

## CASE STUDY:

# *KENYA AIRWAYS*

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## INTRODUCTION

Kenya Airways is a Kenyan-based commercial airline. It was founded in 1977 after the dissolution of East African Airways which was wholly owned by the government. In 1996, Kenya Airways was privatized and is still a private company operating in a highly competitive market.

Kenya Airways, also known as KQ by the IATA code, is the fifth largest carrier in Africa as measured by fleet size, number of passengers carried per year, and by the number of destinations it services. Its network included destinations domestically within Kenya, as well as throughout Africa, Asia, Europe, and America.

The aviation industry has seen many changes in the recent past with immense pressure on airlines to rapidly grow their networks and fleets to serve more destinations. The entry of more competitors has also put pressure on airlines to review their prices as customers push for more value.

Kenya Airways has designed many products and services to remain competitive, however their strategy has both advantages and weaknesses. In the following pages, there is an analysis of KQ's competitive landscape, international and diversification strategies, as well as information on their stakeholders.



## COMPETITIVE LANDSCAPE

Kenya Airways operates in a highly competitive airline industry and has strategically positioned itself to be a gateway connecting Kenya to the world and the world to Africa. KQ has 53 destinations total with 43 inside Africa. This strategy has made Kenya Airways competitive internationally. The 100 Best World Airlines report ranks KQ number 5 in Africa and 85 globally (Gutpa, 2020). The growth and success of KQ can be attributed to the focus on expansion of the network as part of the airline's growth strategy (Wikipedia).

In 2018, KQ added New York to its destinations, creating the shortest route and most efficient gateway for leisure and corporate travel to Africa (Kenya Airways).

This also aligns with the broader strategy of increasing connectivity to the continent for premium travelers in Europe and the United States. The United States is Kenya's top tourist market—with 95,000 Americans visit the country each year. The route has also been a key attraction for travelers connecting to other African countries. This has led to the growth of passenger numbers on KQ's network in Africa (Mbabazi, 2019).

Keys to this success are partnerships with key industry stakeholders such as TK that improve service offerings and expand the destination network. From the information available, KQ seems to be well positioned in the airline industry. However, further analysis of the competitive landscape indicates how its corporate organization, and the industry overall will likely evolve and affect its business practices.

The airline industry globally is in the mature phase. There are fewer entrants joining the scene, earnings have remained steady, and there is some decline in travel to regions like Africa and the Middle East. Some players have also exited the market due to mergers, acquisitions, or bankruptcy.

This disruption has been caused in part by a shift in consumer demand to lower fares, resulting in the entry of many low-cost carriers such as Fly540.com. These budget carriers entered the African market in 2001 and their success has grown significantly (Shea, 2017). More competitors are reviewing their business models to increase partnerships, mergers, and acquisitions.

KQ has responded to these changes by launching a low-cost subsidiary, Jambojet which caters to customers seeking cheaper prices. This has allowed Kenya Airways to offer options to customers who value the comfort and service Kenya Airways is known for but who also seek cheap and competitive airfare that Jambojet can provide. The strategy was focused on serving the domestic market from the hub of JKIA Nairobi; however, this was readjusted in 2020 to include growth to African destinations with longer multipoint flights within Africa without connecting to JKIA Nairobi (Andae, 2020).

## STRATEGY FORMULATION

The approach selected is the Business Model Canvas; it includes all the aspects of the strategy in a simplified, easy-to-understand format that creates transparency and ensures that employees across the organization can understand the strategy (*Exhibit 1*).

















IMAGE VIA JAMBOJET.COM

## STRATEGIC ANALYSIS

One of the strategies employed by Kenya Airways is partnerships with other airlines through codeshares and interline agreements.

### *HYPOTHESIS*

Kenya Airways entering codeshares and interline agreements with other airlines would enable it to grow its network and offer more connectivity options to its customers and in the process, grow its market share and revenues.

