

Group 4

Emirates Airline: “Connecting the Unconnected”



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History of Emirates

- In 1980 - Aviation market in Middle east was **dominated by Gulf Air**
- **Point to point model** was used by **Gulf Air**
- **Dubai** was a **Noncore City** & had reduction in Air Service
- In **1985 The royal family** Commissioned a small team of veterans to charter air service named **Emirates**
- Emirates started their Airline service with **\$ 10 million** given as **seed capital** by Royal family & **2 aircraft**
- This Airline business is one of the **subsidiary of the Emirates group** which is **owned by govt of dubai**.

Milestones in Emirates Incredible Journey

First flight-karachi,Mumbai
Owned Aircraft -A310(Airbus)
14 Destinations

1980-90



First Airline to get 7 A380-JUMBO
42 Boeing 777 | \$ 9.7 Billion | largest order in history
46 Destinations | 5 million passengers |

2000-10



1990-2000

To lead inflight entertainment/connectivity
7 Boeing 777 added to its fleet
14 Destinations | 4.7 million passengers

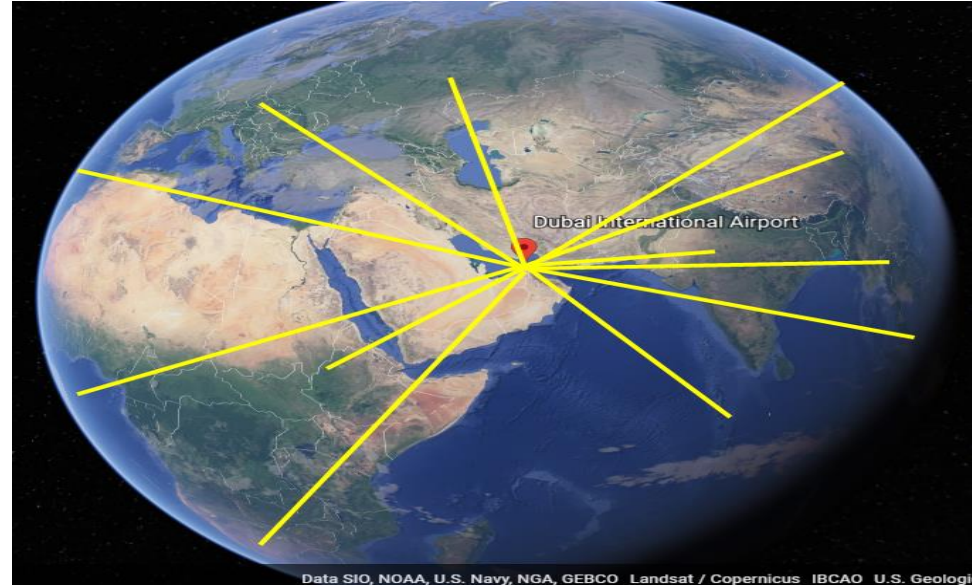
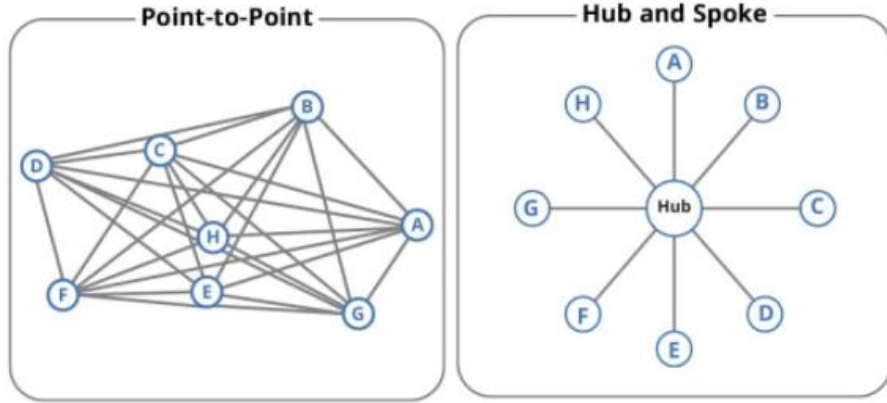


