

OPEN ACCESS

Volume: 6

Issue: 4

Month: April

Year: 2019

ISSN: 2321-4643

Received: 16.03.2019

Accepted: 30.03.2019

Published: 01.04.2019

Citation:

Mohandoss, Karthik, and Balamurugan Muthuraman. "Analysis of Strategic Management and Its Impact in Aviation Industry with Special Reference to Oman Air, Sultanate of Oman." *Shanlax International Journal of Management*, vol. 6, no. 4, 2019, pp. 24-32.

DOI:

<https://doi.org/10.34293/management.v6i4.349>



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Analysis of Strategic Management and its Impact in Aviation Industry with Special Reference to Oman Air, Sultanate of Oman

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Abstract

The study mainly focuses on the aviation sector which is one of the fast-growing sectors that highly contributes to the global economy. In the introductory section, the nature of industry and its evolution are discussed in detail. Oman air is chosen for the study, the internal and external analyses are conducted with the aid of SWOT and PESTLE analysis. Through the environmental analysis, Oman air can obtain a clear picture that is relevant to the industry. The study provides crystal clear information relevant to the competitors in the market and meanwhile the performances of the Oman air in the competitive environment are also analysed through this report. Based on the analysis corporate level as well as business level strategies are formulated by the organization that have been discussed in detail. In the following section recommendations and conclusion have been postulated. Additionally the current challenges and the future trends in the market environment are also touched up through the study.

Keywords: Economy, SWOT, PESTEL, Aviation, Environmental analysis, competitive environment.

Introduction

Today aviation sector plays a unique role in Oman in contributing to the growth of nation. According to the national business statement, more than 2.2 million tourists are expected to visit Oman in 2020. Oman government take necessary measures to boost up the tourism numbers by expanding the infrastructure in aviation industry (Douglas, 2014). More than 74% of the tourist visits Oman are from Arabian Gulf countries. Tourists from Germany, United Kingdom and Italy are also frequently visiting Oman. The revenue from the tourism is expected to reach US \$3.23 billion and it will be expected to hike up to 7% year by year. Based on the report of BMI it is revealed that more than 30 airlines obtain rights to land and fly in and out of Oman nations (Anandh, 2010). As a stable country, both economically and politically Oman attracts large number of tourist and enhances the investments in the tourist sector. As per the public authority of civil aviation the companies interested to establish low cost carrier are invited.

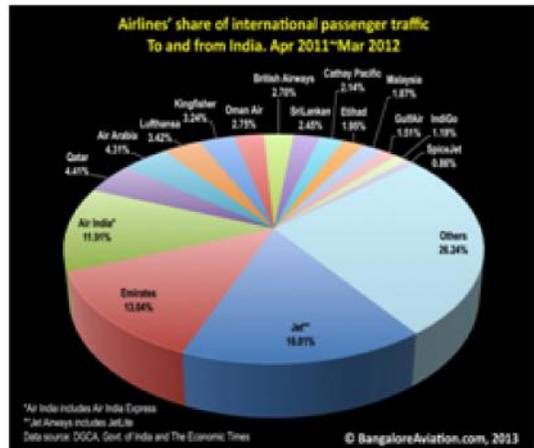


Source: (Douglas, 2014)

One of the pivotal roles of the business organizations is to assess the business performance of the firm compared with its competitors in the business environment. It is essential that the company have to gain profits and increase the possibility of average returns in order to attract the shareholders (Reidenbach, 2011). In this assignment more discussion are made about the Oman air external environment in terms of competitive analysis, General environment, opportunities and threats, industry environment. This report also covers the internal environment analysis that includes various types of resources, core competencies, and different types of resources employed by Oman air.

Analysis of Aviation Industry and Oman Air Aviation Industry – An Overview

Aviation sector plays a core role in supporting nation's growth and currently airline industry contribute 2.5% and it is expected to rise to 4% at the end of 2020. The prime markets concentrated by Oman aviation industries are European and Middle East countries and now it shifts to Asian countries. Based on the reports from public authority for civil aviation Oman plans to build new airports and projects are undertaken in the three airports in Ras Al Hadd, Duqm and Sohar (Cravens, 2011). In the global commerce, aviation acts as a cornerstone and indicates as a major driver in strengthening up the country's economy. Air transport growth is tremendously increased in Middle East nation and also in nearby expanding nations. According to statistics it is revealed that the passengers' rate will increase dramatically up to six billion in 2012 (Anandh, 2010). It is essential that the airline industry have to cut down the cost to some extent to remain resilient in competitive environment.



