

## **A Competitive Analysis of Airline Industry: A Case Study on Biman Bangladesh Airlines**

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**Abstract:** *In the last thirty years the airline industry has seen tremendous growth. At this age of globalisation, air travel and air transport is at its peak. In this dissertation the researchers focuses on Dhaka-London route of Biman Bangladesh airlines. Biman is a small airline based in Bangladesh and here in the UK it is competing with the major Airlines in the world. It does not have any resources or capabilities compared to its competitors but surprisingly it is performing very well in this route. The researchers discuss some of the theories revolving around competitive advantage in the literature review. The researcher has tried to draw a clear picture of the types of competitive advantage and how these advantages can be achieved and sustained through adopting generic strategies. A qualitative research approach was adopted to answer the research questions, and the data was collected by giving out questionnaires to Biman customers and a semi structured interview was conducted with Biman top level executives. The findings are presented in the form of graphs, charts and tables followed by an explanation and were linked to secondary data. The results were analyzed in the final chapter and the researchers made some relevant recommendations for overcoming the deficiencies identified in the study.*

**Keywords:** *Competitive Advantage, SWOT Analysis, PEST Analysis, Porter's Five Forces, Biman Bangladesh Airlines, Airline Industry.*

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### **I. Introduction**

Grant states that 'when two or more firms compete within the same market, one firm possesses a competitive advantage over its rivals when it earns (or has the potential to earn) a persistently higher rate of profit.' (2002: Pg.227). To understand how competitive advantage can be acquired or how it emerges is important to understand the concept of competitive advantage. Competitive advantage is the ability to do better and outperform competitors in order to gain more market share or resulting in more profits but it is not always revealed in a higher profit figure as companies may go for short term profits and invest heavily for the future or not make any profits in the interests of employee health and safety, environmental concern, benefits to employee or even customer satisfaction.

According to McGee 'competitive advantage is the delivering of superior value to customers and, in doing so, earning an above average return for the company and its stakeholders.' (2005:Pg.207). This twin hurdle of cost reduction and at the same time delivering a superior product makes it difficult for any firm to achieve competitive advantage easily, because it is not easy to cut cost and at the same time maintain the quality of the product or improve quality or add features to a product without incurring additional costs. McGee also states that 'competitive advantage requires the firm to be sustainably different from its competitors in such a way that customers are prepared to purchase at a suitably high price.' (2005:Pg.207). He also states that competitive advantage consists of the following elements.

- A statement of competitive intent
- Outward evidence of advantage to the customer
- Some combination of superior delivered cost position, a differentiated product, protected niches.
- Evidence of direct benefits, which are perceived by a sizeable customer group, these customers value and are willing to pay for, cannot be readily obtained elsewhere, both now and in the foreseeable relevant future.

Biman Bangladesh Airline is a government owned airline and was established on the 4<sup>th</sup> of January 1972. Its name comes from the Bengali word "Biman" which mean airplane. Biman flies from Dhaka to London, Abu Dhabi, Bahrain, Mumbai, Kuala Lumpur, Brussels, Karachi, Doha, Tokyo, Frankfurt, Yangon, Manchester, Hong Kong, Bangkok, Damman, Delhi, Dubai, Kathmandu, Riyadh, New York, Kolkata, Kuwait, Jeddah, Muscat and Paris. Biman is operating in London (Dhaka-London route) with Emirates, British Airways, Qatar airways, Singapore airlines, air India, jet airways, and gulf air as its competitors.

#### **1.1 Statement Of The Problem**

Biman Bangladesh being a relatively new airline from a third world developing country, with very limited resources and a limited number of aircrafts, inadequate infrastructure, and limited access to advance

technology, lack of qualified personnel, has been successfully competing in this market and have gained a respectable amount of market share.

The researcher would like to analyze the factors resulting in this success, whether Biman was able to acquire a competitive advantage, which resulted in its growing market share and is the competitive advantage sustainable over time. The researchers would like to focus on areas that the company could improve in order to gain more market share. Thus the problem statements of this research are –

- What factors account for the success of Biman Bangladesh Airlines?
- How could Biman Bangladesh continue to build its competitive advantage in order to gain more market share and to sustain in the competitive market for the long run?

## **1.2 Aim And Objectives**

### **I. Aim**

The researcher aims to identify the factors contributing towards the competitive advantage of Biman Bangladesh Airlines

### **II. Objectives**

- To establish a theoretical framework for measuring competitive advantage.
- To find out if Biman has been able to achieve any competitive advantage.
- To identify the actions that can be implemented to continue improvement of its competitive advantages in order to gain more market share.
- To recommend strategies for sustaining continuous growth and improvement of Biman's competitive advantage.

### **1.3 Research Questions**

- Which factors determine choice of flights on the Dhaka-London route?
- How could Biman be able to cope with the competitive advantages of its major rivals in this route?
- How is the competitive environment for airlines operating in this route?
- How is Biman's competitive advantage helping them to maintain market share?
- How could Biman sustain their competitive advantage and what can they do to gain more market share.

## **III. Literature Review**

The emergence of competitive advantage requires some form of change to take place, either internally or externally. Level of profit between firms is always a disequilibrium phenomenon, it is different because different firms have different resources and capabilities, a company that is efficient in responding to changes in its external environment will be more competent in exploiting the situation and creating advantage for them. According to (Grant, 2002) the greatest competitive advantage can be achieved from responsiveness to change, which involves anticipating future changes and planning accordingly. A firm needs to amend and adjust their strategies and capabilities as the company goes through its life cycle, changes in customer's buying preferences, technological improvements and as the competition changes.

Information and flexibility are the two key elements, to gain from changes in the external environment; flexibility of response is determined by how quickly a firm is able to redeploy its resources and capabilities to fulfill changes to the environment. The greater the flexibility the less the firm is dependent on forecasting change

Competitive advantage gained from internal change is usually triggered by innovation; innovation does not only create competitive advantage but also destroys rival's competitive advantages. In its broad sense innovation means, introduction of new products or services, but it also means new ways of producing the same goods or services.

### **3.1 Theoretical Framework**

'Business strategy is concerned with establishing competitive advantage. Identifying the basis of and opportunities for competitive advantage requires an understanding of competition within the industry.' (Grant, 2002: Pg.65) In order to understand the competition within an industry, it is of utmost importance that a firm carries out internal and external analysis of the firm and the industry that it operates in.

The researcher will carry out the above analysis by using three simple but effective tools,

- SWOT analysis
- PEST analysis.
- Porter's Five Forces.

### **2.1.1 Swot Analysis**

According to (McGee et al, 2005) in order to understand the business environment that a firm operates in, it is necessary to analyze the general environment and the firm's industry and competitive environment. In most cases firms will compete with firms that are operating in the same industry, providing similar products to similar customers and undergo similar process of manufacturing. The key to successful strategic planning lies in gathering information from firms operating in the same industry and analyzing the data to understand the competitive dynamics. This can be done by SWOT analysis, which stands for

- S: Strength
- W: Weakness
- O: Opportunity
- T: Threats

By undertaking SWOT analysis both the industry's internal and external environment can be analyzed. The first two factors: strength and weakness refers to the internal condition of the firm. Opportunity and threats are environmental conditions, external to the firm and which the firm cannot control.

Strengths are the positive factors a firm possesses that help the firm to create value. Strengths can be first mover advantage, low labor cost, marketing expertise, innovative products, location and many more. Weakness shows the negative aspects of the firm; aspects where the firm needs to improve. Weaknesses can be inexperience, lack of proprietary information, lack of knowledge. Opportunities arise in the external environment such as demand for a particular type of product increases, new product or technology development. Threats also arise in the external environment over which the firm has no control. Threats can be in the form of new entrants, replicas, price wars with competitors, taxes and duty imposed on the firm's products.

### **2.1.2 Pest Analysis**

PEST analysis is a useful tool for scanning the general environment. The acronym refers to political, economic, social and technological factors. Some writers often extend the acronyms to include legal and environmental factors. However, the legal component is often contained within the political element and the environmental element which refers to the effect of our lifestyle on the climate and the surroundings is often included within the social factor.

PEST analysis can be used to recognize the hazards and the fractures forming in the environment by discovering and monitoring the weak signals. The PEST analysis varies from country to country depending on the political, economic, social and technological factors. It is a macro-environmental analysis.

#### **I. Political:**

This is a factor which deals with the government policy and its effects. It encompasses the legal elements such as, taxation policy, government stability, and government regulation and so on. The stability of the government in the other country needs to be taken into account. The government always influences the market either directly or indirectly. Organization within the industry need to be on their heels all the time because of the pressure of the new entrants who might come in with cheaper and innovative products.

#### **II. Economic:**

Economy has a direct impact on every industry. The factors which influence economy of a country are the inflation rates, exchange rates, GDP, unemployment rate and monetary & fiscal policy. However, the problems with the economic data are that they can be equivocal and quite erratic. Moreover, economic data can only provide an image and simplification of the complex economic phenomena. Nevertheless, a marketer especially those involved with international trade need to keep an eye on the state trading economy in the long term as well as short term. If the economy of a country is going downwards whatever the product is it will suffer from the symptoms of recession just like in UK.

#### **III. Social:**

'Social forces influence the values, beliefs and lifestyles of a society.' (Dess et al, 2007: Pg.52) It is important that the socio-cultural factors such as the dominant religion, language, attitudes to certain products and so on are taken into account. Increase in the income per head of the population would mean that more luxury products could now be afforded.

#### **IV. Technology:**

(Dess et al, 2007) states that, technology has its effects on every industry. To survive in the industry a company has to keep itself updated. The development of technology will lead to lower costs of production and increased satisfaction of customers. Innovation may lead to broaden the existing industry and open new doors of opportunity. A company has to be very efficient in utilizing resources since the cost is eventually passed onto the customer which could be eliminated by using technology to compete in the fierce market.

### **2.1.3 Porter's Five Forces**

The five forces model was invented by M. Porter it's a commonly used framework to analyze the competitive environment of an industry. Here Porter said that there are 5 driving forces which are relevant to influence a firm's position within the industry. It assesses the attractiveness of the industry and also figures out the position of the firm within the industry. Moreover it also points out the whether the industry is attractive or not and helps the firm to take a decision of whether they are going to compete in the market. (Dess et al, 2007)

- The threat of new entrants.
- The threat of substitutes.
- Bargaining power of suppliers.
- Bargaining power of buyers.
- The industry competitors.

#### **I. The threat of new entrants:**

This refers to those potential companies that have not entered the industry but can do so if they want to. The existing companies try to discourage potential entrants from entering the market as more competitors would make it more difficult for the existing players to relish. The threat of entry relies on the entry barriers and attractiveness of the industry

#### **II. The threat of substitutes:**

This threat has nothing to do with the industry a firm is operating in; it comes from outside the industry. In the current situation, we see firms of different industries like companies in the tea, coffee and soft drinks industries competing against each other to get hold of the non – alcoholic drinkers.

#### **III. Bargaining power of suppliers:**

These are the organizations who supply inputs to the industry. Among the inputs could be materials, services, labor and so on. Suppliers are equally important as the customers, they can put the firm on pressure by increasing the price or lower the quality of the goods supplied if they are strong enough. Or if the suppliers to the firm are weak or the firm has an option of a substitute then the suppliers are weak. A weak supplier is very favourable to the firm.

#### **IV. Bargaining power of buyers:**

They are those customers who are the ultimate consumers of the product or those companies who transfer products to the end users such as, retailers and wholesalers. The buyers often have a lot of power when the seller has a very few buyers available and they can force to lower the price or take long trade credit. According to (Dess et al, 2007) the buyer group is powerful if: they buy large volumes which seller sales, there are lot of sellers and low switching costs or buyer can go for a backward integration.

#### **V. The industry competitors:**

Every firm has its competitor if the industry is attractive and highly growing industry there will be fierce competition. The competition is of becoming the market leader of the industry. The worst form of competition is a price war; all the firms in the industry suffer from it eroding the profitability ratio. The factors depend on the growth, life cycle and the number of competitors in the industry.

## **IV. Research Methodology**

The research which is being carried out is on a Bangladeshi Airlines Company known as Biman Bangladesh Airlines. It is a case study research and as mentioned by Robson (2002: Pg.178), 'it involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence.'

A case study research can help answer questions like – why, what, how, etc. Moreover, when carrying out a case study several data collection methods can be used. There are two approaches in the research methodological arena known as the Quantitative research and Qualitative research. Both approaches have their own advantages and disadvantages.

Qualitative research provides more flexibility and versatility and is the best method for this research as this research generates non-numerical elements of data and it is necessary that key assumptions behind the qualitative research are explored. It is important to understand how people behave in certain situations and how do they see the world around them. Not all people will answer in the same way and neither will their understanding be the same. Therefore, it is imperative that when the research is carried out, the researcher takes account of certain traits like personalities and identities. As it is a case study research and due to the benefits that this approach provides, the researcher will follow the qualitative method.

### **3.1 Data Collection Method:**

There are two types of data collection methods. They are: Primary Data and Secondary Data. According to Gates and McDaniel (1999: Pg.12), 'Secondary Data refers to the information that has been

gathered and only might be relevant to the problems at hand. Primary Data on the other hand is survey, interview, observation, or experiment conducted to solve a particular problem under investigation which is either qualitative or quantitative.'

### 3.1.1 Primary Research

Primary research is mainly used during investigation in new areas or where not enough information is available. Information is gathered by using questionnaire techniques, requesting people to take surveys, taking interviews, observing and so on. Interview is the best method for qualitative research and therefore this research will have results of the interviews taken. There were two groups of interviewees, one being the top management, the other being the customers. More emphasis was given to the top management as they are the people who had the clear and detailed information about the current situation. As this is a qualitative research, formulation technique was used in conducting the data analysis.

### 3.1.2 Secondary Research

Data collected via secondary research are usually very reliable because of the sources from which it is derived. According to Saunders et al., (2006: Pg.52), 'Secondary data include both raw data and published summarize.' For this research, books, newspapers, internet, magazines were used as secondary data.

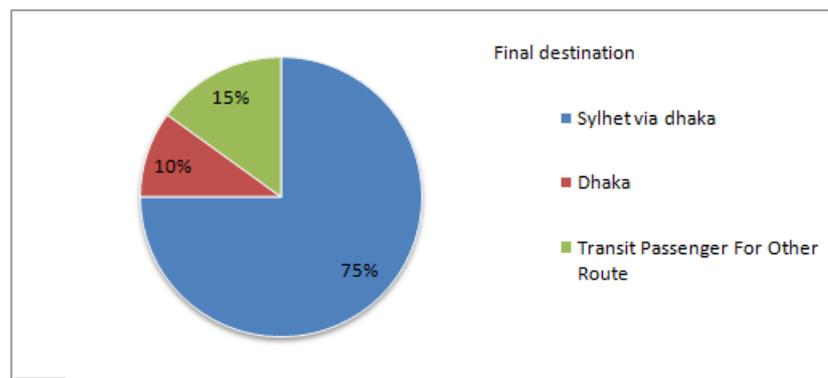
### 3.3 Data Analysis:

Since this is a case study analysis, the researcher has used mostly qualitative data and some quantitative data to conclude the research. The type of data collected is mostly textual in nature. This data helped the researcher to link it to secondary data and answer the research questions.

#### Data Analysis And Findings

#### GENERIC STRATEGY

The data collected through primary research will be analysed here to find out the generic strategy adopted by Biman.



**Figure: 1**, Final destination of passengers

Source: Biman office, UK.

It can be seen from the above graph that final destination of 85% of the passengers flying with Biman is Bangladesh. 10% of them terminate their journey at Dhaka and 75% of the passengers continue their journey to Sylhet via connecting flights from Dhaka. 15% of the passengers fly as transit passengers to Dhaka to connect flights to other international destinations.

It is clear from the above graph that the majority of passengers (85%) are Bengalis, either British-Bengalis or Bengalis residing in the UK. Biman country manager has confirmed in his interview that their main focus is the British-Bengalis residing in UK and they centre their promotional activities on this ethnic group. From the graph and from Biman country manager's interview it can be concluded that Biman has adopted a focus strategy.

According to Porter (1998) firms adopting a focus strategy, targets a narrow segment of the market and serves that segment's special needs. Biman has tailored its services to meet the demand of Bengalis and from the above pie chart it can be seen that at least 85% of the customers are Bengalis confirming that Biman has adopted a focus strategy.

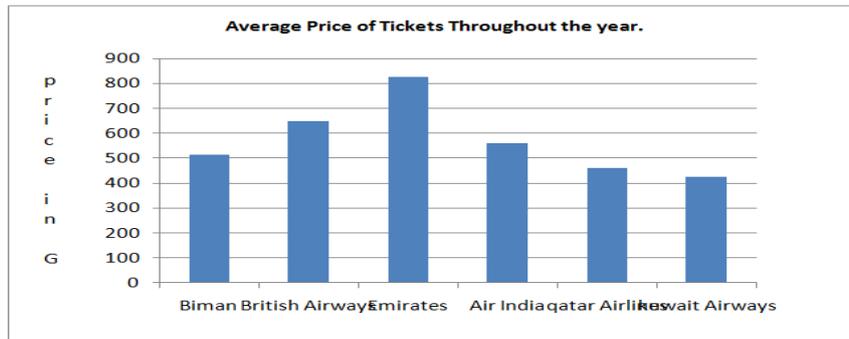


Figure: 2, Average price of tickets.

Source: Biman office UK.

As we can see from the above figure, Biman is not the most expensive flight available neither the cheapest but its price is very competitive and maintains parity with the cost leader in this particular market. On average Emirates charges £825, the highest fare throughout the year and Kuwait airways charges £425 on average and is the cheapest flight available throughout the year. Qatar airways charges £460 on average. Air India charges £560 on average and British Airways charges £650. Biman’s average price is £515. Emirates, British Airways and Air India is always more expensive than Biman. Qatar airlines and Kuwait airways is a little less expensive than Biman but the price of these three airlines are more or less similar.

Even though Biman’s fare is not as cheap as Kuwait airways, it is still able to maintain parity with the cost leader. The graph is an average price graph as prices vary from off-season to peak season but in no circumstance does Biman charge a very high price compared to its competitors. The graph clearly indicates that Biman has been able to effectively control its costs and price it charges.

The researcher has already pointed out that Biman follows a focus strategy, this strategy has two aspects: cost focus and differentiation focus. According to Dess et al., (2007), cost focus is when a firm targets a niche market and also maintains price parity with the cost leader. It can be seen from the above two graphs that Biman has fulfilled both conditions required for a cost focus strategy. McGee et al, (2005) states that focus strategy is enhanced when it is combined with cost or differentiation strategy.

#### 4.1 SWOT analysis of Biman

SWOT analysis mainly presents a company’s strength, weakness, opportunities and threats. It helps a company or organization to understand its present situation compared to its competitors and adopts a strategy. The following data shows the SWOT analysis of Biman compared to British Airways and Emirates Airlines.

Biman Bangladesh Airlines	British Airways	Emirates Airlines
<b>Strength</b>	<b>Strength</b>	<b>Strength</b>
Customer loyalty Competitive fare & promotion Extra baggage allowance Brand image Online reservation Culture Frequency of flights	Size and Brand Regular schedule Network presence Cost cutting Customer loyalty	Regular schedule More flights Aircrafts facilities Customer loyalty
<b>Opportunity</b>	<b>Opportunity</b>	<b>Opportunity</b>
Private organization Sylhet Airport	Terminal 5 Shifting customer need Further alliances industry recovery	Direct flights Dubai airport Sylhet Airport
<b>Weakness</b>	<b>Weakness</b>	<b>Weakness</b>
Shortage of experienced employees Lack of technology Corruption Debt Aircraft maintenance	Damaged reputation Debts Reliance upon particular revenue system Language Problem	No direct flight Language Problem Long hour flight
<b>Threats</b>	<b>Threats</b>	<b>Threats</b>
Shortage of aircraft Competitive market Rising fuel cost New entrants Political influence	Strong competition Interest and foreign currency exchange rates Rising fuel cost Decline in airline industry Environmental issue	Strong competition fuel cost Act of terrorism

#### **4.2 Pest Analysis Of Biman**

To observe and analyse the external environment pest analysis can help any company to understand the present and future situation.

##### **Political environment:**

**Political issues:** Due to some political issues Biman is exploited in many different ways. Before it changed its ownership Biman was fully government controlled. Government formulated their rules, regulations and policies, which resulted into substantial losses for the company. According to official sources,

**Trade unions:** There are six trade unions in the organization to make sure their employees are treated properly and are getting all benefits they are entitled to.

**Favouritism and nepotism:** Because of the political influence Biman has to appoint inefficient employees in some positions and some areas are overstaffed.

**International politics:** After 9/11 Biman was also affected by international politics. Due to this reason Biman used to operate New York flight empty which caused a great loss. Biman was trying to operate this flight via Heathrow but British airways were the major competitors and Biman failed to obtain a license to stopover at Heathrow, but it was a great opportunity to make profit and save time. Another effect was, during the gulf war Biman had to stop their flights to Kuwait, due to increased oil price Biman had to count a huge loss. 'British Airways, which posted an 88% fall in profits last week, also confirmed the economic downturn and increased price of fuel was hitting demand as higher fares depressed economy class sales'. (Guardian, Tuesday, 5<sup>th</sup> August, 2008)

##### **Economic Environment**

Most passengers of this route is of British Bangladeshi origin. These people migrated to the UK during early 1950s, and the majority of them are now involved in restaurant business. There are over thirteen thousand Bangladeshi restaurant all over UK and earns about seven billion pounds a year, contributing a great deal to the UK economy. These people are financially stable and frequently travel to Bangladesh and they choose Biman because of its homely environment, local food and native language. According to official sources 60% of British Bangladeshis choose Biman.

