



Certificate in Marketing Skills

MANAGEMENT FOR MARKETERS

FRIDAY, MAY 19, 2006. TIME: 2.00 pm - 4.00 pm

Please attempt Section A and TWO questions from Section B.

(If more than the specified number of questions are attempted, delete those you do not wish to have marked. Otherwise the Examiner will mark **QUESTION 1** and the next **TWO** questions in your Answer Book).

All questions carry equal marks.

Do **NOT** repeat question in answer, but show clearly the number of the question attempted on the appropriate page of the Answer Book.

SECTION A (50%)

(All questions carry equal marks)

A statement by Michael O'Leary, Chief Executive of Ryanair is given below. The statement has been taken from the company's 2004 annual report.

The past year has been one of enormous expansion and challenge. We reinforced our position as the lowest cost airline in Europe; we grew rapidly, launching 73 new routes to a total network of 150 and launched two new bases, bringing our total to 11. As we have predicted, there is an intense price war going on all over Europe involving ourselves, many loss making new entrants and high fare flag carriers. We have responded to this competition in every market by opening more routes, lowering our fares, carrying more passengers and building a substantial presence in most European countries.

It was disappointing that this fare war has caused our first downturn in profitability. Since it is our objective to grow profits each year as we grow our traffic, we clearly failed to meet this standard last year. But if there is ever a good reason for a fall in profitability I believe that reason should be because prices to customers have fallen by more than originally forecasted. Our reduced profitability in the fourth quarter was not a by-product of higher costs or lack of cost control, unit costs actually fell by 6% last year, even though fuel prices were at record highs. The principal reason for our 5% decline in adjusted profitability was the fact that average fares fell by 14% during the year as we embarked on a strategic programme of quantum expansion. Our customers enjoyed our lowest

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ever fares last year and by increasing the price leadership of Ryanair over all other European airline competitors, we are convinced that we are building an industry price leadership position.

Lowest Cost Wins

Many other industries have previously experienced periods of intense price competition. In almost all cases the lowest cost provider won out in the end. Since Ryanair began the low fare revolution in Europe in 1985, it has been our policy to be the lowest cost, lowest fare airline in every market. Our average air fare is now over 50% cheaper than that of our nearest competitors in Europe.

We will not use this price leadership to sit on our laurels. Our objective is to grow traffic by 20% annually, lower average fares by 5% annually and lower unit costs by a similar percentage, thereby sustaining long term after tax margins of 20%. Our adjusted after tax margin for the past year was 21%, despite the fall in profitability. We continue to pursue greater efficiencies and lower costs by acquiring new Boeing 737-800 next generation aircraft. We fly them to regional and secondary airports who share our passion for low cost, low fare, high growth operations. Ancillary revenues continue to grow faster than passenger volumes. While most of our competitor airlines spend their time trying to increase fares and yields, the difference at Ryanair is that we spend our time reducing costs and passing on these savings to our customers.

Customer Service

Clearly no airline can survive on low fares alone. The past year has seen Ryanair make further improvement on what is the European industry's best customer service record. Over the past 12 months, Ryanair has retained the 'grand slam' for customer service in the European airline industry.

- We are No.1 for lowest fares.
- We are No.1 for on-time flights.
- We are No.1 for least cancellations.
- We are No.1 for fewest lost bags.

We are all immensely proud of the fact that over 93% of the 180,000 flights operated by Ryanair last year arrived at their destination either on, or ahead of, schedule. No major airline in Europe can match Ryanair's punctuality and no airline can match our low prices either.

Based on the above statement please answer **all** of the following questions.

1. (a) What do you consider to be Ryanair's competitive advantage? Give reasons for your answer.
- (b) Customer service is an important aspect of every service organization. Michael O'Leary emphasizes the positive points in the customer service offered by his company. In your opinion does the average consumer regard Ryanair as being a company highly focused on customer service? Expand on your answer.
- (c) What type of leader is most suited to a high growth company such as Ryanair?
- (d) Write a set of SMART objectives for Ryanair.

SECTION B (50%)

(Please attempt TWO questions. All questions carry equal marks.)

2. (a) Describe the major functions of management?
- (b) Consider your direct supervisor or superior in work. What kind of management skills does this person possess? If there was one management practice they use that you could change what would it be? Why?
3. (a) Outline some ways in which an organisation might structure its various departments.
- (b) Graphically illustrate two of the organisational structures you discussed in part (a). Point out the differences between the two structures.
4. (a) When managing your time what is the difference between 'important' and 'urgent'. Why is it important to prioritise activities?
- (b) Give an example of a 'to-do' list for your own job. Show the different levels of priority on the list.
5. (a) Discuss how delivery of a quality service can breakdown.
- (b) Think of an example of a breakdown in service from your own experience. Describe the situation, the problems caused, and how it was resolved (if at all).