2010-20

Emirates-Qantas-jetblue Commercial Partnership
Most valuable Airline brand | \$3.7 Billion
54 Destinations

Emirates Business Model : Hub & Spoke Model

Point-to-Point VS Hub and Spoke Distribution Model



Advantage : (Hub & Spoke model)

- Economies of scale on connections
- Economies of scale at the hubs

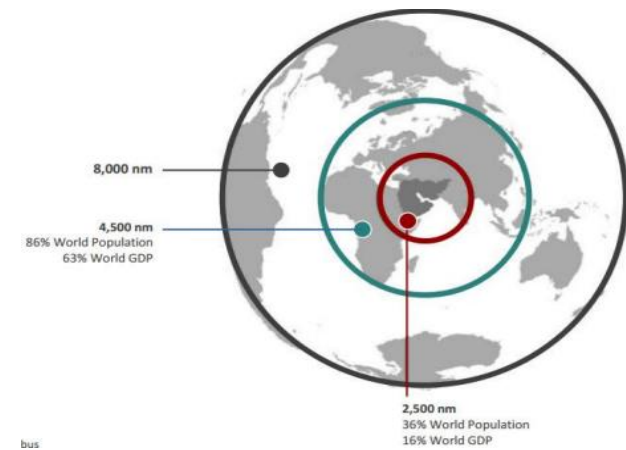
Disadvantage (Hub & Spoke model)

- additional transshipment
- delays and potential congestion to catch the Connecting flight

Strategically placed Hub :Dubai

Value Proposition : offer Glamour & Luxurious Transportation service

- Global Transit Routes | strategic location between Europe ,Oceania, Asia & Africa.
- Relative distance from congested European Airspace
- Dubai being Benefited from **good weather**
- $\frac{1}{3}$ rd of world population is within **4 hours** of travel while $\frac{2}{3}$ rd in **8 hours**
- **BRICS** -rapid & emerging market | allows air travellers to bypass traditional airline hubs,



BRICS :Brazil Russia India China South Africa



Role of DUBAI Government | Protectionism & Anti Competition

- Dubai Government eliminated majority of visa requirements & launched Marketing Campaigns
- As a Result Tourism Industry Developed - Increase in footfalls of passengers - Increase of Business for Emirates
- Expand Open sky agreements with other nations where Emirates wants to enter or expand its Business.

UAE Tussle with Canadian govt in support of Emirates :

- In 2000 Canadian govt permitted Emirates to operate only 3 flights per week to entire canadian market.
- UAE govt supported Emirates & retaliated by imposing visa fees & ordered canadian troops to evacuate its military base
- Emirates made a strategy to Launch daily service to Seattle (USA) to attract nearby Canadian passengers

What is open Sky Agreement ?

- Bilateral Agreements that 2 countries negotiate to provide rights for Airlines to offer International Passengers & Cargo Service
- The agreement will decide how many number of Flight Service has to be operated by a particular airline between the 2 countries if they provide service

Route Planning : Tapping underserved markets

- Strategic Route Planning - Competitive Advantage in Connecting Emerging Markets
- Captured Underserved Market - Large Population with few flying options -Example : Pakistan
- Captured Underserved Market - First mover advantage - Example - Sri Lanka
- Emirates benefited themselves from the Trade between China & Africa (Dubai Strategic position for Travellers of NW to SE & NE to SW)

Capture underserved market



Increase your regional Presence (Market share)

