

International Business Plan for Qantas Airways Limited



Student Id:

Student's Name:

Word Count:

Date:

Daixie
Service.com

Table of Contents

Introduction 3

Background Analysis 3

Market Selection 4

 Target Market..... 4

 Market Positioning in Target Market 5

 Competitor Analysis..... 6

Market Entry 7

 Market Entry Strategies..... 7

 Market Entry Mode 7

 Selection of Customers, Distributors and/or Partners 8

Product and Pricing Strategy 8

 Products/Services for Target Market..... 8

 Changes to Product/Service Required..... 8

 Pricing Strategy 8

Conclusions 9

References 10

Introduction

Queensland and Northern Territory Aerial Services (Qantas) Airways Limited is an Australian-based company that was founded in 1920 (Shaffner et al., 2017). Over the years, the company has grown to become not only the number one domestic airline and among the biggest companies in Australia but also a leader in the Asia-Pacific region. It operates both domestic and international airlines. Through its domestic and international airlines, the company offers a variety of services such as freight services, loyalty programs, and domestic and international air transportation services. It is also important to note that the company has six subsidiaries. These include the Jetstar group, Qantas loyalty, Qantas link, Qantas freight, Jetconnect, and Express ground handling. Its many subsidiaries ensure that the company not only generates revenue from air travels but also from cargo, tourism, and catering operations (Raynes & Tsui, 2019). Another thing that has ensured the company has remained successful in the airline business is the fact that it always undertakes to change and evolve its business model to suit the current customer needs and to prepare for the future customer needs. Further, the company engages in frequent upgrading of its fleets and this tends to attract many travellers who want to fly in comfort. This report presents a business plan for the internationalization of Qantas Company, and shall specifically focus on its entry strategy in the Chinese market.

Background Analysis

Qantas airlines has managed to stamp its authority in the Australian and the Asian-Pacific airline industry market. According to recent data, it was reported that by December 2020, the Qantas group was commanding a 74% domestic market share. At the same time, it was reported that the domestic market share of its main competitor, Virgin Australia airlines, had slumped from 38% before the COVID-19 pandemic came to just 24% in December 2020 (Thorn 2021).

This massive growth in the market share of Qantas airlines in Australia is attributed to a combination of both internal and external factors, all which have helped the company to climb to its current powerful position. Further, whereas many people identify Qantas as a long-haul international airline, the truth of the matter is that the engine room of the airline is the short-haul domestic flying which is reported to contribute the highest percentage of the company's revenues. There is a high possibility that the other industry players such as Virgin Australia and Rex will someday counter the dominance of Qantas and this will result to a significant dwindling of its revenues. Thus, continuing to have Australia domestic flights forming the bulk of the Qantas' revenues is a risky affair in the long run (Thorn, 2021). For this reason, the company needs to embrace internationalization in order to spread its risks.

There are many benefits that Qantas Company will get if it undertakes to expand its business internationally. First, expanding internationally will make Qantas company gain entry into a new market of the foreign country. After having dominated the Australian market for years, there is a great possibility that Qantas can exhaust its growth opportunities in Australia. Thus, if the company makes a decision to venture into a foreign market, it will have made a great decision to grow the business and gain access to different customers, hence increasing its revenues. Moreover, expanding its business internationally will enable Qantas Company to diversify its markets (Chereau & Meschi, 2018). Through this, the company will be able to create a safety net for its revenue stream. This means that if the sales in Australia go down as it happened during the pandemic crisis, Qantas company will be able to lean on profit from its operations in other regions.

Market Selection

- **Target Market**

The target market for this international business plan is the Chinese market. Currently, China is regarded as one of the top emerging markets in the world. The last decades have seen China moving away from its initial barriers of a centrally-planned closed economy to become the world's hub of exporting, manufacturing, and consuming industries. For many businesses doing international sales and buying, one of the critical areas that they concentrate on is doing business with the Chinese market. The sheer size of land and the population of China makes it attractive to international businesses.

Further, many Chinese companies currently are open to accommodating the global market. The government has over the past years undertaken to put in place better and favourable policies toward foreign companies. For instance in January 1, 2020, China implemented the Foreign Investment Law which guarantees foreign companies a greater market access and stronger protection in China. This law further opened the Chinese aviation industry to foreign investment access by scrapping the regulations on foreign investment in civil aviation industry made in 2002 which had limited foreign investment in the industry to only specific areas (Wu & Ang, 2020). Thus, since China has become a vital factor in international trade, it is high time that companies all over the world which seek to expand their business to go to China. Lastly, China has a good work ethic. This means that if Qantas expands its market there, it shall get employees who not only work tirelessly for their own gain but also for the overall good of the company.

There are, however, various challenges that will face Qantas in its expansion to Chinese market. The most prominent challenge is the regulatory system in China. It has been reported that foreign companies always struggle with the Chinese bureaucracy as they try to make entry into the country's market. Many companies that have expanded their business to the Chinese market often cite bureaucracy as a key challenge that they faced. It is reported that getting the required licenses and permits in China is a laborious process (Wu & Ang, 2020).

- **Market Positioning in Target Market**

Qantas Company has lounges in Chinese airports which positions it among the Chinese travellers as a premium service provider. Further, the company has a reputation of being an airline brand which prioritizes the safety and comfort of its travellers in its operations (Shaffner et al., 2017). It is also worth noting that the company has positioned itself in Asia with premium Airline partnerships, something which makes the company's brand credible to its Chinese target market. Qantas Company will also compete well in China since it will introduce itself to the market as a low cost airline with its target market being business and leisure travellers travelling into, within, and from China. The business travellers which the company will be targeting in China include the emergency business travellers, routine travellers, and conference travellers. Further, among the leisure travellers, the company will focus in groups such as the multiple destination travellers and the weekend tourists.

- **Competitor Analysis**

There are three main airline companies in Australia which will give Qantas Company the biggest competition in its entry into China. These include China Southern Airlines, China Eastern Airlines, and Air China. China southern Airlines is the largest airline in China when airlines are measured based on the size of the fleet and the number of passengers carried. Further, it has been the world's largest passenger airline since 2011. Currently, Qantas boasts of a fleet of 311 aircrafts. This number of fleets is less compared to its competitors like China Southern Airlines which has fleets of over 850 aircrafts (Curran, 2021). Hence, for Qantas airlines to be successful in China, it has to ensure that it increases its number of fleet or pursues an entry strategy that will make it compete effectively even without having to pursue the capital-intensive task of buying aircrafts for the Chinese business.

Qantas airlines will however have an edge over its competitors in the area of offering cheap flight tickets. Qantas subsidiary, Jetstar Airways, has been ranked among the cheapest airlines to fly with internationally (Sharma, 2021). The fact that none of the Chinese airlines appears in

the list of the cheapest airlines to travel with means they are all expensive compared to Qantas' Jetstar subsidiary. Hence Qantas will give its rivals competition as an airline which business and leisure travellers that prefer to travel at cheaper rates will use.

Market Entry

- **Market Entry Strategies**

The aim of Qantas entry into China shall be to expand its customer base and increase its profitability. The strategic posture of Qantas Company in its entry to China shall be based on shaping the future. Here, the company will undertake to be a pioneer in cheap and classy airline services in China. The company's value proposition in the Chinese market aims to be elite services, low prices, and quality services to its target market, who are the business and leisure travellers.

- **Market Entry Mode**

Qantas entry mode in China shall be through a joint venture. Particularly, a joint venture is a mode of market entry where two entities agree to pool their resources for the objective of achieving a particular goal. This entry mode is characterized by two companies sharing the ownership of a business, sharing the returns, and also sharing the risks and governance of the business (Killing, 2013). In order to enter into the Chinese market with the use of a joint venture, Qantas Company will have to look for a potential competitor in China and form a joint venture with it. For instance, Qantas can get into a joint venture with Hainan airlines, the fourth largest airline in China with a fleet of over 130 aircraft.

The advantages of a joint venture entry mode is that it will give Qantas Company an easy access to the new market. Further, the company will be able to increase its capacity in airline business. Additionally, Qantas will not have to be responsible for the risks and costs alone since these will be shared with the partner. However, there are also some shortcomings of this entry mode which Qantas should be prepared for. First, there is a high possibility that it will have different

objectives from the other partner in the joint venture. Further, there is a risk of poor integration and cooperation informed by the different cultures and management styles of the two companies (Killing, 2013).

- **Selection of Customers, Distributors and/or Partners**

Qantas Company shall implement a demographic market segmentation strategy. Through this, the company will focus on the business and leisure customers who travel frequently within China. It is this demographic of customers that the company will undertake to give lower ticket prices.

Product and Pricing Strategy

- **Products/Services for Target Market**

Qantas has a reputation of being the safest airline in the world with very minimal crashes. The company prides itself in the development of safety initiatives like the Future Air Navigation System which makes it easy for the pilots to communicate with the Air Traffic Control (Shaffner et al., 2017). Further, the airline offers quality and low-cost services. These features of its product will undoubtedly make it attractive to the potential customers in the target market.

- **Changes to Product/Service Required**

There are no changes that will be undertaken on any of the company's products. The company will not pursue any localization strategy. Since the company already has a rich international reputation, it will ride on that reputation and the lower costs of its ticket prices to attract customers.

- **Pricing Strategy**

The company will use a price discrimination pricing strategy. Here, the individuals who will chose to travel with the airlines frequently will be getting bonuses. Further, individuals who

will be traveling with the airlines in given seasons will be traveling with lower ticket prices (Puller & Tailor, 2012). This pricing strategy will attract customers and ensure the company makes sufficient sales.

Conclusions

As globalization continues, internationalization is emerging to be one of the most coveted businesses expansion strategies. This is because expanding to a foreign market expands the market base of a company, spreads risks, and increases revenue. This plan has discussed the entry strategy of Qantas airlines into the Chinese market. The plan recognizes that given the success of Qantas in its domestic market in Australia where it controls over 70% of the customer base in, and given the fact that its main revenue comes from the domestic market, it is high time that Qantas Company expands globally and diversify its stream of revenue through joint venture. Currently, China has favourable policies for foreign investments. This will give room for Qantas to compete favourably and use its competitive advantage in areas of safety and low costs to succeed in the Chinese market.

References

- Chereau, P., & Meschi, P. X. (2018). Expanding Internationally. In *Strategic Consulting* (pp. 111-143). Palgrave Macmillan, Cham.
- Curran, A. (2021). Retrieved 31 October 2021, from <https://simpleflying.com/china-southern-airlines-history/#:~:text=The%20first%20Boeing%20Dreamliner%20landed,635%20planes%20in%20its%20fleet.>
- Killing, P. (2013). *Strategies for joint venture success (RLE international business)*. Routledge.
- Puller, S. L., & Taylor, L. M. (2012). Price discrimination by day-of-week of purchase: Evidence from the US airline industry. *Journal of Economic Behavior & Organization*, 84(3), 801-812.
- Raynes, C., & Tsui, K. W. H. (2019). Review of Airline-within-Airline strategy: Case studies of the Singapore Airlines Group and Qantas Group. *Case studies on transport policy*, 7(1), 150-165.
- Shaffner, E., Mills, A. J., & Mills, J. C. H. (2017). Reading Qantas History: Discourses of Intersectionality and the Early Years of Qantas. In *Insights and Research on the Study of Gender and Intersectionality in International Airline Cultures*. Emerald Publishing Limited.
- Sharma, P. (2021). The 10 Cheapest Airlines To Fly With. Retrieved 31 October 2021, from <https://www.thetravel.com/cheapest-airlines-ranked/>

Thorn, A. (2021). Qantas claims 74% market share in December. Retrieved 31 October 2021, from <https://australianaviation.com.au/2021/03/qantas-claims-74-market-share-in-december/>

Wu, J., & Ang, S. H. (2020). Network complementarities in the international expansion of emerging market firms. *Journal of World Business*, 55(2), 101045.

