website and target its offerings, especially for ancillary services. Led by the mantra “right product, right customer, right time, right device,”[[56]](#endnote-55) Ryanair integrated its customer relationship management (CRM) system with My Ryanair to more efficiently segment customers and reduce marketing and distribution expenditures. The size of the database grew from 20 million in 2017 to 43 million in 2018. In addition to this, Ryanair had 1 billion visitors to its website every year.[[57]](#endnote-56) Coupled with the increasing use of new technologies, such as predictive analytics and artificial intelligence,[[58]](#endnote-57) data was poised to become Ryanair’s most prized asset.

With the growth of My Ryanair, management ambition also grew. The strategic intent was to become a single source for travel solutions, including flight, accommodation, transportation, insurance, and entertainment.[[59]](#endnote-58) Observing that many long-haul carriers were ceding short-haul routes to the LCCs, Jacobs envisioned a situation where LCCs would feed passengers into long-haul hubs: “By 2024, I’d be amazed if we were not selling Lufthansa seats, BA seats, Qantas seats,” he predicted.[[60]](#endnote-59)

Ryanair was gradually morphing into a travel provider, or as Michael O’Leary stated: “We want to become the Amazon.com of travel in Europe.”[[61]](#endnote-60) It launched Ryanair Car Hire in partnership with CarTrawler. It also launched Ryanair Rooms, allowing customers to book hotel, hostel, bed and breakfast, villa, and homestay options. By late 2017, Ryanair Rooms was supported by five inventory providers—Hotels.com, HRS, Hotelopia, B&Bs, and HostelsClub—and provided access to 250,000 hotels and 7.5 million rooms worldwide. To maximize penetration, Ryanair introduced a travel credit scheme whereby customers booking accommodation with Ryanair Rooms would receive 10 per cent in credit to spend on flights.[[62]](#endnote-61)

Ryanair subsequently introduced Ryanair Holidays, partnering with Logis Hotels and W2M World2Meet to offer flights, accommodation, and transfers as a package. Ryanair also launched its own multi-trip travel insurance service in partnership with Europ Assistance,[[63]](#endnote-62) as well as a ticketing service for theatre, music, and sporting events in partnership with ticketing platform Coras.[[64]](#endnote-63) Attaching these services to the Ryanair platform and partnering with inventory providers helped Ryanair to keep costs and complexity low while minimizing the need for additional infrastructure.[[65]](#endnote-64)

Ryanair’s segue into packaged holidays was further solidified by the launch of Ryanair Sun—a charter airline offering flights from Poland to sunny destinations—and Ryanair’s acquisition of Vienna-based Lauda Motion GmbH (Lauda Motion), serving customers in Austria and Germany. Following the collapse of Air Berlin in 2017 and the subsequent acquisition of its operations by EasyJet, the acquisition of Lauda Motion helped Ryanair to strengthen its position in the German market.[[66]](#endnote-65) The acquisition also represented an opportunity for Ryanair to challenge Deutsche Lufthansa AG (Lufthansa), which overtook Ryanair as Europe’s largest airline in 2017.[[67]](#endnote-66) With plans to expand Lauda Motion’s Airbus fleet in summer 2019, Ryanair’s acquisition would also give the company additional leverage in negotiations with Boeing.[[68]](#endnote-67)

In perhaps the strongest signal of Ryanair’s move toward a digital platform, Ryanair formed and extended a partnership with Air Europa Líneas Aéreas SAU (Air Europa) allowing customers to browse and book flights on 20 long-haul routes from Madrid to North and South America. In an even bolder move, Ryanair announced that it would introduce connecting flights, feeding short-haul passengers to Aer Lingus and Norwegian Air Shuttle ASA (Norwegian) long-haul flights. While an agreement with Norwegian never materialized, Ryanair signed an agreement with Aer Lingus in early 2018 to trial a service where Ryanair would direct passengers onto Aer Lingus’s transatlantic routes and Aer Lingus would direct transatlantic customers onto Ryanair’s European routes.[[69]](#endnote-68) Until then, Ryanair had long avoided connecting flights due to the costs and complexities associated with missed connections.[[70]](#endnote-69)

Grounded on Cost

When it came to cost, the more things changed at Ryanair, the more they stayed the same. Ryanair maintained and strengthened its cost advantage relative to competitors, including EasyJet, Norwegian, Air Berlin (shut down in 2017), and Wizz Air Hungary Ltd. (see Exhibit 3). Ryanair’s costs, like those of all airlines, consisted of five main components: staff, fuel, aircraft, airport and handling, and marketing.

Although Ryanair’s headcount increased between 2014 and 2018 (see Exhibit 5), the company maintained low staff costs through productivity-based incentives linked to “the number of hours or sectors flown by pilots.”[[71]](#endnote-70) Cabin crew received incentives based on the sale of products and services aboard the aircraft. Ryanair had long avoided dealing with unions, instead using employee representative councils (ERCs) at each of its bases to negotiate collective bargaining agreements concerning pay and conditions.

Fuel costs were reduced using forward contracts. Hedging was generally a source of cost savings, but Ryanair’s hedging for FY 2016 (April 2015–March 2016) at $92 a barrel backfired because oil prices remained below $60 a barrel for most of the year. By one estimate, this cost the airline €200 million.[[72]](#endnote-71)

Lower aircraft costs were facilitated by using a single type of aircraft—minimizing costs of personnel training, maintenance, and the purchase and storage of spare parts[[73]](#endnote-72)—and by virtue of having young, fuel efficient fleets (see Exhibit 1). The cost of financing these planes was further lowered by Ryanair’s high credit rating (BBB+) and strong cash flow position.