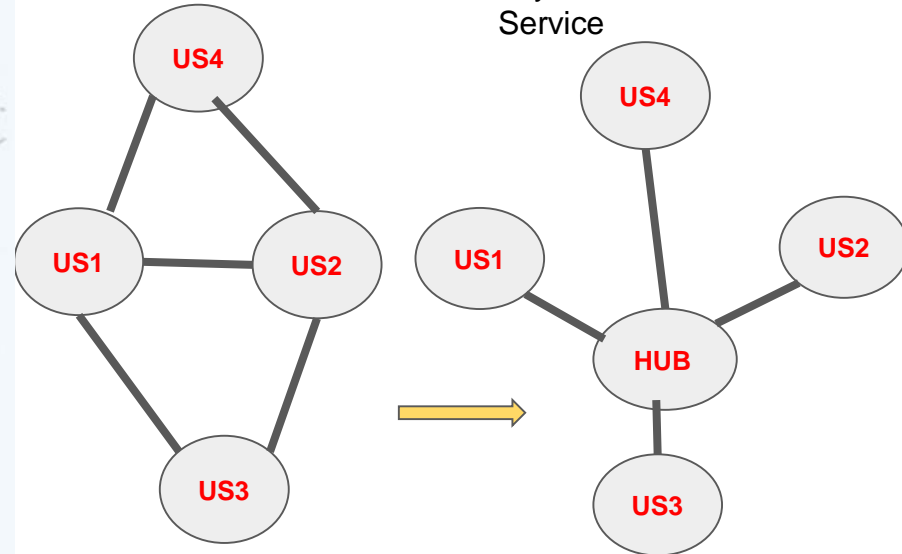
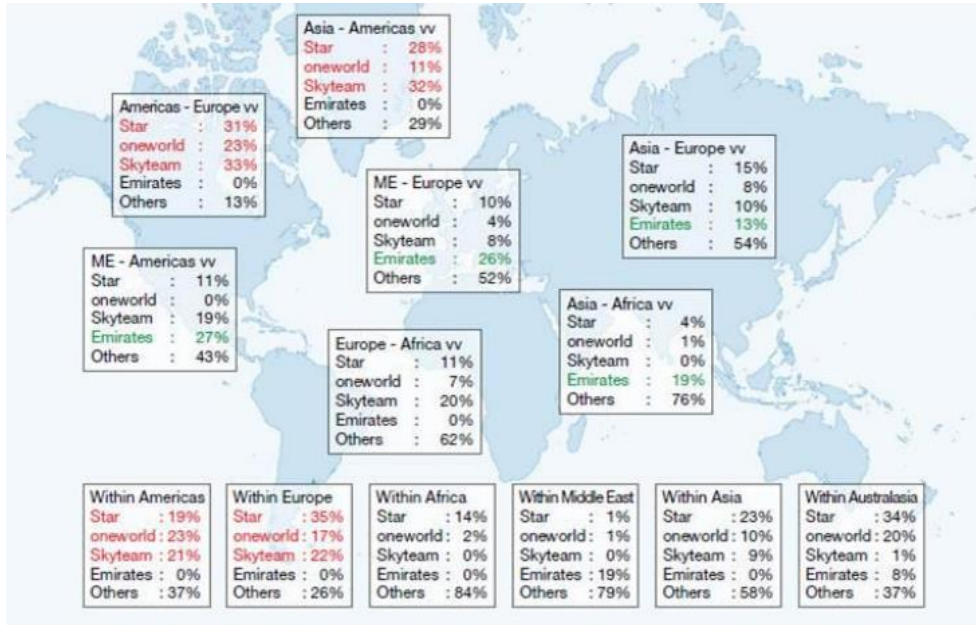


Use Dubai as a Transit Hub (Funnel the Flights)



Increase in

- Aggregate Demand
- Passengers footfalls
- Reap operational Efficiency beyond Point to Point Service



Operations and Route Strategy

Airplanes:

- The major growth constraint, Emirates faced- Aircraft range
- The expanded Emirates fleet consisted of three types: Boeing 777s, Airbus A330/A340s and Airbus A380s.
- Double-Decker A380s: The pride and joy of Emirates fleet.
- Significant investments in safety and cost control systems: Flex Tracks, iFlex
- Emirates Cargo ranked among the world's largest cargo carriers.



