Emirates Airlines Revenue, Cost and Expansion Plans

Project Title:

Emirates Airlines strategies in increasing revenue, reducing costs expansion plans and global recession

Abstract/ Summary:

This MBA research proposal projects is part of the masters program that is aimed at ensuring that students are conversant with key issues in the field of business, as well as, developing a strategic way of resolving challenges in the real world. This research provides the student with an ample opportunity to contribute towards the company’s growth by helping them establish ways of maintaining sustainability.

Emirates Airline is the largest, as well as, the most dominant airline in the Middle East where it operates a national airline in Dubai and the United Arab Emirates with a total number of 2,400 passenger flights per week. At the Dubai international airport, the airline operates in terminal 3 and destinations to over 105 countries in 62 countries in each of the six continents of the world hence making it a busy commercial hub. The Emirates Airline has its operations three of the world’s longest non-stop commercial flights from Dubai to Houston, San Francisco and Los Angeles.

Emirates airline as a subsidiary of the larger Emirates Group has over 50,000 employees and
its owned by the government of Dubai solely such that emirates Airline handles passenger transportation while Emirates SkyCargo handles any cargo activities in the larger Emirates. Other subsidiaries include Dnata which is a heavyweight in the cargo industry, as well as, a key player in the passenger service sector. Dnata air operations have been paramount to the lifting of Dubai International Airport to its current status.

Ever since 1985, the Emirates Airline has been operating less government subsidies and this has enabled the airline to expand its fleet, as well as, destinations. In 2008, all its operations were moved exclusively to terminal 3 of the Dubai International Airport to assist in maintaining its rapid growth and expansion plans. Various makes of aircraft have been purchased by the airline as a way of increasing its efficiency and fulfilling the growth plans such that the amount of revenue generated by the airline has steadily increased since the expansion plans were initiated in 2007. Consequently, despite the global recession, the airline has been able to maintain its trend setting technique in the aviation industry coupled with excellent passenger services and high profits which are made as there are reduced operation costs as the activities in the hub which are sufficient.

The Emirates Airline has been able to develop better up to date strategies in its operations hence reducing the number of incidents in the firm thus fewer losses are incurred. Consequently, due to provision of adequate engineering services which are technologically oriented thus safety has endeared more clients to the airline, as well as, the excellent facilities ensuring that getting the best brains for the human capital department is no major fete. Therefore, although the airline has been doing well in its expansion plans, more upgrading needs to be done to increase the revenue, reduce costs, and sustain profits despite its expansion plans and global recession.

Objectives

1. Identifying ways through which Emirates Airline can increase it revenues while at the same time reducing the cost of operation.
2. Establishing strategies which can be used by Emirates airline to achieve the expansion and growth plans despite the global recession threats in the world.

Project Outcomes:

Outcomes for identifying ways through which Emirates Airline can increase it revenues while at the same time reducing the cost of operation

One of the outcomes for Emirates Airline’s ways of increasing revenue while at the same time cutting down on the costs is through incorporation of newer aircraft or adoption of a fleet that will consume less fuel which at the same time covering the preset distance. This will lead to low fuel costs while the overall income from the trip will be maintained as was case before introduction of fuel efficient aircraft. The new aircraft being produced today are quite efficient in their fuel consumption rates, as well as, the fact that new planes do not need plenty of maintenance or services especially during the first few months of operation. Thus for that specified period of time, there will be accrued profits and less costs being incurred such that the objective of outbalancing the two sides of a business undertaking will be attained (McGinley, 2010).

Consequently, lowering the emission of harmful gases from all the aircrafts in the company is a significant move towards reducing costs in terms of taxes paid to the carbon and emissions regulation board. This will also act as a friendly way of marketing the airlines corporate social responsibility activities to supporters of carbon free environments who may be reluctant to enjoy the products of the airline on the basis of negative effects on the atmosphere resulting from the high levels of emissions (Emirates Airline, 2009).

The other equally equivocal way of reducing costs through minimizing aircraft accidents is by ensuring that the pilots who are given the responsibility of flying the new fleet are exposed to sufficient training on the details surrounding the functionalities of each part of the new craft. This results in fewer air mishaps which are a set back to maximizing profits and it could have saved the airline of the crash of A340-300 on 9th April 2004 when ambiguous instructions were given.
to the pilots who were flying the plane on rotation techniques (McGinley, 2010).