Ryanair’s low airport and handling charges reflected its choice of airports that offered competitive prices and its use of contracts that secured lower charges in return for traffic growth. By driving competitors off routes with low fares and focusing on routes without direct competition, Ryanair achieved monopoly status in many airports. Approximately 70 per cent of Ryanair’s routes had no direct competitor in 2016–2017.[[74]](#endnote-73) While airport and handling charges increased 8.5 per cent between 2017 and 2018, they remained flat on a per passenger basis. Similarly, even as marketing costs rose due to a greater reliance on traditional advertising (Ryanair launched its first television advert in 2014),[[75]](#endnote-74) on a per passenger basis, the cost remained relatively flat (see Exhibits 3 and 6).

Ryanair’s cost position was bound to management’s focus on load factor and adherence to the principle of “load factor active, yield passive.” Between 2012 and 2017, Ryanair’s booked load factor increased from 82 to 94 per cent. The airline pre-empted potential falls in demand by initiating counter-cyclical fare reductions and flash sales. Its cost position was also reinforced using technology. Ryanair introduced electronic flight bags and Apple iPads for its pilots to eliminate 15 kilograms of manuals from each cockpit. The iPads, which were updated daily, provided access to flight manuals, weather charts, and take-off performance calculations.[[76]](#endnote-75)

Fasten Your Seatbelts: Turbulence Ahead

After three years of strategic transformation, amid intensifying competition, terrorist incidents in Europe, and reduced fares, Ryanair was performing admirably (see Exhibits 6–8). In its full year results for FY 2017, Ryanair announced a 6 per cent rise in profits to €1.316 billion, a 13 per cent increase in traffic to 120 million customers, an industry-leading load factor of 94 per cent, and a reduction of unit costs in the order of 11 per cent (excluding fuel, 5 per cent).

While Ryanair appeared able to achieve its objective of flying 200 million passengers by 2024, there were clouds on the horizon, most notably in the form of the withdrawal of the United Kingdom from the EU (Brexit). Although Ryanair pivoted growth in capacity away from the United Kingdom, the company was heavily exposed to Brexit with almost a quarter of revenue generated from the United Kingdom in 2018.[[77]](#endnote-76) The potential for regulatory divergence in aviation and safety between the United Kingdom and Europe would complicate operations. There was also a risk that Ryanair’s UK shareholders would be treated as non-EU.[[78]](#endnote-77)

But while Brexit posed a source of uncertainty, Ryanair was yet to face other, homegrown challenges.

Rostering “Mess-Up”

In mid-September 2017, Ryanair announced without any warning the cancellation of an average of 50 flights per day over the subsequent six weeks. During the previous 10 days, punctuality had fallen drastically from an average of 90 per cent to below 70 per cent. Although the delays were due to air traffic control issues and weather delays, a major contributing factor was that Ryanair did not have enough standby crew to accommodate the delays.[[79]](#endnote-78)

The crew constraints arose from a change in the period in which annual leave was allocated. In the past, Ryanair had allocated leave over its financial year from April 1 to March 31. However, a change in regulations introduced by the Irish Aviation Authority required that Ryanair allocate leave on a calendar- year basis, forcing Ryanair to cram that year’s leave into a nine-month period. Since many pilots had worked through the busy summer season and were required to take part of their six-week leave in a four-week consecutive block, Ryanair’s ability to provide standby coverage was constrained when pilots began taking their leave in early autumn, a period during which Ryanair continued to operate most of its summer schedule.

O’Leary suggested the airline had two choices:

We can either run the operation with a 55–60 per cent punctuality, with far more flight disruptions, inevitable cancellations, and huge passenger dissatisfaction caused to 35 or 40 per cent of our customer base or . . . take out about 50 flights a day for the next six weeks . . . , [and] cancel those flights, [which will] bring the punctuality back up to 90 per cent and eliminate the risk of further cancellations over the next six weeks.[[80]](#endnote-79)

Opting for the latter, O’Leary sought to minimize cost and disruption by taking the flights out of bigger bases where there were multiple daily flights and passengers could be accommodated on a different flight. Given Ryanair’s high load factors, it was not entirely clear how many of the 400,000 passengers the airline would be able to accommodate. Others raised the question of why cancellations were necessary, arguing that Ryanair could have wet leased[[81]](#endnote-80) aircraft and crew from other carriers.[[82]](#endnote-81)

Although it was estimated that the cancellations would cost Ryanair only €25 million, the cancellations had a disproportionate negative impact on the company, reputationally and financially. By the end of 2017, Ryanair’s share price decreased by 17 per cent from its mid-September level of €18, and the proportion of market analysts recommending that investors buy Ryanair’s shares dropped by 13 per cent.[[83]](#endnote-82)

For an airline famed for high operational efficiency, making a mess of a routine rostering task raised questions about Ryanair’s credibility and whether management was sufficiently focused. Its management of the crisis was far from ideal: it cancelled the initial swathe of flights at short notice and generated additional anxiety when it announced that there would be further cancellations without providing the details. Although O’Leary was contrite and accepted full responsibility for the crisis, his reassurance that only 2 per cent of flights would be cancelled likely infuriated the disenfranchised passengers.[[84]](#endnote-83)