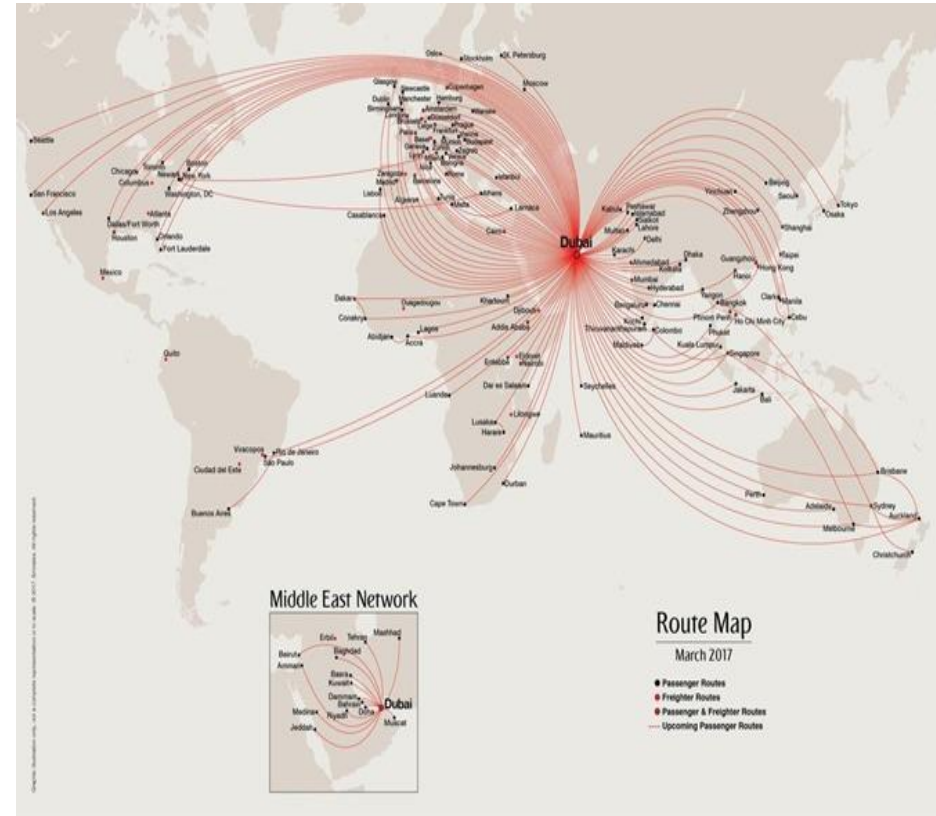
Double-Decker Airbus A380

Deployment of New Craft

- A complicated process of finding the right balance between the right capacity of existing routes and adding new reach as a global airline, and building out the overall existing airline system.
- If decided to add capacity to existing route:
 - Whether to add new service or swap out services' existing plane with larger aircraft?
- For the increasing passenger traffic to congested airports, Emirates allocated only 5 daily landing and departure slots.
- This tactic worked well even for ramping up seat supply on untested routes: Dubai to Copenhagen in 2011.

Choosing New Routes

- Planning and Research team to perform market and demand research, calculate the aero-political considerations, determine the operational capacity, and give final recommendations on route launch.
- **The Four trends Emirates followed:**
 - Continuous Expansion of service to major destinations it already served.
 - Continued to add new destinations to secondary cities in existing markets.
 - Increase network to new destinations in Americas.
 - Operated limited number of flights to and from non-UAE cities via 'Fifth Freedom' rights.



Product

- Emirates' appeal to many passengers was its emphasis on a premium service experience
- To enhance the inflight experience, it converted most of the economy seats to premium seats
- It also create a CRM tool called "Paradise" aimed at passengers.



