A Strategic Analysis of Emirates Airline

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Abstract. This paper provides a detailed view of Emirates’ strategic choice provides alternative strategies such as expanding business in the Americas, linking tourism with cargo, acquiring low cost carriers, and recruiting more UAE Nationals. Implementation provides the groundwork for carrying out the strategic choices.

Introduction

Emirates Airline is considered one of the fastest growing airlines in the world. The company is government-owned and based in Dubai. Emirates flew its first routes in 1985 and now flies to over 100 destinations around the world. Various aspects of the company will be discussed within this report including Strategic Choice, and Implementation.

Strategic Choice

Market Development – Canada and Latin America

Currently, the Americas only represent 10.4% of total revenue for the Emirates Group (datamonitor.com). Most of this 10.4% consists of destinations in the U.S.A. Canada and Latin America are two geographic regions that provide plenty of opportunities for growth. Emirates currently only flies to Toronto in Canada. Toronto is located in the Ottawa province. Emirates has not been able to expand within the Ottawa province as the Ottawa government has only allocated 3 slots to UAE airlines, with Etihad Airlines and Qatar Airlines having the other two slots (Dudley 2011). If the UAE and Canadian governments could iron out their differences, Emirates could really capitalize on the Canadian market, especially considering that Canada has one of the few economies in the world that was not impacted hard by the global financial recession.

Again, with the Americas only comprising 10.4% of revenues and most of that being destinations in the U.S.A., Latin America represents a prime market for continued growth. Currently, Emirates only flies to Sao Paulo, Rio de Janeiro, and Buenos Aires within South America. Plenty of other opportunities exist within South America, especially considering many of these countries have a growing middle class. Emirates also has no destinations in Mexico. Mexico City and Cancun could be possible destinations in Mexico. Latin America is an ideal location offering future growth considering the long haul strategy of Emirates (Dudley 2011).

Expanding Cargo Business and Linking with Tourism

The cargo business takes a very critical role in Emirates corporation as its global air freight and logistics sectors transported the cargo for customers and passengers to more than 111 destinations in the world which contributes to 17.4% (this includes the capacity in other Emirates passengers aircrafts) of Emirates’ annual revenue at present by carrying more than 800,000 tones yearly, and this number is going to increase in few next years (Menen, 2009). The cargo business recovered in 2010 and produced...
a moderate growth in 2011 after the decline in 2008 and 2009, it is also forecast to continue to the end of 2016 (datamonitor.com).

Emirates SkyCargo is seeking every opportunity worldwide. In early 2012, it has expanded its operation to Africa by spreading the wings to Harara in Zimbabwe and Zambia as well. SkyCargo now has a total annual capacity of more than 300,000 tonnes in this continent (allafrica.com). The strategy of Emirates for Africa is transporting the cargo along with the passengers’ aircraft. In order to avoid the delay in delivering cargos and compete with the express giants such as FEDEX, UPS and DHL which are very famous in the world, Emirate cargo sector should be more specialized in the transporting service, equipments and arrangement. It can set up separate aircrafts specially for the cargo customers, or deliver the cargo with passengers planes for its passenger and other cargo customers who are not emergent.

Finally, Emirates SkyCargo also see it future business growth in Malta, India, North America, Argentina, and Brazil in South America even during the economic recession (prnewswire.com). It established the cooperation with the existed local Emirates flight points.

At the same time, Dubai (hub of Emirates) is located in a strategic place which connects Middle East with Americans, Europe, East Asia, Africa and Australia. In early 21 century, Dubai has proved that it is one of the quickset growing tourism destinations, and overcome all barriers towards achieving such development (Henderson, 2006). Currently, Emirates is in the right direction in terms of promoting Dubai tourism via official website and sponsorships (Emirates.com). Now, Dubai handles wide range of projects such as, Burj Khalifa that is the tallest tower in the globe (Scofidio, Barbara, 2011), the first highly automated trains, and palm project (Alnakla). So, tourists can do plenty things in Dubai. Reed (2007) indicated that Dubai’s visitors have lots of interesting things to do starting from downhill skiing to golf. As a result, these two opportunities have to encourage Emirates to improve an alternative strategy to continue business expansion process successfully. It is about linking both cargo with tourism sector to attract more tourists by travelling with emirates and expand its cargo business at the same time. This can be done through exploiting its well-reputation to enhanced Emirates SkyCargo to be specialized globally. It will provide its customers with wide-range logistics services and enhance supply chain services. On the other hand, marketing for Dubai will increase number of tourists which is now approximately 10 million tourists every year. Thus, Emirates has to focus on promoting Dubai as tourism destination, and being suitable stopover in the region.

**Acquisition**

The Emirates Group acquired a 40 per cent stake (US$70million) in Air Lanka, the national airline of Sri Lanka in 1998, (increased to 43.6% later) and rebranded the airline into SriLankan Airlines. With this take-over Emirates also signed a 10 year management contract with SriLankan. This take-over has been named as the best take-over example in South East Asia. But in 2010, all shares of the Sri Lankan Airlines sold to the Emirates have been acquired (aerlines.nl, economic times). Expansion in the Latin American market could include the strategy of acquisition.

**Recruiting UAE Nationals**

Currently, UAE nationals only comprise 5% of Emirates workforce. Emirates can reduce recruitment costs by increasing the number of UAE staff. A major barrier to hiring UAE nationals in the past has been the issue of serving alcohol onboard the aircraft. Strategies for overcoming this issue will be discussed within “Implementation.”
Implementation

Latin American Expansion

A recent Open Sky Agreement with Brazil has benefited both countries in terms of increased tourism, exports, and trade (emirates.com). Emirates could pursue more Open Sky Agreements with other Latin American countries. The UAE government could perhaps loosen visa requirements for Latin American travelers traveling to Dubai or other parts of the United Arab Emirates. Emirates could form alliances with hotels in Latin America to offer vacation packages to UAE travelers. Vacation packages could also be offered to Latin American travelers traveling to UAE.

Canadian Expansion

Cargo in Canada is booked months in advance due to restrictions on Canadian flights. The annual growth rate of Canadian exports to the UAE is 10% per year (Griffiths 2010). The UAE government needs to negotiate an Open Sky Agreement with Canada in order to seize this opportunity in the Canadian market. The UAE government could perhaps loosen visa requirements for Canadian travelers to UAE and allow Canadian military access to Camp Mirage as part of a negotiating strategy. An Open Sky Agreement with Canada could benefit Emirates two-fold: for travel and for cargo.

Expanding Cargo Business and Linking with Tourism

In order to expand cargo business of Emirates, some changes in functional and divisional structure are needed. Emirates SkyCargo should be separated from the air freight and logistics sector to establish their own international brand as FedEx, UPS and TNT. This department will have independent management and responsibility to deal with large amount of cargo. They can consider providing door-to-door services and price differentiation according to places of collecting and delivering. Another service for Emirates SkyCargo could be to collect the passengers’ luggage in advance so that they do not need to transport on their own. This can be linked with tourism strategy in promoting Dubai, which is Emirates’ hub as a tourism destination, and being a suitable stopover in the region.

Acquisition of Low Cost Carriers

Recently, Emirates airline announced that it is studying foreign acquisitions after more than a decade of organic growth. It is easy to see why acquisitions would be tempting for Emirates. As mentioned in the strategic choice part, under the economic crisis, more and more people began to choose the low cost airlines as a cheaper choice and for implementation of acquisition, loss-making airlines in the fast-growing Latin America market are obvious targets, such as one of the domestic low cost airline in Brazil, Azul Brazilian Airlines. Even if the airline cannot make money at first, a significant share of the passengers would transit into Emirates’ profitable long-haul network (dawn.com).

Recruiting UAE Nationals

One way to alleviate this issue would be to divide the aircraft into sections: a drinking section and a non-drinking section. This would also benefit non-drinking customers who do not want to be sitting with customers who are drinking. Emirates could also provide cross-cultural training for employees working onboard the aircraft. Providing incentives to current employees who refer UAE nationals could serve as a great recruiting tool. Hosting job fairs in Dubai could also be beneficial towards recruiting UAE nationals.

Summary

The Business Model of Emirates is centered around government ownership and the strategic location of Dubai. The company specializes in long-haul routes containing only one-stop, combined
with superior customer service. The company has many other strengths including low charges at Dubai International Airport and a low tax regime, with only few weaknesses (such as high debt). Many opportunities still exist for the company including expanding Latin American and Canadian operations, linking tourism and cargo, acquiring low-cost carriers, and using various strategies for recruiting more UAE nationals.

References