The brand had already suffered in the preceding months because of the random seating allocation, causing Ryanair to drop 38 places and slip out of the top 100 Irish brands.[[85]](#endnote-84) By year end, it lost its crown as Europe’s largest airline, with Lufthansa carrying 130 million passengers in 2017.[[86]](#endnote-85) Financially, Ryanair’s share price fell from an all-time high of €19.23 in mid-August to €16.78 in mid-October 2017.[[87]](#endnote-86) Although the price recovered afterward, O’Leary waived his bonus of almost €1 million because of his handling of the rostering failure[[88]](#endnote-87) (see Exhibit 9).

From Hubris to Humility

The saga placed Ryanair in a vulnerable position. Analysts began to question whether Ryanair’s growth strategy was appropriately calibrated, with aggressive expansion in fleet, bases, and routes not matched by appropriate managerial attention to managing human resource issues. As one business commentator explained, “Ryanair put in place the deals it needed with airports around Europe. It acquired the right aircraft at the right price as part of its planning. It planned its new routes and European strategy to perfection,” but it failed to manage what was a “fundamental bread and butter issue.”[[89]](#endnote-88)

O’Leary had admitted earlier that “hubris” on his part led to the company being so late in adopting customer-friendly policies; therefore, it was not surprising that managerial hubris would feed into the management of human resources. One management professor described O’Leary as being at the far end of the Type A personality scale: “Hurried, harried, impatient, highly driven, hugely competitive and highly achievement-oriented. . . . The type who doesn’t take time to stop and look and see the debris they’re leaving behind.”[[90]](#endnote-89)

If hubris was the ailment at Ryanair, humility was to become the antidote. Although Ryanair invested in recruitment and training as part of the AGB program, the rostering crisis drew attention to its employment model and practices. The president of one major union commented, “An aggressive expansionist strategy cannot be built on an unsound company culture that repeatedly drives experienced and committed pilots away to other airlines.” He described the culture as one of “fear, reinforced by a precarious contractor employment model for large numbers of pilots.”[[91]](#endnote-90) There were also claims that pilots were not paid for turnarounds, post-duty paperwork, or flights back to base, while cabin crew were assigned unachievable sales targets and berated back at base if these targets were not achieved—claims dismissed by the company.[[92]](#endnote-91)

Questioned on whether Ryanair was losing pilots to Norwegian, management insisted that it was not short on crews, with over 4,200 pilots (see Exhibit 5). O’Leary commented that “there are some young, . . . somewhat innocent, and somewhat bewildered pilots who think the grass is greener flying long-haul aircrafts for airlines who can’t make any money. The Air Berlin pilots are dealing with that at the moment, and I think the Norwegian pilots will be coming back to us in the not too distant future.”[[93]](#endnote-92)

In early October 2017, O’Leary wrote a memo to all pilots emphasizing that Ryanair was a “very secure employer in a very insecure industry.” Promising increased pay, enhanced loyalty and productivity bonuses, and improved management of rosters, the letter encouraged pilots to request a meeting with the chief people officer, Eddie Wilson, with a view to securing these benefits. At the bottom of the letter was a Microsoft PowerPoint slide highlighting Norwegian’s declining share price over the previous year.[[94]](#endnote-93)

In its half-yearly results, Ryanair announced that it would move from being “competitive” to offering “materially higher (over 20 per cent) pay with better career prospects, superior rosters, and much better job security than Norwegian, among others” (see Exhibit 10).[[95]](#endnote-94) If accepted by its pilots, this initiative would add up to €100 million to Ryanair’s cost in a full financial year. The company also announced that it was adding resources to pilot recruitment, base management, and rostering teams.[[96]](#endnote-95)

However, pilots began to mobilize, forming the European Employee Representative Council (EERC) as their single representative organization. In a letter to Ryanair management signed by 59 pilots representing their colleagues, pilots declared they no longer wished to be divided into 86 groups across the airline’s bases. Although Ryanair refused outright to deal with EERC, pilots and their unions continued to heap pressure, culminating in strike threats in the run-up to Christmas.[[97]](#endnote-96) While dismissing the action as driven by a “small group of pilots who are working their notice and will shortly leave Ryanair,”[[98]](#endnote-97) Ryanair was under pressure to avoid further fight cancellations.

In a spectacular industrial relations policy U-turn, in mid-December 2017, Ryanair invited pilot unions in Ireland, Britain, Germany, Italy, Spain, and Portugal to talks to recognize them as representative bodies for Ryanair pilots.[[99]](#endnote-98) The move allowed Ryanair to avoid strikes and deflected the efforts of the EERC to demand pan-European representation. Ryanair estimated that union recognition would add about €100 million to its cost structure.[[100]](#endnote-99) However, the implications of other employment conditions (for example, rosters, shifts, holidays, and working practices) for Ryanair’s operating and business model were harder to quantify and would prove contentious in the months (and years) ahead.