**Competition:** The route Dhaka-London was mainly introduced by Biman. After that British Airways added this route into their list and other popular airlines also open this route one after another, but Biman still remains the only direct flight available to Dhaka.

##### **Socio Cultural Environment**

Most of the passenger of this route is of Bangladeshi origin most of them are engaged in restaurant business. There are more than 13,000 Bangladeshi restaurants in UK. These restaurants contribute huge revenue to UK economy. The British Bangladeshi people are now financially established and they are maintaining a better life style. Due to the financial stability, they can visit Bangladesh easily. Biman country manager in UK mentioned that business and economy class seat of Biman in this route is fully booked on every flight. They choose this route because Biman operates this route six times a week. They also enjoy a luggage allowance of forty Kg, where other airlines allow twenty to thirty Kg.

##### **Technological Environment**

To sustain in this vast competitive market, organization have to be very technology conscious. Without modern technology organization are unable to compete in a vital competitive market.

**Automation in Biman:** In 2006 Biman adopted a modern electronic reservation system for the passengers. It is important to satisfy their passenger and to compete with the other airlines, Biman had to provide this better service and it also increased revenue and reduced cost. This computerized system delivered most advanced distribution process power and meets passenger's specific requirement.

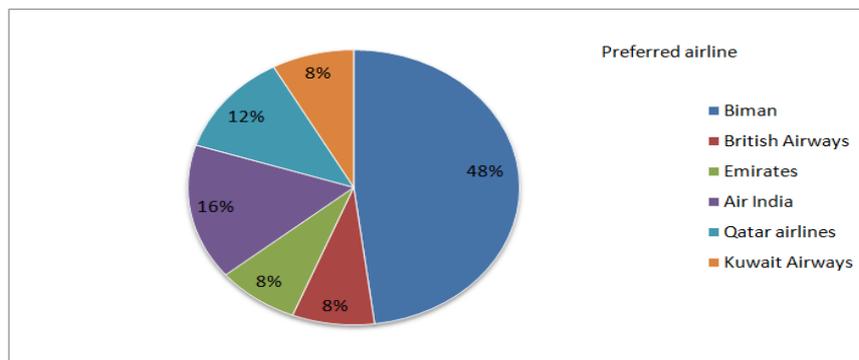
**Reservation system of Biman:** In the year of 2006 Biman reservation system came under fully automation. In 1987 Biman signed up with GABRIAL CRS (computer reservation system) for their passenger. Gradually Biman linked this computerized system to all offices. Some objects of CRS are; ensure space for the passenger, maximum utilization of space, enhanced revenue and achieve economic operation, to meet station demand when extra capacity is required, daily and query clearing.

**Baggage tracking:** Biman has an agreement with the world tracer based in USA which can help to trace a lost baggage very quickly and safely where prompt claim settlement by using bar code.

#### 4.3 Porter's 5 Forces Analysis On Biman.

##### Threat of new Entrants:

The industry in which Biman operates, viz. airline industry, the threat of new entrants is low. This is mainly due to the fact that barriers to entry are high. Organisations trying to enter the airline industry are faced with a great deal of challenges, the biggest being the capital requirement. To start an airline will require a number of aircrafts. Both the UK Country and the Reservation managers do not believe that their airline face any real threats from new entrants. They stated that the airline industry is already saturated and it is one of the most expensive industries to operate in. To add to that, one has to fulfil the safety requirements that makes it more expensive.



**Figure: 3, Preferred Airline;** Source: Customer questionnaire.

According to the questionnaire (See Appendix B), 48 % of the customers prefer Biman Bangladesh Airlines for London-Dhaka flights. 8% of the customers prefer to fly with Kuwait, Emirates and British Airways Airlines. Air India is preferred by 16% of the customers and Qatar Airlines preferred by the rest of the customers.

From the pie chart given above it can be stated that Biman prospers from healthy customer loyalty. Lots of customers choose Biman repeatedly and this adds to the fact that the threat of entrants is low.