Source: (Graham, 2014)

Challenges in Aviation Industry Dip in oil prices

The year 2016 is one of the tough years for aviation sector in Oman due to the reel of low prices of the oil and it reflected in cutting down the cost of travel budgets. It has a high impact on airlines, agents, and travel companies who had high growth rate (Eric, 2012). As a result of these the overall market is affected and strong dip in growth in the areas of aviation sector and travel management companies (Peter, 2009).

Increasing Competitions

Currently Oman air plans to increase the seating capacity by 40% in India. At the same time Oman air face severe competitions in the blooming aviation markets. The major rivals include Qatar airways, emirates and Etihad (Graham, 2014). Compared to the competitors Oman air have small network and it operates in 44 destinations internationally. Additionally, the brand awareness is also extremely low compared to its rivals and that creates a challenging environment to Oman air.

Environmental Issues

According to the report of (Cravens, 2011) it is stated that the growing aviation industries lead to postulate environmental hurdles due to the massive developments of airports. Research indicated that 19% of fuel wastage is occurred each year due to operational inefficiencies and lack of infrastructure

in airports and it leads to 121 million tonnes of carbon dioxide emissions throughout the world (Gross, 2011).

PESTLE Analysis

PESTLE analysis is used for environmental scanning and is one of the key components in strategic management (Jedrzej, 2015). It helps in understanding the environmental changes, business position, market growth, resources and operations.

Political factors

In every sector political influence play major role in shaping the business operations. In the case of Oman air, any change in the political environment will directly affect the operations of the firm. The changes in the political environment will based upon the customers nature of travel habits (Moran, 2016). Unstablensness in the political environment cause chaos and confusion among the air travellers to make travel to the Oman countries and it highly affect the profitability of the organization (Gareth, 2010).

Economic Factors

Instability in the economy leads to increasing demand of low cost airlines (Kristin, 2013). The economic downturn in 2009 highly affects the airlines performance. Decrease in fuel prices increase the demand of low cost carrier in recent years (David, 2012). At present most of the airline industries suffered losses due to low price and at the same time there is a huge opportunity to maximize profits.

Social Factors

Today people travel too many places during their holidays and it becomes one of the emerging cultures all over the world (Lamming, 2013). With the aid of internet technologies growing income groups get aware of new destinations and travel through low cost airlines (Eric, 2012). At the same time it enhances the affordability of the customers and it generates new trends in the tourism sector (Kaufmann, 2012).

Technological Factors

Technology is strongly rooted in airline industry (Milliken, 2014). Particularly, through the aid of internet technologies the customers' book air tickets

through online and the internet also facilitates in obtaining latest trends and updates related to changes in the air fare and packages (Anandh, 2010). Oman air makes use of social media to keep the customers in contact and it also leads in building smooth relationships with the customers. Further the technologies assist the airlines to enunciate safety measures and use the fuels efficiently.

Environmental Factors

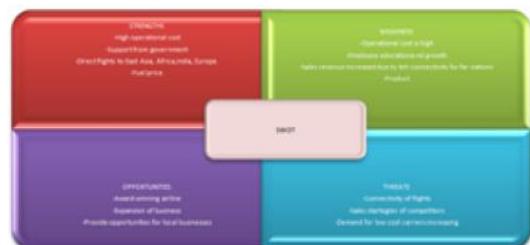
At present customers has a high awareness in protecting the environment (Stredwick, 2009). The airline industries contribute to 4% weather change and it progressed to change up to 16% in upcoming years. Thus customers today prefer eco-friendly airlines (Sadler, 2010). Oman air also operates with corporate social responsibility and it attracts large number of customers.

Legal Factors

To ensure safety and security in the airlines, Oman government enact many rules and regulations. It is essential to comply with the government rule and regulation by the airlines that travelled in to and out the nation (Peter, 2009). To accompany with the standards the cost of the airline operations will be increased. Obtaining operating licence in Oman is highly difficult and it becomes a great challenge to the airline industries.

SWOT Analysis

Swot analysis assists the organization to adapt with the changes and manage the weaknesses and threats prevailing in the external environment (Reidenbach, 2011). Through the aid of opportunities the organization develops strategies for expansion process.