Always Demanding More[[101]](#endnote-100)

Union recognition represented the beginning, rather than the end, of Ryanair’s industrial relations woes. The process of facilitating union integration would be a steep and painful learning curve for the airline. By the summer of 2018, Ryanair had not yet concluded any labour agreements with recognized unions. The British Airline Pilots Association commented, “The basic problem is that, frankly, Ryanair is still coming to terms with what dealing with trade unions is all about and they are struggling to adjust.”[[102]](#endnote-101)

That summer, Ryanair faced a succession of strikes and stoppages as it negotiated with unions over seniority and procedures for allocations of base transfers, promotions, and annual leave. Ryanair’s practice of hiring all cabin crew under Irish rather than local laws was a sticking point.[[103]](#endnote-102) In its filing with the US Securities and Exchange Commission (SEC) at the time, Ryanair warned that “there may be a push for legacy type working conditions, which, if acceded to, could decrease the productivity of pilots, increase costs, and have an adverse effect on profitability.”[[104]](#endnote-103) The company was prepared to protect the high productivity model, as evidenced by the decision to reallocate fleet capacity from Dublin to Poland to accommodate the growth of Ryanair Sun. It subsequently announced plans, in late 2018, to use the Polish subsidiary to contract self-employed pilots and crews as a way of sidestepping unions.[[105]](#endnote-104)

Fight or Flight

As Ryanair announced its first-quarter results for FY 2019, it faced unprecedented challenges. Profits had decreased by 20 per cent compared to the same period the previous year. It was also facing further strikes and industrial action. In what some viewed as a signal of pessimism, O’Leary sold 2 million shares in June 2018 (at €16.49 each), leaving him with a 3.8 per cent stake in the airline.[[106]](#endnote-105) As these events unfolded, the company faced vexing strategic questions, perhaps the greatest of all being how could the company reach its target of flying 200 million passengers by 2024?

EXHIBIT 1: Airline Fleet Comparison

|  |  |  |  |
| --- | --- | --- | --- |
| **Airline** | **Total Fleet** | **Fleet Average Age** | **Notes** |
| Ryanair | 439 | 6.8 years | Includes Lauda Motion and Ryanair Sun |
| Lufthansa | 732 | 11.7 years | Includes Air Dolomiti, Austrian Airlines, Brussels Airlines, Edelweiss Air, Eurowings, Eurowings Europe, Germanwings, LGW, Lufthansa, Lufthansa Cargo, Lufthansa CityLine, and Swiss |
| International Consolidated Airlines Group (IAG) | 572 | 11.6 years | Includes Aer Lingus, Aer Lingus Regional, BA CityFlyer, British Airways, Iberia, Iberia Express, LEVEL, Open Skies, Vueling |
| Air France–KLM | 549 | 11.0 years | Includes Air France, HOP!, JOON, KLM Cityhopper, KLM Royal Dutch Airlines, Martinair Holland, Transavia, Transavia France |
| EasyJet | 306 | 7.5 years | Includes EasyJet, easyJet Europe, easyJet Switzerland |
| Norwegian | 157 | 3.8 years | Includes Norwegian Air Argentina, Norwegian Air International, Norwegian Air Shuttle, Norwegian Air UK, Norwegian Long Haul |
| Wizz Air | 120 | 4.7 years | Includes Wizz Air, Wizz Air Bulgaria, Wizz Air UK, and Wizz Air Ukraine |

Source: “Airline Index,” Planespotters.Net, accessed June 1, 2018, www.planespotters.net/airlines.

EXHIBIT 2: Ryanair Fare Comparison (One-Way, in Euros)

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2016** | | | | **2017** | | | | **2018** | | | |
|  | **Q1** | **Q21** | **Q31** | **Q41** | **Q11** | **Q21** | **Q32** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** |
| Ryanair | 47 | 47 | 47 | 46 | 46 | 46 | 46 | 41 | 41 | 41 | 41 | 39 |
| Wizz Air |  | 60 | 60 | 61 | 57 | 57 | 57 | 51 | 51 | 51 | 51 | 51 |
| EasyJet | 60 | 60 | 61 | 60 | 91 | 91 | 91 | 77 | 77 | 77 | 77 | 60 |
| Norwegian | 81 | 81 | 81 | 80 | 80 | 80 | 80 | 78 | 78 | 78 | 78 | 80 |
| IAG | 231 | 231 | 231 | 230 | 230 | 230 | 230 | 198 | 198 | 198 | 198 | 193 |
| Lufthansa | 230 | 230 | 230 | 226 | 226 | 226 | 226 | 218 | 218 | 218 | 218 | 196 |
| Air France–KLM | 253 | 253 | 253 | 249 | 249 | 249 | 249 | 215 | 215 | 215 | 215 | 213 |

Notes: Q = quarter; 1 Ryanair and Wizz Air fares include first checked bag; 2 Wizz Air fares include first checked bag.

Source: Ryanair DAC, *Q1 FY’16 Results,* accessed June 3, 2019, https://investor.ryanair.com/wp-content/uploads/2015/07/

Q1FY16\_PRESENTATION.pdf; Ryanair DAC, *H1 Results, Nov 2015,* accessed June 3, 2019,<https://investor.ryanair.com/wp-content/uploads/2015/11/H1-Results-FY16-Presentation.pdf>; Ryanair DAC, *Q3 Results, Feb 2016*, accessed June 3, 2019, https://investor.ryanair.com/wp-content/uploads/2016/02/Q3-FY16\_presentation.pdf; Ryanair DAC, *FY 2016 Results,* accessed June 3, 2019, <https://investor.ryanair.com/wp-content/uploads/2016/05/Presentation-FY2016-Final.pdf>; Ryanair DAC, *Q1 Results Monday July 25, 2016,* accessed June 3, 2019, <https://investor.ryanair.com/wp-content/uploads/2016/07/Q1-FY-17-Presentation-Final.pdf>; Ryanair DAC, *H1 Results—Nov 2016,* accessed June 3, 2016, <https://investor.ryanair.com/wp-content/uploads/2016/11/Ryanair-H1-FY17-Presentation.pdf>; Ryanair DAC, *Q3 FY17 Mon Feb 6, 2017*, accessed June 3, 2018, <https://investor.ryanair.com/wp-content/uploads/2017/02/Ryanair-Q3-Results-Presentation.pdf>; Ryanair DAC, *FY Mar 17 Results*, accessed June 3, 2018, <https://investor.ryanair.com/wp-content/uploads/2017/05/FY17-Presentation.pdf>; Ryanair DAC, *Q1 FY18 Results,* accessed June 3, 2018, <https://investor.ryanair.com/wp-content/uploads/2017/07/Ryanair-Q1-FY18-Presentation.pdf>; Ryanair DAC, *H1 FY18 Results,* accessed June 3, 2018, <https://investor.ryanair.com/wp-content/uploads/2017/10/Ryanair-H1-FY18-Presentation.pdf>; Ryanair DAC, *Q3 FY18 Results,* accessed June 3, 2018, <https://investor.ryanair.com/wp-content/uploads/2018/02/Ryanair-Q3-FY18-Powerpoint-Presentation.pdf>; Ryanair DAC, *FY Results—May 2018,* accessed June 3, 2018, <https://investor.ryanair.com/wp-content/uploads/2018/05/Ryanair-FY18-Powerpoint.pdf>.

EXHIBIT 3: Ryanair Cost Comparison (Cost per Passenger, Excluding Fuel; in Euros)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **2014** | **2015** | **2016** | **2017** | **2018** |
| **Ryanair** | Staff | 6 | 6 | 5 | 5 | 6 |
|  | Airport & Handling | 8 | 8 | 8 | 7 | 7 |
|  | Route Charges | 6 | 6 | 6 | 6 | 5 |
|  | Ownership & Maintenance | 7 | 7 | 6 | 6 | 6 |
|  | Sales & Marketing | 2 | 2 | 3 | 3 | 3 |
| Total |  | 29 | 29 | 28 | 27 | 27 |
| **EasyJet** | Staff | 9 | 9 | 10 | 9 | 9 |
|  | Airport & Handling | 21 | 21 | 22 | 21 | 21 |
|  | Route Charges | 6 | 6 | 6 | 6 | 6 |
|  | Ownership & Maintenance | 9 | 8 | 9 | 8 | 8 |
|  | Sales & Marketing | 7 | 7 | 8 | 7 | 7 |
| Total |  | 52 | 51 | 55 | 51 | 51 |
| **% > Ryanair** |  | **79** | **76** | **96** | **89** | **89** |
| **Norwegian** | Staff | 15 | 15 | 15 | 15 | 17 |
|  | Airport & Handling | 14 | 14 | 19 | 17 | 17 |
|  | Route Charges | 8 | 8 | 8 | 7 | 7 |
|  | Ownership & Maintenance | 21 | 21 | 25 | 26 | 34 |
|  | Sales & Marketing | 4 | 4 | 6 | 8 | 9 |
| Total |  | 62 | 62 | 73 | 73 | 84 |
| **% > Ryanair** |  | **114** | **114** | **161** | **170** | **211** |
| **Air Berlin** | Staff | 17 | 17 | 19 | 22 |  |
|  | Airport & Handling | 27 | 27 | 28 | 28 |  |
|  | Route Charges | 8 | 8 | 9 | 8 |  |
|  | Ownership & Maintenance | 29 | 29 | 31 | 40 |  |
|  | Sales & Marketing | 26 | 26 | 29 | 33 |  |
| Total |  | 107 | 107 | 116 | 131 |  |
| **% > Ryanair** |  | **269** | **270** | **314** | **385** |  |
| **Wizz Air** | Staff |  |  | 5 | 5 | 5 |
|  | Airport & Handling |  |  | 12 | 11 | 11 |
|  | Route Charges |  |  | 6 | 6 | 6 |
|  | Ownership & Maintenance |  |  | 14 | 15 | 15 |
|  | Sales & Marketing |  |  | 3 | 3 | 3 |
| Total |  |  |  | 40 | 40 | 40 |
| **% > Ryanair** |  |  |  | **43** | **48** | **48** |

Source: Ryanair DAC, Full Year (Mar 2014) Results, May 19, 2014, accessed June 3, 2019, <https://investor.ryanair.com/wp-content/uploads/2015/04/Q4FY-2014-AnnualInterm_Results-Presentation.pdf>; Ryanair DAC, FY 2015 Results, accessed June 3, 2019, <https://investor.ryanair.com/wp-content/uploads/2015/05/FY-2015-AnnualInterm_Results-Presentation.pdf>; Ryanair DAC, FY 2016 Results, accessed June 3, 2019, <https://investor.ryanair.com/wp-content/uploads/2016/05/Presentation-FY2016-Final.pdf>; Ryanair DAC, FY Mar 17 Results, accessed June 3, 2018, <https://investor.ryanair.com/wp-content/uploads/2017/05/FY17-Presentation.pdf>; Ryanair DAC, FY Results—May 2018, accessed June 3, 2018, <https://investor.ryanair.com/wp-content/uploads/2018/05/Ryanair-FY18-Powerpoint.pdf>.

EXHIBIT 4: “Always Getting Better” Programme—Summary of Key Initiatives

|  |  |  |
| --- | --- | --- |
| **Year** | **New Initiatives** | **Type of Initiative** |
| Year 1 | Increased cabin bag allowance (2 free carry-on bags) | Service |
|  | Allocated seating | Service |
|  | New website and mobile app | Digital |
|  | 24 hour grace period for minor booking errors | Service |
|  | Use of portable electronic devices at all flight stages | Service |
|  | Dedicated groups booking service and partnerships | Growth |
|  | Family Extra: family discounts, reduced infant fee, 5 kg infant bag allowance | Growth |
|  | Business Plus Service: free check-in, security fast track, priority boarding, premium seating, and flexible tickets | Growth |
| Year 2 | Dedicated US Ryanair.com website | Digital |
|  | New customer charter | Service |
|  | Reductions to airport and sport equipment fees | Service |
|  | Ryanair car hire service | Growth |
|  | New website and app with “hold the fare” feature, new destination content, and customer reviews | Digital |
|  | New cabin interiors and crew uniforms | Service |
|  | Improved inflight menus | Service |
|  | "My Ryanair" customer registration system, allowing faster bookings and tailored offerings | Digital |
| Year 3 | Continuation of customer charter | Service |
|  | New fleet with slimline seats, more legroom, and Boeing Sky Interiors | Service |
|  | Increased functionality of Ryanair app, including one flic-click payment, “rate my flight,” and auto check-in | Digital |
|  | Rolled out Ryanair Schools Travel and Ryanair Groups websites | Growth |
| Year 4 | Connecting flights (Rome, Mila, and Porto) | Growth |
|  | Begin selling long-haul Air Europa flights from Madrid to North and South America | Growth |
|  | Exclusive partnership with Erasmus Student Network (international student exchange organization) | Growth |
|  | Improvements to Ryanair Plus products | Growth |
|  | Improvements to website and app | Digital |
|  | Ryanair Rooms expanded to five partners | Growth |
|  | Roll out of Ryanair Holidays | Growth |
| Year 5 | Environmental Plan: eliminate plastics and new voluntary climate charity donation online | Environmental |
|  | "Try Somewhere New" exclusive travel guides and destinations | Service |

Note: kg = kilogram.

Source: Summary of initiatives based on “Always Getting Better,” Ryanair, accessed June 3, 2019, www.ryanair.com/ie/en/useful-info/about-ryanair/always-getting-better; Ryanair DAC, Annual Reports 2014–2018, accessed June 3, 2019, https://investor.ryanair.com/results.

EXHIBIT 5: Ryanair Staff Headcount

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2014** | **2015** | **2016** | **2017** | **2018** |
| Management | 105 | 110 | 112 | 116 | 120 |
| Administrative | 290 | 334 | 485 | 603 | 780 |
| Maintenance | 139 | 143 | 148 | 152 | 156 |
| Ground Operations | 220 | 286 | 356 | 413 | 433 |
| Pilots | 2,665 | 2,804 | 3,424 | 4,058 | 4,831 |
| Cabin Crew | 5,573 | 5,716 | 6,933 | 7,684 | 8,263 |
| **Total** | **8,992** | **9,393** | **11,458** | **13,026** | **14,583** |

Source: Ryanair DAC, Annual Reports 2014–2018, accessed June 3, 2019, https://investor.ryanair.com/results.