Marketing

- Emirates left no stone unturned when it comes to finding ways to attract and retain customers
- They took up high profile projects to promote the city of Dubai
- Emirates used sports as a vehicle to generate brand awareness
- All these efforts pushed Emirates to the top and was named the most valuable brand in the world

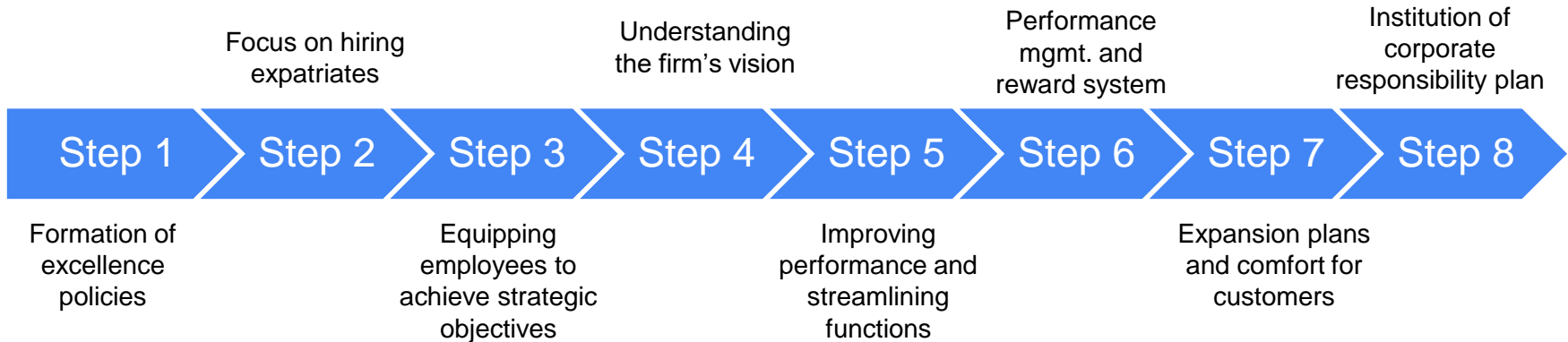


People

- Executive leadership team consists of people from diverse backgrounds
- Management team consists of members who are veterans in the commercial aviation industry; had extensive careers at Emirates
- Adopted a flat organizational structure
- Workforce of over 59,000 employees
- Cabin crew hails from over 148 different countries; speak over 50 languages
- Crew members undergo a 7 week-long training program to inculcate and learn the traits the airline values
- Low labor-cost per employee
- All flight and pilot crews are based in Dubai so scheduling cabin crew and pilots to flights become easy
- Ensures that the cabin crew can effectively cater to the diverse passenger base

People [Contd.]

- Operational systems are flexible and ensures that critical tasks are performed in different locations to save costs and time
- Emirates constantly looks at the changing patterns in the industry so that they can be up-to-date with the changing trends
- Employees are encouraged to interact freely with the managers and inform them of any issues.
- Emirates follows Kotler's eight step process to maintain a positive working environment



Competition

- Global Legacy Carriers - British Airways, Air France and Lufthansa
 - Used for long routes between Europe and emerging markets in Africa and Asia
 - Benefited due to a strong brand recognition within regional markets
 - Became susceptible to competition from low-cost carriers due to airline deregulation
 - High labor costs when compared to emerging competitors
 - Forced major players to come-up with a growth strategy and benefit from efficiencies of scale
- Claims against Emirates
 - Accused of utilizing indirect Government subsidies like subsidized fuel, no income tax and strategic synergy with the Government



Competition [Contd.]