Source: (Simon, 2010)

Porters' Five Forces

Bargaining Power of Buyers

The buyers can be classified in to two different buyers. Individual flyers are flyers, who purchase tickets for the purpose of business or for personal use. Individual buyers are located diversified and peoples are mostly located in developed nations (James, 2015). The second group act as a liaison for buyers such as travel agencies, online portals and they are regarded as second group of buyers. Generally, there will be low switching costs because of the nature of travel and the time (Peter, 2009). Usually the buyers require information related to safety and time of flight. As a whole the bargaining power of buyer in Oman air is extremely low.

Bargaining Power of Suppliers

Suppliers of Oman air will be the manufacturers of aircrafts. Usually the inputs are standardized in all organizations and there will be a variation in amenities. Further some manufactures work on to incorporate eco-friendly plans. Oman air have long contract with the suppliers and there will be an absence of switching costs. To manufacture one plane, the amount of cost required will be more than 200 million dollars (Reidenbach, 2011). Thus the rate of suppliers in airplane industry is usually low.

Threat of New Entrants

The airplane industry involves high cost and there will be a no threat of new entrants. More over there should be a strong customer base to gain profits. The existing companies take measures to retain customer base by lowering prices and it affects the new entrants (David, 2012). Moreover the flying experience and plane is essential for any industry to jump in to the market. Thus there will be absence of new entrants in airline industry.

Rivalry among Existing Players

At present the airline industry is in mature phase and thus there is a stagnant situation seems in industry. Competitors remain same in the industry for long period (Reidenbach, 2011).

Threat of Substitutes

The risk level of the substitutes is medium in airline industry. Substitutes of airline are other mode of transportation like car, train, bus, ship and so on. Compared to air fare the transportation cost in any other mode will be high (Eric, 2012). Time taken to reach the destination and convenience are also high in airplane.

Identification of Possible Scenarios

Business Strategies

Corporate strategy – Oman Air

Corporate social responsibility

Oman air is a flagship carrier of sultanate of Oman. Oman air has the high responsibility to root the cultural values and Omani identity in the international environment. In the past decades government of Oman highly support for the development of Oman air to build strong reputation and brand image in the international markets. Oman air support the Oman culture through sponsoring various events like Salalah festivals, football team of Oman, Oman cycling race in order to raise the awareness about Oman culture as well as to increase the Oman brand image. Oman air also supports for the development of community. Further the industry plans to use bio fuel instead of fuels which cause high pollution in air (Moran, 2016). Oman air awarded for its corporate social responsibility in the aviation business awards.



Source: (Peter, 2009)

Competitive Edge

Oman air adopted AMOS system to neglect the legacy system. Through the implementation of AMOS system the Oman air obtain bench mark with MRO software and it facilitates in retaining and sustaining in the competitive market. As a result of this Oman air improve its operational efficiency, reduce cost and the implementation of software

also results in managing logistics, engineering and maintenance requirements. Oman air also plans to extend their services in London market in daily basis and it also facilitates in building strong brand image in London.



Source: (Eric, 2012)

Customer Oriented Policies

Oman air provides various benefits to the Omani customers and low income people. The fare is applicable to travel to any destinations of Oman air operations and the tickets can be booked through the Oman air websites. Moreover Oman air provides discount facilities to the people of Oman with special needs and the tickets can be used for the purpose of education programmes or medical assistance. It creates a positive impact among the customers of Oman air.

Ansoff Matrix

Market Penetration

Compared to enter in to the already existing market, the cost incurred for entering in to the new market is extremely high (Lamming, 2013). But in the case of Oman air it is essential to expand its size in order to enhance the profitability of the firm.

Product Development

In the airline industry it is essential to distinguish the services from other competitors (Gardner, 2010). Further by incorporating technological advancements and innovations Oman air develop strategies to offer distinct services and products to its customers in order to attract the customers

attention and it will ultimately be enhancing the brand awareness. In the current scenario, Oman air employed both market penetration and product development strategies. Moreover it is essential to take concerns about the environment and act with corporate social responsibility (Moran, 2016). Further the incorporation of bio fuel aircrafts will increase the number of customers towards Oman air due to the increasing awareness of air pollution.

Business strategy

Competitive edge

Expansion strategy

Oman air highly invests in technologies, staff, new destination, narrow body aircraft and wide body aircraft. The company plans to expand their fleet size to 50 by the end of 2018 and it also plans to expand its fleet size to 80 at the end of 2020. In past year Oman air opened new destinations to Jakarta, Duqm, Sohar and manila and currently plans to expand its operations in Dhaka, Goa and Singapore. Additionally the frequencies on new routes are also increased by Oman air.

Innovations

Oman air also incorporate innovations and new services in order to enrich the customers experience in Oman air. Recently Oman air introduces economy class seats and business class seats and also it offers in-flight entertainment services which enhance the satisfaction level of customers.

Competitive Pricing

Rather than to compete in the international market Oman air stand alone and expresses the Oman culture, hospitality and identity. Regardless as a gulf carrier and employ various business models Oman air highly focuses on customer satisfaction level and offer good experience to the passengers. Competitive pricing structure is followed in Oman air and it can be assessed through travel agents, call centre and Oman air websites. Moreover Oman air is one of the first airplane introducing Wi-Fi services and mobile connectivity to its customers. Door to door limousine services are provided by Oman air to premium customers'. In addition lounge to aircraft limousine services are provided to first class customers of Oman air.

Partnerships

Oman air entered in to the new market through maintaining a right balance in code share agreements. With the aid of code shares Oman air maintains high quality and meets high standards in delivering products and services while the customers buy tickets from the organization. It is highly essential for Oman air to develop brand image and global presence in international market environment. Along with the Qatar airways, royal Jordanian, Malaysian airlines, emirates airlines, Sri Lanka airlines and Ethiopian airlines, the Oman air form a code share agreement operated in particular routes.

Point to Point Model

Oman air incorporate point to point model and the main aim of Oman air is to link as many as people and increase the number of visitors to Oman. As a result of these, there will be an increase in growth rate of visitors to Oman (James, 2015). Particularly expansion of Oman air in Muscat increase the visitors two fold times. A balanced commitment of Oman air in improving the countries welfare as well as expansion maximize the hub traffic and its quite challenging environment for Oman air.

Resources and Capabilities of the Firm

Oman air vision is to become a best airline industry and the main objective of the firm is to provide a safety environment to its customers and make the company as a first choice among the customers. In the ten year plan of Oman air, it is revealed that the company tries to increase the profits thereby reducing the cost of air fare and cater the organizational growth. Oman air currently holds about 45 aircrafts and two more aircrafts will be delivered in next year.

Recently, Oman air strengthens its services by expanding to international destinations that includes Singapore, Goa, Dhaka, Jakarta and manila. It indicates the international presence and improves the brand awareness throughout the nation. The code share agreements increase the customers' choice and it depicts the commitment of Oman air towards quality. The significant growth in the industry leads to accelerated investment in landing slots and new aircraft.

Evaluation of Strategy and Recommendations

Evaluation of Identified Corporate Strategy

Market Penetration

The customers from developing countries prefer air transports in recent years (Kevin, 2013). It is essential to develop the existing products and offer high quality service to Oman air customers. It is remarkably noticed that the Oman air is one of the first organization who offer Wi-Fi service and mobile phone connectivity to their customers and it increase the brand image of the company. Based on the evaluation it is noted that the decrease in fuel prices have a great impact on pricing policies. Moreover, Oman air offer services with low range and it creates a strong customer base in Oman air. In the technological driven environment it is essential to incorporate new products and services to customers. In the airline industry the difference is highly negligible in terms of airplanes. The structure and module is similar with one flight to other (Graham, 2014). Thus, it is essential to produce new services such as internet facility, mobile networks, accessibility to nets, in-flight catering, and seating capacity (Douglas, 2014).

Oman air has to develop its upcoming airplanes with corporate social responsibility. Through the in depth analysis it is noted that the airplane industry contribute 5% of air pollution and highly amounted to carbon di - oxide emission. To resolve the issue Oman air has to manufacturer or develops their products eco-friendly. Increasing demand in the gulf and Asian countries increases the opportunity of Oman air to enter in to the new market.

Product Development Benefits

Market Advantage

Oman air is one of the first companies who introduce mobile connectivity networks and Wi-Fi services to its customers. It develops a brand image among the customers and the customers make frequent visits to Oman nation (Eric, 2012). Additionally the in-flight services, seating arrangements, high quality service to premium and first class customers added advantage to Oman air. Oman air offer discounts to Omani people and they are allowed to fly throughout all destinations of Oman air. Additionally the special care individuals in Oman obtain offers from the

Oman air like medical facilities and educational facilities. The product development further enhances the operational efficiency, cost reduction and recognition in the market.

Novelty

By introducing eye catchy products will increase the attention of the customers towards Oman air. Oman air develops services to satisfy the need of customers. Mainly the products are designed to suit all segments of people in the country (Douglas, 2014). Particularly Oman air concentrate in developing low cost career and it will definitely retain the customers and extend new customer base towards Oman air. Updating the company information will allow customers to obtain new information related to the new products and services offered by Oman air. Penetration in to new market will enhance the customer base and brand awareness in other nations.

Consumer Segments

Today customers are highly aware about protecting the environment (Gardner, 2010). Thus they extend support to the international carriers who obey laws and operate with corporate social responsibility. Through the analysis it is revealed that the Oman air conduct its operations by obeying laws and regulations. Oman air also incorporates new technologies to ensure safety and security to its customers. Customers also search organizations that provide air fares economically. The air fare system of Oman air encourages customers to acquire services from Oman air. The rates of profits are also considerable increased in Oman air through the effective policies. Easy accessibility of online websites assists customers to book through online websites (David, 2012). Through the implementation of market penetration strategies Oman air will increase the customers segments and in turn build a strong brand value among the customers.

The above factors suggest that market penetration strategy is one of the best strategies to cater quality service to the customers and it will benefit the organizations exclusively.

Evaluation of identified business strategy

Cost Leadership Strategy

Oman air actively involved in expansion strategy and it expected to raise its fleet size to 50 at the near future. Usually airplane industry requires high investment to expand its operations thus Oman air entered to international market through partnerships. With the aid of code share agreement Oman air can able to expand their operations throughout the globe. Oman air strictly follows rules and regulations of the government to enter in and out of the country. In a highly competitive environment it is essential to attract customers through innovative products and services.

Oman air highly concentrates in lowering cost to gain competitive advantage in the market. Oman air also cut down their cost for the Omani customers who belong to low income group and it indicates that Oman air tries to cover all segment of people. This strategy will facilitate in enhancing organizational performance. Further the partnership and postulation of core share agreements enrich the organizational functions of Oman air.

Recommendations

Gaining Competitive Advantage

In recent years, there is a great reel in the oil prices and it affects the performance of the airline industries throughout the world. Oman industries have to take initiatives to employ green strategy and launch effective programs to avoid the damages occurred through airline industry to environment. Setting up competitive prices will affect the brand image of the company and it is essential to set up fair pricing system in Oman oil. To gain competitive advantage in the market Oman air has to integrate communication strategy to reach the customers efficiently. It is essential that Oman air have to target the customer segments after conducting in depth analysis. From the study it is revealed that the old age customer group like to make travel through airlines due to convenience and reduced time to reach the destination. It is essential to target old groups with attractive packages and it will lead to maximize the market share of the organization.

Social Media Marketing

Today people highly rely on internet for searching information related to any products and services. It is essential for Oman air to incorporate technologies and online websites to carry out their functions effectively. Social media play a core role in building strong bonds between the customers and organizations. Moreover Oman air connects people through social networks. Oman air can update information related to new products, destinations, packages and offers through social media. People can able to access lot of information related to services and price and also compare price with other competitors. People also make online bookings and saves time through the incorporation of technologies in Oman air.

Conclusion

The conclusion provided will base on the market penetration strategy and cost leadership strategy which will tap the organizational growth positively. The efficiency of Oman air to expand its services to international market will enhance the organizational brand awareness and increase the market share in the fast growing aviation sector. Through the partnership and code share agreements Oman air entered in to foreign market and it also leads to expand the customers' choice of selecting airplanes. Further Oman air also decreases the rate of air fare for low income groups and support the economic development of the country due to its effective strategies. Segmentation of customers play a crucial role in targeting right customers and it will increase the market share and profitability of the company. Competitive price, seating arrangement, in-flight catering service, mobile phone connectivity and Wi-Fi services will enhance the attractiveness' of the Oman air among customers. Oman air also incorporate new technologies and innovativeness in its services and online services increase the convenience and instant payment makes customers more satisfactory. With the aid of social media Oman air develop smooth relationship with customers and it added competitive advantage to Oman air.

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