EXHIBIT 6: Ryanair Financial Information (in € millions)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2014** | **2015** | **2016** | **2017** | **2018** |
| **Results of Operations** |  |  |  |  |  |
| **Total revenues** | **5,036.7** | **5,654.0** | **6,535.8** | **6,647.8** | **7,151.0** |
| − Scheduled revenues | 3,789.5 | 4,260.3 | 4,967.2 | 4,868.2 | 5,134.0 |
| − Ancillary revenues | 1,247.2 | 1,393.7 | 1,568.6 | 1,779.6 | 2,017.0 |
| · Non-flight scheduled | 1,012.4 | 1,164.4 | 1,329.6 | 1,511.1 |  |
| · In-flight sales | 117.3 | 128.1 | 153.4 | 182.0 |  |
| · Internet-related | 117.5 | 101.2 | 85.6 | 86.5 |  |
| **Total operating expenses** | **4,378.1** | **4,611.1** | **5,075.7** | **5,113.8** | **5,483.7** |
| − Fuel and oil | 2,013.1 | 1,992.1 | 2,071.4 | 1,913.4 | 1,902.8 |
| − Airport and handling charges | 617.2 | 712.8 | 830.6 | 864.8 | 938.6 |
| − Route charges | 522.0 | 547.4 | 622.9 | 655.7 | 701.8 |
| − Staff costs | 463.6 | 502.9 | 585.4 | 633.0 | 738.5 |
| − Depreciation | 351.8 | 377.7 | 427.3 | 497.5 | 561.0 |
| − Marketing, distribution, and other | 192.8 | 233.9 | 292.7 | 322.3 | 410.4 |
| − Maintenance, materials, and repairs | 116.1 | 134.9 | 130.3 | 141.0 | 148.3 |
| − Aircraft rentals | 101.5 | 109.4 | 115.1 | 86.1 | 82.3 |
| Operating profit | 658.6 | 1,042.9 | 1,460.1 | 1,534.0 | 1,667.3 |
| Profit before taxation | 591.4 | 982.4 | 1,721.9 | 1,470.3 | 1,611.3 |
| Taxation on profit | 68.6 | 115.7 | 162.8 | 154.4 | 161.1 |
| **Profit after taxation** | **522.8** | **866.7** | **1,559.1** | **1,315.9** | **1,450.2** |
| **Balance Sheet** |  |  |  |  |  |
| **Total assets** | 8,812.1 | 12,185.4 | 11,218.3 | 11,989.7 | 12,361.8 |
| − Fixed assets | 5,367.8 | 6,443.4 | 6,396.8 | 7,283.6 | 8,172.8 |
| − Current assets | 3,444.3 | 5,742.0 | 4,821.5 | 4,706.1 | 4,189.0 |
| **Total liabilities and equity** | 8,812.1 | 12,185.4 | 11,218.3 | 11,989.7 | 12,361.8 |
| − Current liabilities | 2,274.5 | 3,346.0 | 3,369.5 | 3,011.8 | 3,412.9 |
| − Non-current liabilities | 3,251.8 | 4,804.3 | 4,252.0 | 4,554.9 | 4,480.0 |
| − Shareholders’ equity | 3,285.8 | 4,035.1 | 3,596.8 | 4,423.0 | 4,468.9 |
| **Key Ratios** |  |  |  |  |  |
| Average remuneration per employee | 40,424.4 | 38,137.7 | 42,351.8 | 43,693.3 |  |
| Profit per employee | 51,568.2 | 74,500.9 | 124,573.8 | 101,488.7 |  |
| EBITDA margin (%) | 20.1 | 25.1 | 28.9 | 30.6 |  |

Note: EBITDA = earnings before interest, taxes, depreciation, and amortization.

Source: Ryanair DAC, Annual Reports 2014–2018, accessed June 3, 2019, https://investor.ryanair.com/results.; case authors’ calculations.

EXHIBIT 7: Ryanair Key Operating Metrics

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2014** | **2015** | **2016** | **2017** | **2018** |
| Revenue passengers booked (million) | 81.7 | 90.6 | 106.4 | 120 | 130.3 |
| Booked passenger load factor | 83% | 88% | 93% | 94% | 95% |
| Break-even load factor | 72% | 72% | 72% | 73% | 73% |
| Average booked passenger fare (€) | 46.40 | 47.05 | 46.67 | 40.58 | 39.40 |
| Ancillary revenue per booked passenger (€) | 15.27 | 15.39 | 14.74 | 14.83 | 15.48 |
| Cost per booked passenger (€) | 53.61 | 50.92 | 47.69 | 42.62 | 42.08 |
| Average fuel cost per US gallon (€) | 2.45 | 2.34 | 2.21 | 1.83 | 1.65 |
| Average sector length (miles) | 788 | 776 | 762 | 770 | 775 |
| Sectors flown | 524,765 | 545,034 | 609,501 | 675,482 | 725,044 |
| Number of airports served at period end | 186 | 189 | 200 | 207 | 216 |
| Average daily flight hour utilization (hours) | 8.81 | 9.03 | 9.36 | 9.33 | 9.13 |
| Staff members at period end | 8,992 | 9,394 | 11,458 | 13,026 | 14,583 |
| Staff members per aircraft at period end | 30 | 31 | 34 | 34 | 34 |
| Booked passengers per staff member at period end\* | 9,082 | 9,640 | 9,289 | 9,211 | 8,935 |

Note: € = euros; \*equals Revenue passengers booked ÷ Staff members at period end.

Source: Ryanair DAC, Form 20-F: Annual Report Pursuant to Section 13 or 15(D) of The Securities Exchange Act Of 1934 for the Fiscal Year Ended: March 31, 2014, accessed May 2, 2019, <https://investor.ryanair.com/wp-content/uploads/2015/04/2014-Annual-Reports-20F-Statement.pdf>; Ryanair DAC, Form 20-F: Annual Report Pursuant to Section 13 or 15(D) of The Securities Exchange Act Of 1934 for the Fiscal Year Ended: March 31, 2015, accessed May 2, 2019, https://investor.ryanair.com/wp-content/uploads/2015/07/2015-20F.pdf; Ryanair DAC, Form 20-F: Annual Report Pursuant to Section 13 or 15(D) of The Securities Exchange Act Of 1934 for the Fiscal Year Ended: March 31, 2016, accessed May 2, 2019, <https://investor.ryanair.com/wp-content/uploads/2016/07/Ryanair-2016-20F-1.pdf>; Ryanair DAC, Form 20-F: Annual Report Pursuant to Section 13 or 15(D) of The Securities Exchange Act Of 1934 for the Fiscal Year Ended: March 31, 2017, accessed May 2, 2019, <https://investor.ryanair.com/wp-content/uploads/2017/07/Ryanair-FY2017-20-F.pdf>; Ryanair DAC, Form 20-F: Annual Report Pursuant to Section 13 or 15(D) of The Securities Exchange Act of 1934 for the Fiscal Year Ended: March 31, 2018, accessed May 2, 2019, <https://investor.ryanair.com/wp-content/uploads/2018/07/Ryanair-FY-2018-20F.pdf>

EXHIBIT 8: Ryanair Market Share, 2014 versus 2018

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Year** | **Capacity (M)** | **Share (%)** | **No. 1** | **No 2.** | **No. 3** |
| Ireland | 2014 | 16 | 40 | Ryanair | Aer Lingus | AF-KLM |
|  | 2018 | 19 | 48 | Ryanair | Aer Lingus | BA |
| United Kingdom | 2014 | 115 | 13 | EasyJet | IAG | Ryanair |
|  | 2018 | 137 | 19 | EasyJet | Ryanair | BA |
| Spain | 2014 | 103 | 18 | Ryanair | IAG | Vueling |
|  | 2018 | 135 | 19 | Ryanair | Vueling | Iberia |
| France | 2014 | 73 | 6 | AF-KLM | EasyJet | Ryanair |
|  | 2018 | 82 | 7 | AF-KLM | EasyJet | Ryanair |
| Portugal | 2014 | 20 | 13 | Ryanair | TAP | EasyJet |
|  | 2018 | 29 | 20 | TAP | Ryanair | EasyJet |
| Germany | 2014 | 112 | 4 | Lufthansa | Air Berlin | Ryanair |
|  | 2018 | 128 | 9 | Lufthansa | Ryanair | EasyJet |
| Italy | 2014 | 84 | 21 | Ryanair | Alitalia | EasyJet |
|  | 2018 | 98 | 28 | Ryanair | Alitalia | EasyJet |
| Belgium | 2014 | 17 | 21 | Ryanair | Brussels Air | Jetairfly |
|  | 2018 | 17 | 29 | Brussels Air | Ryanair | Jetairfly\* |
| Poland | 2014 | 14 | 27 | Ryanair | LOT | Wizz |
|  | 2018 | 23 | 29 | Ryanair | LOT | Wizz |

Note: \*Jetairfly became TUI fly Belgium in 2018.

AF-KLM = Air France–KLM; BA = British Airways; LOT = LOT Polish Airlines; M = millions; TAP = TAP Air Portgual.

Source: Ryanair DAC, Annual Reports 2014 and 2018, accessed June 3, 2019, https://investor.ryanair.com/results.

EXHIBIT 9: Airline CEO Compensation (in € ‘000)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2014** | **2015** | **2016** | **2017** |
| Ryanair | 1,800 | 2,400 | 3,163 | 3,258 |
| Lufthansa | 2,070 | 2,674 | 3,120 | 4,193 |
| IAG | 7,896 | 8,871 | 3,040 | 4,531 |
| EasyJet | 11,424 | 8,539 | 1,773 | 863 |
| Air France–KLM | 645 | 1,062 | 549 | 1,110 |
| Norwegian | 370 | 257 | 232 | 231 |
| Wizz | 1,462 | 1,608 | 1,813 | 1,241 |

Note: CEO = chief executive officer; € = euros.

Source: Ryanair DAC, Annual Reports 2014–2017, accessed June 3, 2019, https://investor.ryanair.com/results.; Deutsche Lufthansa AG, Annual Reports 2014–2017, accessed June 3, 2019, https://investor-relations.lufthansagroup.com/en/publications/financial-reports.html; International Consolidated Airlines Group, S.A., Results and Reports 2014–2017, accessed June 3, 2019, www.iairgroup.com/en/investors-and-shareholders/results-and-reports; EasyJet plc, Annual Reports 2014–2017, accessed June 3, 2019,, <http://corporate.easyjet.com/investors/reports-and-presentations>; Air FranceKLM, Annual Reports 2014–2017, accessed June 3, 2019, www.airfranceklm.com/en/finance/publications; Norwegian Air Shuttle ASA, Annual Reports 2014–2017, accessed May 2, 2019, June 3, 2019, www.norwegian.com/en/about/company/investor-relations/reports-and-presentations/; Wizz Air Holdings plc, Results FY 2015–2017, accessed May 2, 2019, https://corporate.wizzair.com/en-GB/investor\_relations/results\_presentations.

EXHIBIT 10: Airline CAPTAINs’ ANNUAL PAY (November 2017)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Dublin Captains** | | **Stansted Captains** | | |
|  | Norwegian | Ryanair | Jet2 | Norwegian | Ryanair |
|  | € | € | £ | £ | £ |
| Basic | 92,400 | 84,650 | 92,000 | 82,200 | 74,000 |
| Productivity |  | 12,000 |  |  | 12,000 |
| Sector Pay | 31,000 | 45,500 | 9,500 | 24,900 | 35,600 |
| Expenses |  | 6,000 |  |  | 6,000 |
| Pension | 4,600 | 8,000 | 9,200 | 5,500 | 8,000 |
| Total | 128,000 | 156,150 | 110,700 | 112,600 | 135,600 |

Note: €= euros; £ = GBP = United Kingdom pounds; Jet2 = Jet2.com Limited.

Source: Ryanair DAC, *H1 FY18 Results*, accessed May 3, 2019, https://investor.ryanair.com/wp-content/uploads/2017/10/Ryanair-H1-FY18-Presentation.pdf.

Endnotes

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