CASE STUDY EMIRATES AIRLINES

The Emirates airline was established on May 25, 1985 by the Dubai government. It started operations with flights to Karachi and Mumbai followed by Delhi in September. A single Airbus A300 and a Boeing 737-300 were leased from Pakistan International Airlines (PIA). Lot of PIA employees were hired by Emirates. Subsequently two Boeing 727-200 Advanced were acquired from the UAE's Royal Flight. These aircraft were used until Emirates began taking delivery of a fleet of newly built Airbus A300-600R and Airbus A310-300 wide-body aircraft.

Emirates acquired a financial stake of 40% and a management contract for Air Lanka on 1 April 1998, which subsequently changed its name to Sri-Lankan Airlines. Emirates received the airline of the year award for the first time in 2001 and repeated the feat in 2002. Emirates Airline is wholly owned by the Government of Dubai and has 20,273 employees.

While airlines operating through out the world are facing huge financial problems and are shrinking their operations to avoid bankruptcies. Emirates have maintained more than 20% growth since its inception. Other Airlines through out the world are struggling to cope with rising cost of fuel and high increase in salaries demanded by Pilots.

International Air Transport Association (IATA) indicates that in 2006 Emirates ranked among the top ten airlines in the world. Emirates carried 14.5 million passengers and one million tonnes of cargo in 2005/2006

Emirates has been placed on par with Singapore Airlines. Both airlines do not have lucrative domestic routes; all flights from Dubai the head office of Emirates are international flights.

Maurice Flanagan, the head of Emirates started the company in 1985 with two leased planes of PIA and some ex employees also from PIA. The rulers of Dubai gave Flanagan just $ 18 million inclusive of all the start up cost to start the airline 22 years ago. He was told by the Crown Prince don’t come back for more money and don’t expect protection against competition or subsidies from the Government. While Emirates now returns a dividend of $ 100 million a year to the Dubai rulers. Flanagan noted that Air France, British Airways, PIA have received huge bail out packages or debt relief.

Upon arriving in Dubai, Flanagan was able to forge a remarkable partnership with the ruling family, including both Sheikh Mohammed, the current ruler of Dubai and prime minister of the UAE, and the ruler's uncle, Sheikh Ahmed bin Saeed Al Maktoum, chairman of the Emirates airline. Flanagan described the American-educated Sheikh Ahmed as charismatic and said it has been easy to teach him the basics of the airline industry. "In a couple of years, our tutorial evolved into the sort of discussion you would expect between a chairman and a chief executive of a business," he said, adding

that over the years, Emirates has strived to increase the number of UAE citizens who are executives and pilots (currently at 11%).The rest of employees are mostly from India and Pakistan.

He did note that Emirates' decision-making abilities are greatly helped by the lean management structure of the state-owned carrier, which allows for bold moves to be discussed and quickly executed by a small inner circle that includes Flanagan, Sheikh Ahmed, Sheikh Muhammad in some cases, and a handful of others. "We have the chemistry of a family business which works very well for us."

Indeed, Emirates has been in the news lately for what many see as a bold and perhaps risky venture: It placed the first and also the largest order of any airline, by far, for the new Airbus 380, which – when delivered in 2008 -- will be able to handle up to 644 passengers. As the launch customer for the A380, Emirates so far has ordered 58 of the new jumbo jetliners at a cost of approximately $250 million each.

It will be the third airline to receive the aircraft, after Singapore Airlines, and Qantas, which is second to fly

Flanagan said that while on the one hand, it may look like a gamble; the super-sized Airbus jets are also the best strategy for dealing with the shortage of available runway slots, especially in key markets in Europe. "The risk is not so great. We took the jetliner because it had more seats, and you need more seats because slots are constrained right now. You see that happening at all the airports anybody wants to go to -- in London , Bangkok, Paris, Sydney and Melbourne. All these places are at capacity. And an aircraft with 50 seats takes just as much of a runway slot as an aircraft with 600 seats."

Dubai's central location is just one of the many natural advantages that Emirates has successfully exploited. Others are the lack of corporate taxes and the ability to keep labor and other fixed costs much lower than its established rivals. In addition, because of the global routes that it flies, Emirates has little to fear from a low-cost carrier coming from India and Pakistan, Flanagan added, although he noted that the Dubai carrier had looked into starting its own less-expensive brand. He also predicted that most low-cost carriers are about to hit a very rough patch: Fuel is typically the largest component of their budget, and oil prices are at an all-time high.

"There's no such thing as low-cost fuels," Flanagan said. In fact, Emirates has succeeded by taking the exact opposite tack -- by offering top-notch cabin service and the latest in technology aimed at serving the customer on its long-distance flights. For example, the carrier was offering personal video screens for its passengers, even in economy class, back in the 1990s -- long before that feature began appearing on other airlines.

The current information and entertainment system on most Emirates flights includes more than 130 on-demand movies and 60 TV channels as well as 350 audio channels in collaboration with iPod. Seats are also equipped with a telephone handset and a controller for video games. Flanagan said that some of the new Airbus A380 jetliners will also offer first-class customers separate cabins with sliding doors, similar to a compartment in a first-class rail car. We have just one brand -- and we associate it with excellence.

On customer satisfaction Emirates has been ranked number two in the IATA customer satisfaction survey in the year 2006 after Singapore Airline

Emirates does not compromise on safety and because of quality and high safety standards their record has been 100%. No accident or crash history makes customers very comfortable to fly with this air line.

The Airline has no history of being a target of terrorist also

According to the Flanagan the company believes in retaining and training the employees . Promotions are strictly on merits. He feels that a proper pilot training program needs to be introduced by the Dubai Government or Emirates to cater future requirements of the pilots. Presently most of the office staff comes from India, Pakistan, Seri Lanka and Philippines.

The airline has recorded a profit every year since its inception, except the second and growth has never fallen below 20% a year. In its first 11 years, it doubled in size every 3.5 years, and has every four years since. The Emirates Group announced a net profits of (US$762 million) for the financial year ended 31 March 2006.] While the total revenues of Emirates in the previous fiscal year (2004-2005) was $4.9 billion.

The airline has not joined any major global airline alliances. The airline operates only wide-body aircraft which results in lower unit costs compared to other major airlines operating a mixture of narrow and wide-body aircraft. It allows Emirates to use the aircraft's cargo capacity to increase its revenues and total profits. Since Dubai International Airport does not have any flying restrictions at night, the airline is able to highly utilize their aircraft. The airline virtually does not have any legacy costs compared to other airlines. It also helps that all forms of strikes are banned in the UAE (except for construction related strikes

Questions 1

Kindly make SWOT matrix for Emirates airline.