##### Bargaining Power of Suppliers:

Power rests with the suppliers in the form of price and quality of supplies. Suppliers can increase the price or lower the quality of their goods and services. In the airline industry there are mainly two suppliers of airplanes, namely Boeing and Airbus. The demand for their planes is very high due to the fact that there are lots of airlines and the manufacturers can only produce so much. Therefore, the power of suppliers is quite high and they have a firm grip on the market. Moreover, the price of oil is one of the major factors of cost for all the airlines and Biman following a cost focus strategy is more vulnerable to changes in oil prices. Thus, the bargaining power of suppliers is quite high for Biman.

##### Bargaining Power of Buyers:

Buyers are usually customers and customers if powerful have the ability to reduce prices, ask for high quality products and services. In the airline industry, the bargaining power of buyers is high and is increasing as there are lots of airlines to choose from and there are hardly any switching costs. Moreover, there are lots of travel agents and customers can now buy ticket online from even intermediaries. Therefore, they do not really have to stick to one airline and this increases the power of the customers.

##### Threat of Substitutes:

In the airline industry, the threat of substitutes is only applicable for national airlines. International airlines such as, Biman do not really have to worry about any substitute. The threat of substitute is very low for Biman.

##### Rivalry within the Airline Industry:

The competition within the airline industry is very intense virtue of the fact that there are so many service providers. There are many airlines flying the same route and competing for the same customers. Biman, following a cost focus strategy faces competitions from a great deal of companies, such as Air India, Emirates, Qatar Airways, British Airways and so on. The rivals are always trying to increase their market share by

offering best prices for the services they offer, launching promotional campaigns, advertising and many more. The Country Manager believes that it is quite difficult to keep the prices down and do lots of marketing activities at the same time. He stresses that competition is increasing day by day and more of their target customers, namely Bengalis are slowly moving towards the other service providers. Almost all airlines face tough competition and an airline like Biman who follows a cost focus strategy are more vulnerable to competition.

Emirates	British Airways	Qatar airways	Kuwait airways
Singapore airlines	Gulf air	Jet airways	Saudi Arabian Airlines
Air India	Turkish airlines	Kingfisher airline	Pakistan international

Table: 1, competitors; Source: Biman office UK.

It can be seen from the above table that Biman has twelve competitors in this route. We can say that it is highly competitive route. They are in an immense pressure to reduce the prices and improve quality. The business is getting more unattractive now as most of the airlines runs on very low profit margins. Biman has to come up with good service and decent planes in order to survive in this industry.

### Conclusions and Recommendations

Biman has been operating for more than 40 years now. There have been lots of ups and downs for this Bangladeshi Airline but it has continued to operate despite all the hurdles and it will be safe to say that they are holding a healthy position at the moment. Biman started off really small with only a single plane to park in their hanger. Today, they have thirteen planes and are pushing to add more to their locker. It must also be mentioned that Biman is an airline from a third world developing country and it has chosen a cost focus strategy keeping in mind of its environment.

According to the country manager and the questionnaires given to the customers, there are certain factors that have attributed to Biman's domination over the London-Dhaka flights. One of the major factors is the direct flight that they offer to their passengers. Most of the passengers of London – Bangladesh flights are Sylhetis and three out of six flights go to Sylhet from Dhaka. Furthermore, Biman was the first airline to introduce this route. However, other airlines, one being British Airways also started to follow the footsteps by offering the London-Dhaka route. Fortunately for Biman, British Airways soon discounted the route by stating it as a loss project as mentioned by the country manager. According to the figures, 75% of the British Bangladeshis choose Biman over its rivals and there are other factors which account to this as well. As it has already been mentioned before, the passengers feel at ease being able to communicate at their own language with the crew, being served food of familiar taste and being allowed extra baggage allowance.

On the other hand, Biman suffers from some weaknesses and also potential threats that do not allow Biman to pull ahead of its competitors in certain aspects. As discussed in the SWOT analysis in chapter four, Biman does not really have adequate number of highly skilled staffs compared to its rivals. It is still years behind its competition in terms of technology and the aircrafts it possesses. Poor maintenance of aircrafts also forces the airline to forego competitive advantage in this sector. To really be able to cope with the competitive advantages of its major rival in the London – Dhaka route, Biman needs to purchase more aircrafts which it is already in process of doing. Other than that, there needs to be recruitment of highly skilled staffs and some serious advancement in technology. Checking-in and boarding pass could be done online to help Biman close the distance to its rivals.