<p><b>Customer Segments</b></p> <ul style="list-style-type: none"> <li>Leisure travelers</li> <li>Business travelers</li> <li>Trader</li> <li>Domestic and International</li> <li>Other airlines –Ground Handling and MIRO</li> <li>Shippers and exporters-Cargo services</li> <li>Pilots and Engineers –Simulator training</li> </ul>	<p><b>Pricing Model /Revenue Streams</b></p> <ul style="list-style-type: none"> <li>Broad range of product offering including regular and premium</li> </ul> <p><b>Revenue streams;</b></p> <ul style="list-style-type: none"> <li>Ticket sales</li> <li>Cargo and courier</li> <li>Training –IATA courses, Simulator training</li> <li>Holiday packages</li> <li>Ancillary services –Excess baggage, economy comfort , Extra legroom</li> <li>Premium lounges</li> <li>Ground Handling</li> </ul>	<p><b>Value Proposition</b></p>  <ul style="list-style-type: none"> <li>Comfort – Premium Lounges , economy comfort and Extra legroom</li> <li>On time performance</li> <li>Schedule integrity</li> <li>Warm friendly African service</li> <li>Extensive connectivity</li> <li>Same day baggage</li> </ul>	<p><b>Key Resources / Assets Needed</b></p>  <ul style="list-style-type: none"> <li>Mixed fleet</li> <li>Freighter operations</li> <li>Financial resources to customize products</li> </ul>	<p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>Brand repositioning through targeted marketing and promotional activities</li> <li>Development of new products</li> <li>Diversification of new Revenue streams</li> <li>Increased Customer engagement through various social channels</li> </ul>	<p><b>Core Competencies / Best-in-Class Capabilities</b></p>  <ul style="list-style-type: none"> <li>To deliver unique value to customers</li> <li>Create sustainable advantage</li> </ul> <p><b>Key Business Partnerships</b></p>  <ul style="list-style-type: none"> <li>Codeshares &amp; Interline agreements</li> <li>Joint Ventures</li> <li>Trade Alliances</li> <li>Travel agents</li> <li>Industry- Government Partnerships</li> </ul>	<p><b>Cost Structure / Invest Requirements</b></p>  <ul style="list-style-type: none"> <li>Government subsidies</li> <li>Fleet financing</li> <li>Regulated employee costs</li> <li>Monopoly environment thus Cost control and Revenue maximization</li> <li>Trade union free market</li> <li>Investment in capacity for the cargo/excess baggage</li> </ul>	<p><b>Organizational Structure</b></p>  <ul style="list-style-type: none"> <li>A robust organizational structure</li> <li>Alignment of the strategy and the roles for a seamless execution and decision making</li> <li>Focus on talent identification and mapping</li> </ul>	<p><b>Brand</b></p>  <ul style="list-style-type: none"> <li>Reliability</li> <li>Warm friendly caring African service</li> </ul>
<p><b>Product / Service</b></p>  <ul style="list-style-type: none"> <li>Premium lounges</li> <li>Inflight Entertainment</li> <li>Inflight catering</li> <li>Network/Connectivity</li> <li>Meet and Assist</li> <li>Wi-fi on board</li> <li>Amenity kit</li> <li>Loyalty program</li> <li>On-board Duty Free shopping</li> <li>Cargo Services</li> <li>Ground handling for charters and other airlines</li> </ul>	<p><b>Channels &amp; Relationships</b></p> <ul style="list-style-type: none"> <li>Website</li> <li>KQ Sales offices</li> <li>Travel agents-Physical and Online</li> <li>Online payment / booking</li> <li>Business Trade fairs</li> </ul>	<p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>Brand repositioning through targeted marketing and promotional activities</li> <li>Development of new products</li> <li>Diversification of new Revenue streams</li> <li>Increased Customer engagement through various social channels</li> </ul>	<p><b>Core Competencies / Best-in-Class Capabilities</b></p>  <ul style="list-style-type: none"> <li>To deliver unique value to customers</li> <li>Create sustainable advantage</li> </ul> <p><b>Key Business Partnerships</b></p>  <ul style="list-style-type: none"> <li>Codeshares &amp; Interline agreements</li> <li>Joint Ventures</li> <li>Trade Alliances</li> <li>Travel agents</li> <li>Industry- Government Partnerships</li> </ul>	<p><b>Customer Relationships</b></p>  <ul style="list-style-type: none"> <li>Loyalty program</li> <li>Extensive Customer relations program</li> <li>Service recovery</li> <li>Dedicated follow up services from the CRM information /data</li> </ul>	<p><b>Cost Structure / Invest Requirements</b></p>  <ul style="list-style-type: none"> <li>Government subsidies</li> <li>Fleet financing</li> <li>Regulated employee costs</li> <li>Monopoly environment thus Cost control and Revenue maximization</li> <li>Trade union free market</li> <li>Investment in capacity for the cargo/excess baggage</li> </ul>	<p><b>Organizational Structure</b></p>  <ul style="list-style-type: none"> <li>A robust organizational structure</li> <li>Alignment of the strategy and the roles for a seamless execution and decision making</li> <li>Focus on talent identification and mapping</li> </ul>	<p><b>Brand</b></p>  <ul style="list-style-type: none"> <li>Reliability</li> <li>Warm friendly caring African service</li> </ul>	

## CORE ASSUMPTIONS

1. *The identified codeshares and interline agreements will deliver value to the Kenya Airways customers and its shareholders.*
2. *Kenya Airways has the capabilities to execute these agreements.*
3. *The codeshares and interline agreements can be renegotiated and scaled up in future.*
4. *The codeshare and interline agreements will give Kenya Airways a unique competitive advantage (Exhibit 2).*



EXHIBIT 2 – EVALUATION OF CORE ASSUMPTIONS

ASSUMPTION	EVALUATION OF THE ASSUMPTION
The identified codeshares and interline agreements will deliver value to Kenya Airways customers and its shareholders.	<p>Intended value is providing more connection points and options to the customer and facilitating seamless transfers.</p> <p>This can be easily provided through the codeshare/interline agreements.</p>
Kenya Airways has the capability to execute these agreements.	The current design of the organization has the capability to execute this leveraging on the already existing network.
The codeshares and interline agreements can be renegotiated and scaled up in the future.	Codeshare/interline agreements can be reviewed and scaled up with time to align with the developing growth strategies of the involved parties.
The codeshares and interline agreements will give Kenya Airways a unique competitive advantage.	These kinds of agreements are quite common across the airline industry. However, the geographical location of Kenya Airways' operating hub (JKIA) that makes it unique and desirable in comparison to the hubs of competitors.

