

# MonteCristoAir

## Case Study Overview

### Background and Purpose

You are a senior manager of MonteCristoAir, representing one of the six departments within the airline: Sales and Marketing, Finance, Operations, Network and Schedule Planning, Fleet Evaluation, and Regulatory and Environmental Affairs (R and E Affairs).

MonteCristoAir is a full-service network airline headquartered in Pepperz, the capital of the Republic of Monte Cristo, located somewhere in Eurasia.

MonteCristoAir has been in operation since 1947, providing passenger, freight, and mail service throughout Monte Cristo, and to select international destinations. MonteCristoAir was government owned, but was privatized six years ago. The airline operates a fleet of Boeing 737-300, MD-80's and 767-300ER airplanes, serving 9 domestic, and 2 international destinations from its hub at Pepperz International Airport (PPZ), located in the nation's capital.

MonteCristoAir President E. B. Masters has challenged you, her senior management team, to develop strategies that help, *"MonteCristoAir achieve world class status in the industry in terms of profitability, customer service, safety and efficiency."*

She has sent all of you to this seminar to learn more about what it takes to succeed in the global aviation industry, and expects you to use the information gained to develop recommendations to members of the Board of Directors at the upcoming bi-annual Strategy Review.

For this purpose, she and the Board have decided to run a competition. Each of you, representing your department, is assigned to a *Strategy Team*. At the end of the seminar, the Board will listen to each *Strategy Team's* recommendations and select the winning strategy.

### Challenges

The problem MonteCristoAir is having is that recent new airline entrants have started providing low-fare service in several domestic markets, adding stiff competition. It is traditional for airlines to match fares in local competitive markets, and as MonteCristoAir has done so, its profit margins and customer service have declined.

Additionally, Monte Cristo has begun negotiations with the European Union for establishing open skies agreements to replace the bilateral agreements currently in place. Open skies would significantly alter the competitive environment for MonteCristoAir. It would create both new opportunities as well as make it easier for EU airlines to compete for traffic to and from Monte Cristo. Currently, however, there are no

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plans in place to explore similar agreements with any Asian countries. MonteCristoAir would like to enter those markets as well.

Add to this the threat of costly new environmental regulations pertaining to noise and emissions, an aging fleet, rising operating costs, lower than desired utilization rates, and the challenges just keep growing.

## Opportunities

While, the economy is still developing market-based practices and standards, per capita incomes have been rising as market forces have spread through the economy, and there is a growing middle class. This is increasing demand for domestic leisure travel that MonteCristoAir is not fully capturing yet.

Foreign investment has helped develop a rapidly growing electronics manufacturing industry, increasing business travel demand within Monte Cristo and internationally. Demand for other commodities Monte Cristo produces is increasing in international markets. Monte Cristo has long enjoyed a reputation for having some of the most scenic geography in the world with its lovely mountains and beautiful beaches. In recent years, the country has built up the infrastructure for, and supported development of 4 and 5-star rated seaside hotels and ski resorts. More and more tourists from around the world, especially Asian countries, are discovering this new vacation destination. MonteCristoAir is not yet well positioned on these international routes to take advantage of this growing demand.

## Assignment

The bi-annual Board of Directors Strategy Review is coming up. As department managers within your assigned *Strategy Teams*, you are tasked with developing proposals to put the airline on a path toward President E.B. Masters' vision to:

*Achieve world class status in the industry in terms of profitability, customer service, safety and efficiency.*

At a minimum, you will need to present:

1. A strategy for building competitive advantage and increasing revenues
2. Fleet recommendations, including financing
3. Actions to improve operating efficiencies and reduce costs
4. Address departmental issues as agreed to by your team

Each of you will receive information relating to the expertise and knowledge residing within your department, as well as your own set of specific issues. Your *Strategy Team* will need to incorporate proposals addressing these departmental concerns into your presentations.