Even with these drawbacks, Biman's own competitive advantage is helping them to maintain market share. From the interview with both the managers, the researcher was able to deduce that Biman has adopted the market-niche strategy which helps it to maintain market share. Biman is looking close at its target market and providing those services which are being greatly valued. Benefits like extra baggage allowance and other hospitable services are helping Biman to keep hold of its customers. In addition, Biman prospers from unrivalled loyalty and the feeling of patriotism greatly helps the airline to keep its customer base.

The theories that have been discussed in the literature review above have been compared with the strategy of Biman. The strategy especially the generic strategy that Biman is following is really commendable. Biman has followed the cost focus strategy beautifully and it is because of this that even after being not such a rich airline it is performing really well. Biman has targeted a niche market and has worked on it to maintain a healthy market share. It's targeting of culture, food and language has been welcomed with open hands by its customers. Besides, the extra baggage allowance provided by the airline has been spot on for the type of customers it targets. The executives of Biman must be lauded for making this airline perform well with the limited resources on offer.

### 5.1 Recommendations

This research shows that Biman has been a successful cost focuser by achieving certain competitive advantages and is operating successfully in the Dhaka-London route, but there is ample scope for improvements.

The Biman executives in UK and customers have provided useful insight about how the airline could be improved.

- Biman need to acquire more aircrafts. Most of its aircrafts are old and aircrafts like DC-10 is prohibited in some airports in the world including Heathrow Airport in London. Most of Biman's competitor's use the latest planes with all modern facilities, if Biman fails to acquire these modern planes soon; it will be out of business.
- Biman faces serious problems due to flight delays and cancellations. It needs to stick to its schedule and take preventive measures to make sure those delays and cancellations don't occur.
- Biman needs to employ more efficient office staffs. Reservation manager of Biman UK has mentioned that the London office is understaffed causing a lot of workload and stress among the employees. The firm needs to address these issues and take corrective measures immediately.
- Biman needs to employ more experienced engineer. Its aircraft maintenance is poor, being one of the causes of delays and flight cancellations.
- In order to attract more customers Biman needs to encourage tourism to Bangladesh. Bangladesh is gifted with the world's longest unbroken sandy sea beach and a very rich mangrove forest. Biman should highlight these aspects and attract tourists.
- Biman needs to come up with more innovative products and services. If any of the other airlines started allowing more luggage allowance or started direct flights from London to Dhaka, Biman would lose its existing market share.
- Biman serves traditional Bengali cuisines which most of the customer prefers but it should also have other options available.

These recommendations were based on interviews with Biman executives and from customer questionnaires; further research in to this section would generate more data for improvements. This study is limited to Dhaka-London route only, other routes of Biman should also be analysed along with all competitor analysis undertaken.

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### **Appendix A**

#### **Questions For Interview With Biman's Management Uk.**

- Q1. What is the competitive condition for Biman in the Dhaka-London route?
- Q2. Who are Biman's major competitors in this route?
- Q3. How much is the market share of Biman in this route?
- Q3. How much is the total revenue earned (last ten years)?
- Q4. What are the weaknesses of Biman?
- Q4. What do u consider to be your strength?
- Q5. What threats does Biman faces and what are its opportunities?

- Q6. Considering the present situation, what are the main problem areas of Biman?  
Q7. How can these problems be solved?  
Q8. Who is your target market?  
Q9. What type of initiative you have taken to keep the existing customer and to attract new customers?

## **Appendix B**

### **Biman Customer Questionnaire**

#### **Q1. How often do you travel to Bangladesh?**

- Once in five years.
- Once in two to three year
- Every year.

#### **Q2. Which is your most preferred airline to travel to Dhaka?**

- Biman
- Emirates
- British Airways
- Air india
- Qatar airlines
- Kuwait airways
- Others

#### **Q3. Do you think that the extra luggage allowance that Biman allows is usefull?**

- Yes
- No

#### **Q4. Do you think the price Biman charges is fair?**

- Yes
- No

#### **Q5. Do u think your journey becomes more flexible due to Biman's frequency of flights?**

- Yes
- No

#### **Q6. Which are the most important factors to you when you travel by air?**

- On board entertainment
- Food
- Language spoken by crew members
- Luxurious aircrafts
- Customer service