The other recent mishap which could have been avoided but ended up causing a huge dent in the profit margin of Emirates Airline is the A340-500 on 20 \textsuperscript{TH} March 2009 which suffered four tail strikes prior to taking off. The ground engineers had been negligent on the one aspect of a plane which is critical especially during take off; the take of power which is calculated from the weight of the plane. This mishap could have been avoided had been the aircraft engineers being a little bit keen on the figures during the calculation hence the cost of repairing the damages could have been part of the revenue and not costs (Emirates Airline, 2009).

Emirates Airlines has been reported as one company that uses a larger percentage of its income on marketing and communication. This has been reported as 2.7\% of the total budget of the entire budget that is prepared in by the firm while the competitors use less than this in marketing their services. This cost could be minimized by introduction and incorporating if marketing strategies which are less expensive while at the same time achieving equal or better results. Such modes of communication include use of online services such as marketing new products or services via the Emirates website and utilizing the clientele base to act as marketers especially for regular customers who are likely to refer their friends to the airline.

This could also be facilitated by issuing brochures or pamphlets regarding the airline such that the clients who have already experienced the services of the airline can pass on the information to potential customers. Advanced information technology has been incorporated in checking in procedures to make services more efficient to our clients, as well as, incorporating the same technology to enhance communication channels between various categories of members who belong to the airline. This has also enabled the in-flight entertainment system to be categorized as the best in the world due to enhancements. This can be achieved by employing the support of Emirates subsidiary Mercator; a leader in the IT world (McGinley, 2010).

Another form of advertising in the airline is the nature of slogan that is used to differentiate the airline from its competitors. The recently introduced slogan “

\textit{Fly Emirates. Meet Dubai}” is quite
personal and a potential client could be forgiven for thinking the airline does not venture outside Dubai which is not true. Previous slogans have been catchy and applicable to a variety of scenarios such that every client who had a glimpse of the services offered by the airline was able to relate with the international slogan hence more pride attached to the feeling of being made part of the global airline (Emirates Airline, 2009).

The Emirates Airline has been recognized globally for its high class catering department with its catering crew being awarded the “Best Airline Food” for a considerable period of time. This has attributed to provision of ethnic cuisines, as well as, high quality drinks such as fine wines. This has endeared many clients to the airline as they are able to enjoy homely food while airborne.

**Outcomes for establishing strategies which can be used by Emirates airline to achieve the expansion and growth plans despite the global recession threats in the world**

Expansion of a firm is often carried out systematically after analyzing the market and identifying the consumer likes, as well as, their preferences hence a clear view of the growth plan, in addition to, its impact on the company’s goals is established. In 1994, when the Emirates expansion program was unveiled, the firm was transporting 2 million passengers per year, as well as, a substantial size of cargo and the number of clients was growing by the day. Hence as a strategy to meet the needs of the raising demand of airline services to the increasing clientele base, Emirates developed a plan to expand the size of its airlines and operations. This was solely driven by increased demand hence the supply of the services had to be upped to ensure that equilibrium was attained. Consequently, by the looks of the highly industrial world, the demand for airline transport services is not declining any time soon as the convenience of businessmen getting to carry out their normal business transactions while airborne is an added advantage hence the industry’s future is bright (McGinley, 2010).

The other strategy which can be used by Emirates to beat the global recession in attaining its expansion goals is by maximizing on globalization which has converted the world into a small geographical region thus allowing people to import products or raw materials from distant places. Consequently, the standards of living have improved despite the recession such that most people are opting to carry out household shopping in foreign countries with Dubai being a
hit hence the SkyCargo section of the airline industry should be included in the expansion program as well (Emirates Airline, 2009).

One equally vital aspect which would be paramount in maintaining the expansion program is incorporation of a customized training program for staff and future employees such that various departments engage in best practices on the job training. This is a breakthrough for the human capital department as the employees will be molded and trained according to the job specifications of the Emirates hence competency and efficiency will be maintained. This could be fostered by introduction of Emirates run institutions whose key role would be in offering training services for employees where seasoned members of the Emirates Airline could be called upon to offer lectures based on experience and hand-on skills (McGinley, 2010).