## DATA REQUIRED TO TEST THIS HYPOTHESIS

### What is Known

The current Kenya Airways network and fleet and the areas they would like to grow into. The competitive position would help in deciding with whom to partner in the market both regionally and internationally. Aligning with its mission of connecting Africa to the world and the world to Africa, the strategy would be to grow more connections out of Africa since the airline already has a particularly good presence in Africa. Codeshares and interline agreements would increase Kenya Airways presence in Europe, America, Middle East, and Asia. The route maps/network for other airlines are also available from Diio Scheduler 2019 (*Exhibits 3 through 7*).

*EXHIBIT 3 – KENYA AIRWAYS NETWORK, MARCH 2019*



*EXHIBIT 4 – ETHIOPIAN AIRLINES NETWORK, MARCH 2019*



*EXHIBIT 5 - QATAR AIRWAYS NETWORK, MARCH 2019*



*EXHIBIT 6 - EMIRATES NETWORK, MARCH 2019*



*EXHIBIT 7 - RWANDA AIR NETWORK, MARCH 2019*








## What We Could Know

It is possible to know if the competition is willing to collaborate and enter such partnerships for certain markets. Data might be indicative of what kind of moves they would be likely to make. Then a pitch for such partnerships could be crafted from evaluating the most likely candidates based on the trends and market dynamics.

What we do not know is the strategy of the competitors if they have in their strategic growth plans such as route expansion and new markets. We do not know if these growth plans include considering partnerships.

Data required to deduce growth trends for airlines would be airline route maps, network information, fleet information, and data on passenger numbers. Fleet information including number and type would be indicative of the destinations and routes planned to be supported by the airline. Updates on aircraft orders could also be used to indicate plans for growth either in freight or passenger business (*Exhibit 8*).

*EXHIBIT 8 - KENYA AIRWAYS COMPETITOR PROFILE, MARCH 2019*

					
<b>Fleet Size (Backlog)</b>	33	97 (49)	267 (209)	224 (183)	12 (3)
<b>Pax Capacity ASKs, -000's</b>	1,373,371	4,744,248	33,224,765	19,715,567	351,033
<b>Cargo Capacity ATKs, -000's</b>	130	1,047	5,294	4,183	n/a
<b>Frequencies</b>	4,559	9,032	16,204	15,420	1,569
<b>Partnerships/Alliances</b>	SkyTeam	Star Alliance	n/a	oneworld	n/a

From the data available it would be more reasonable to consider a partnership with either Emirates or Qatar Airways since they both have a vast network in the Middle East, Asia, and Europe. Kenya Airways could leverage a partnership with either competitor to reach more international destinations. Both of these airlines currently fly into JKIA Nairobi which is the Kenya Airways hub. This could be a strategic connection point for them for the African market. In addition to their vast networks, both have good cargo capacity and bigger fleets which translates to more options for customers.

The next step would be to analyze both airlines (Emirates and Qatar Airways) and do a comparative analysis for working with them. The



airlines also belong to a different alliance from KQ which could mean more opportunities and service options for the customers of both airlines in terms of facilities like lounges. On the other hand, different alliances operate by different rules and there might be a risk of conflict for partnerships across alliances which will need to be taken into consideration.

## STRATEGY IMPLEMENTATION

Below is an analysis of the 4A Model (Alignment, Ability, Agility, and Architecture) that highlights the issues that the organization needs to address to facilitate successful strategy execution.

### 4A MODEL ANALYSIS: KENYA AIRWAYS

	Issues	Proposed Solution
<b>Alignment</b>	<p>Internal alignment is an issue; processes and structures do not support each other for delivery of service to the customer.</p> <p>Processes and measures are business centric.</p>	<p><i>Business process review and redesign where necessary to better align with customers' demands.</i></p>
<b>Ability</b>	<p>Shortage of unique skills that are required to perform critical roles.</p>	<p><i>Develop a talent mapping system and identify strategic talent pools.</i></p> <p><i>Build a talent pipeline to avoid not having the right talent for critical roles.</i></p>
<b>Agility</b>	<p>Organizations are slow to respond to market changes and therefore miss out on opportunities.</p> <p>It is possible to move too quickly, making it hard to adjust or make changes to the plan as circumstances change.</p>	<p><i>The leadership team needs to transform the organization into a learning organization.</i></p> <p><i>This will allow the airline to better respond to changes.</i></p>
<b>Architecture</b>	<p>The organization has a multi-layered hierarchical structure which promotes bureaucracy and slow decision making.</p>	<p><i>Review the organizational structure; explore a hybrid or a shift towards flatter structures for better decision making and timely responses to changes in the market.</i></p>

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