- Rise of Gulf Carriers

- Emergence of 3 significant airlines - Emirates (Dubai), Etihad (Abu Dhabi), Qatar Airways (Doha)
- High competition to be called the “Gateway to the Middle East”
- Added new destinations and increased seat capacity by increasing the fleet size
- Objective was to build strong premium brands centered on providing premium passenger experience
- Received numerous accolades for their customer service



SWOT Analysis

Strengths

- Strong Backing of Dubai Government
- A strong hub in Dubai
- Good Customer Service
- Huge workforce and Good reach
- Excellent Advertising and Service

Opportunities

- Increase in the number of Fleets
- Increase in the number of International Destinations
- Joint Ventures



Weaknesses

- Dependence on International Traffic
- Intense Competition
- Difficult to occupy US Market
- Cater to High class traveller
- Accidents and Incidents

Threats

- Increasing Competition
- Increase in fuel Cost
- Government policies and Regulations

PESTLE Analysis

- **Political**
 - State-owned airline from UAE
 - Government always try to keep passenger's safety the utmost priority.
- **Economic**
 - Opportunity to expand in North and South America, venture into the European and Asian markets
 - Fluctuations in the oil prices makes the company volatile
- **Social**
 - Sudden growth in ticket sales from developing countries
 - Heavy competition led to huge cut in prices of airline tickets
 - Boost in the tourism sector
- **Technological**
 - Developed a navigation technique to carry additional cargo into Kabul International airport
 - Helping the company to offload the cargo in the low weather conditions
- **Legal**
 - Supreme court of European union has imposed compensation amounting to millions of pounds
 - Emirates is considering legal action against US carrier
- **Environmental**
 - Aviation fuel is a major contributor to the global warming
 - Emirates ensuring to purchase world's most fuel efficient aircrafts
 - It has the youngest fleet

P	Political
E	Economic
S	Social
T	Technological
L	Legal
E	Environmental

“Emirates - A Lone Ranger” - Why?

- **Airlines developed a system of airline alliances and commercial cooperation**
- **The Star Alliance, The SkyTeam Alliance and the OneWorld Alliance comprised of approx. 84% of Global Aviation Traffic**
- **2013, Etihad Announced “extensive partnership” with AirFrance/ KLM, part of Skyteam Alliance**
- **Emirates refrained from joining any Alliances**
- **President Tim Clark compared alliances with a Gang War**
- **Emirates relied on “Codeshared partners” like Qantas and JetBlue**
- **Benefit with collaboration:**
 - **From Qantas: Gained access to 55 Australian domestic destinations**
 - **From JetBlue: Built a Feeder Network**



Trouble on the Horizon

- **Anti-Competitive Claims**

- **Chairman of Qantas:Emirates is able to reduce its borrowing cost below market rates**
- **Emirates disagrees referring to United States Airline bankruptcy protection**
- **Similar claims made by American airlines, Delta airlines and United airlines as well as stating that they violate open skies**

- **Airport Congestion**

- **Emirates was by far the largest airline operator at Dubai airport**
- **Some other airlines carried more than 60 million passengers to and from Dubai**
- **Emirates and the airport used capacity management to maximise the landing slots**

- **Competitors**

- **No shortage of competition to expand its market**
- **Emerging markets were expanding beyond their regional bases**
- **Other Gulf and Turkish Airlines enjoyed same geographical advantage**

- **Major Competitors**

- **Etihad:**

- Second largest airline of UAE
 - 1000 flights per week
 - 55 countries



- **Qatar Airways:**

- Qatar state owned airway
 - Links over 150 international destinations
 - Fleet of about 180 latest generation aircrafts
 - Awards for first class service, inflight entertainment



- **FlyDubai:**

- Owned by Dubai Government
 - Low cost airline
 - Operates in 95 destinations, serves Middle East, Asia, Europe and Africa
 - Having high passenger flight rate



- **Other Airlines:** Saudi Arabian Airlines, Malaysian Airlines, Lufthansa

Leadership Change

- **Current President Sir Tim Clark was supposed to step down in June 2020**
- **Served 35 years with the airline**
- **COO Adel Al Redha and CCO Adnan Kazim in the race of President**
- **Both served 40 years with the airline**
- **FlyDubai CEO Ghaith Al Ghaith could also be considered**

Beyond Dubai

- **Emirates should think of its Mega-Hub model**
- **Continuous growth for Trans Pacific routes, between Austral-Asia and The America**
- **Trans Atlantic market was a lucrative prize**



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