



Case 1.1. External Analysis Macro Analysis - PESTEL framework

PESTEL analysis of the airline industry

Environmental influences on organisations can be summarised within six categories. For the airline industry, an initial list of influences under the six PESTEL analysis categories might include the following:

Government support for national carriers Security controls Restrictions on migration	National growth ratesFuel prices
Rise in travel by elderly Student international study exchanges	 Fuel-efficient engines and airframes Security check technologies Teleconferencing for business
 Noise pollution controls Energy consumption controls Land for growing airports 	Restrictions on mergers Preferential airport rights for some carriers

Match environmental influences with the related PESTEL category cell in the table. What additional environmental influences would you add to this initial list for the airline industry?

Political	Economic	
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Social	Technological	
Environmental	Legal	

- Q1. What is the reason for making a PESTEL analysis?
- Q2. From your more comprehensive list, which of these influences would you highlight as likely to be the "key drivers for change" for the airlines in the coming five years?





Micro Environment Analysis - Porter's 5 forces framework

- Few aircraft providers, but they have too much capacity
- Aircraft suppliers highly dependent on airlines for sales
- Not much differentiation of aircraft (transparent to ultimate consumer)
- Other resources are abundant
- Current delays and hassles in flying is turning more consumers to:
 - Automobile transportation
 - Buses and trains
 - Shorter-distance vacations
- Business consumers using teleconferences, etc.

- Many customers
- Most don't make highvolume purchases
- However, services are mostly undifferentiated
- Internet provides information advantage
- May be organized into groups

- Some economies of scale
- Minimal service differentiation
- · Few government restrictions
- · Low switching costs

- Not growing
- Oligopoly—large competitors control most of market
- A few smaller carriers are highly successful (e.g., JetBlue)
- Primary basis for competition
 - Advertising and promotion
 - Cost cutting
 - Price wars
 - Routes and capacity managements

Match the industry influences with one of the 5 Porter's forces cells in the table. Decisde on the strength of each "force". Draw a graph.



The Threat of New Entry	The Power of Buyers	The Threat of Substitution	The Power of Suppliers	Competitive Rivalry

- Q3. What is the reason for making a PESTEL analysis?
- Q4. Make conclusions about the industry attractiveness.