The other strategy which could be useful in expansion is purchasing a fleet of aircraft that is capable of carrying a larger number of passengers or cargo planes with large capacities. This will result in more people being flown at possibly the same time without using a lot of resources thus leading to increased capacity within a certain duration which creates room for more transactions being carried out. Similarly, it will increase the number of flights and destinations to undiscovered markets which is essential in the attainment of the expansion, as well as, growth goals (Emirates Airline, 2009).

Why are you interested in the project?

The major interest of this study is to understand ways through which Emirates Airlines has being able to face the global recession and emerge a winner as other firms grapple as survivors of the crisis. Consequently, the firm has been able to maintain a steady source of revenue, as well as, establish a very competitive international market despite the high numbers of equal bodied competitors. Thus to answer and understand these concepts, it is important to undertake the questions as a thesis statement for a project that will increase insight into such activities (McGinley, 2010).
Consequently, as part of the MBA program, the project will be used as evidence for the level of competence that is attained in class and the degree to which a student can apply it in a real life situation. This is significant as after the program, students will be faced with similar situations in the workplace and solid solutions have to be provided for the problem. Similarly, the ability to do this project perfectly well is paramount to graduating in this program hence it acts as a pathway to the corporate world and my interest in the aviation sector has led to picking out Emirates Airline as the industry of choice in the project.

This project will benefit the Emirates Airline staff and board of directors as it will give recommendations and possible outcomes of the problems. Some of the recommendations could not have been presented to the board initially thus may prove worthwhile to the management of the airline. The outcomes are essential as they portray the results of implementing the strategies laid out in the project. As a member of the executive at Emirates, the information obtained from this research project will be used by management to strategize the airline in the industry. Such information will be obtained from the mission of the airline and the already attained goals. Consequently, this will be formidable contribution to the upward growth and sustainability of the Emirates Airline Company.

What are the key questions the project attempts to answer?

a) How will they hire and/or retain its staff?  
b) How will they be able to maintain its aircrafts with the current engineering infrastructure that they have?  
c) What should Emirates do to get more destinations and/or increase the current routes to profitable destinations?  
d) How are they going to cope with competition both in the MENA region (Etihad Airways, Qatar Airlines, Air Arabia, Fly Dubai etc)) and globally (British / Iberia, Singapore airlines, Air France/Lufthansa etc)

What Research Methods do you intend to use?
Constructive research methodology will be used to develop solutions to the problems in Emirates Airline while a secondary approach will be sought as the data or information which will be used to develop the solutions will be obtained from existing sources such as the company’s researched articles. This is an example of a quantitative research project hence quantitative research method will be used to investigate and measure the quantitative properties, as well as, their relationship with the given situation.

What primary and/or secondary data sources do you intend to use?

Primary data sources for the study include using questionnaires and interview questions to collect data from various personalities in Emirate Airlines. This will enable the researcher to obtain first hand information from the people who are conversant with the activities of Emirates Airlines hence reliable and valid data will be obtained. Similarly, secondary data will be obtained from the company records in the website, Emirates archives, and journal articles on Emirates and press releases which may contain relevant information to the project.

Draft chapter heading for the report

The huge expansion plans at Emirates Airlines and global recession: strategies to increase revenue and reduce costs at Emirates.

Gantt chart

| Task |
Emirates Airlines Revenue, Cost and Expansion Plans

<table>
<thead>
<tr>
<th>Duration</th>
<th>Time</th>
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<tr>
<td>Write proposal</td>
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<td>Obtain approval</td>
<td>One week</td>
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<td>Gather requirements for project</td>
<td>Three weeks</td>
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data collection phase
Two months
Nov-Jan
Testing the questions
One week
January
Data analysis
Two weeks
January
Writing the final project paper
Two months
Feb-April

Handing in the project

One week

April

Signing off the project

One day

April


References

McGinley, S. top Emirates executive slams government protection against claims. Retrieved on September 23, 2010 from:
