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STRATEGIC MANAGEMENT (LCMB7003)

A Strategic Analysis of Yunnan Lucky Air

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Abstract

This report is going to critically analyse the models and theories that the Lucky Air, a low-cost Chinese airline company, used in order to deal with challenges faced within its industry, and how they were used in the emergent strategies. Secondly, it will show how the Lucky Air achieved competitive advantage through their chosen management strategy within the aviation industry. This study is using the SWOT Analysis, Porter's Five Forces models and Ansoff's growth/product matrix in order to determine the company's position in regards to the challenges they faced in the operating market. Lastly, this report is looking at the best strategic options for enhancing the organisation's future management approaches to improve the business performance. The findings show that the business is encountering strong competition from multiple new low-cost airlines as well as from leading players such as China Air and China Southern Airlines, both of which have built up significant local market share. The strategic analysis of the company is closely integrated with the issues faced by organisations when attempting to gain competitive advantage and thus, they are important to be considered.

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Introduction

With the current rapidly changing business world, strategic management has become a significant part of business management; with top executives focusing on achieving strategic missions and objectives. Managers and other stakeholders plan the market and product strategies while functional managers and operators in charge of the production plants lay out the most effective strategies that enable them not only to meet the demands of the customers but also, reduce the production costs to increase value for the investors' money. Mintzberg et al. (2008) outline ten comprehensive concepts of strategy formation that involve planning, designing and positioning in order to gain advantage within the environment. Research and development strategies have become a common part of the business management where every company aims to understand the market trends and the most appropriate ways of addressing any challenges that might arise. According to Barney and Hesterly (2020), strategic management is the ongoing monitoring, planning, analysis and assessment of everything important for a company, especially in aiding the attainment of the objectives and goals. Any dynamics within and outside an organisation need constant assessment of the organisational strategies and restructuring of the existing framework to employ the most applicable ones based on the changes. With this regard, strategic management processes help companies evaluate their present situations, develop strategies, employ them and analyse the effectiveness of the implemented management strategies. Shad et al. (2019) argue that strategic management is considered a clear understanding of an organisation of its purpose, mission and its vision and the best option to implement them. Based on the case study of Yunnan Lucky Air, this report evaluates the strategic issues that the company encountered and the impact on its competitiveness. The report further analyses the company's strategic management in addressing the issues. With the application of different analysis models, the report also determines how the company gained competitive advantage and the best alternatives of improving its future management approaches.

Background of the issue presented in the case study

Based on the case study, Yunnan Lucky Airline experiences a successful growth since its establishment in the year 2004. The company has managed to win a large customer base through effective marketing and business strategies, which has proved to be reliable in addressing various external and internal challenges (Berenguer et al., 2008). The company, unlike other giant players, concentrates on serving the domestic markets, something that gives it a competitive ground to grow and expand to other significant markets. Like many other business ventures, the company has encountered a number of challenges along the way, especially those associated with the market regulations within the industry and other internal and external business environments.

One of the key challenges the company has faced since its establishment is the strict regulations in the Chinese airline industry. The Chinese airline is one of the heavily regulated in the world, with the regulations acting as major hindrances for the new entrants (Yang, Xu and Xiang, 2019). Given that Lucky Air is a new low-cost airline in the market, this acts as a key challenge, especially in its effort to expand its operations across the country and internationally (Berenguer et al., 2008). Based on the case study, despite the significant role played by such regulations, especially by ensuring high quality and safe services to the customers, they might prevent small firms from competing with the giant players. In that case, as a low-cost airline, Lucky Air experiences some troubles trying to adhere to the regulations and policies.

The other key challenge the company has to deal with when venturing the market is the limited flexibility for the new airlines in the market. With the giant players, like the Air China and China Southern Airlines dominating more than three quarters of the market share, small airlines are experiencing challenges operating across different parts of the country. Most of the customers in different areas in China prefer well-known airlines than the new ones, which has become a key challenge to small players, like Lucky Air.

Another challenge identified from the case study that the company has to deal with through effective strategic management is the rising number of low-cost competitors. Lucky Air's main market venturing strategy is to maintain a cost leadership by offering satisfactory services at the lowest prices possible. At first, the strategy seemed to work effectively but with time, the number of low-cost airlines started using the same strategy thus raising the competition. This is a challenge Lucky Air has to deal with to ensure future sustainability. The company has also faced a stiff competition from the three biggest national airlines, including China Eastern

Airlines, Air China and China Southern Airlines, which dominate 83.7% of the domestic market share leaving almost 25 small airlines to compete for the remaining percentage of the market share (Berenguer et al., 2008). Such a market trend thus presents a key challenge to Lucky Air in its effort of expanding market presence within the domestic airline market and emerge a giant competitor to both local and international firms.

The Company's Strategic Analysis

The company's current strategic position

From the case study, it is clear that despite the numerous challenges within the market, especially those identified earlier in this report, Lucky Air has managed to maintain a constant business growth, which can be credited to its effective strategic management approaches. However, like many other industries, the airline industry is experiencing drastic changes, especially following the transformations in the modern business world as a result of the massive technological developments and changes in the consumers' behaviour. Evaluating the current position of the company in terms of the market position and competitive advantage is a key towards formulating the most effective strategies to ensure a sustainable business growth in the future (Ethiraj and Zhou, 2019). Using various analysis framework, like the Porter's Five Forces and SWOT analysis, this section of the report analyses the current situation of the company, giving a clear picture of how it can overcome the market challenges and acquire a constant growth and business sustainability.

SWOT Analysis of Lucky Air

According to Pickton and Wright (1998), the SWOT analysis highlights and evaluates some of the company's strengths, weaknesses, opportunities and threats, which might have impacted its growth.

- **Strengths**

From the information provided in the case study, it is clear that the company has a number of strengths, which helped it overcome all of the challenges and emerge more competitive compared to other players. One of the key strengths is the large customer base in Yunnan province. According to the information provided in the case study, Lucky Air enjoys close to 1.2 million loyal travellers in Yunnan (Berenguer et al., 2008). Having limited competition in the province from other players, Lucky Air enjoyed the large customer base has facilitated its drastic business growth. Initially, when the company was establishing its local

operations, Yunnan was the largest local tourism destination due to its magnificent landscapes and the rich cultural practices among the local people (China Discovery, 2020). Given that the company is based in Kunming, the capital of Yunnan province, it enjoys local support from the local people. Customers from different parts of the country visiting the region prefer Lucky Air over those other airlines. Such strength acts as the key factor that has seen the company maintain a constant growth over the years.

Lucky Air has managed to increase its revenue generations from the diversified operations and effective leadership approach. Four years after its establishment, the company's revenue reached \$104.3 million ahead of other low-cost airlines in China (Berenguer et al., 2008). As per the statistics, in the same year 2007, one of the key competitors, Spring Airlines, which was launched in 2005, had grown into \$72 million, a figure far less compared to Lucky Air's (Berenguer et al., 2008). Lucky Air's revenue has grown, thus enabled it acquire the right technologies, hire the best team and implement the most effective marketing strategies to not only expand its market share, but also create brand awareness. Revenue size of any organisation within a specific market plays a critical role in ensuring the overall success of that company (Tangsuwan and Mason, 2019). This therefore proves the fact that massive revenue generation by Lucky Air has acted as a key boost to its business growth.

The other strength identified from the case study is the company's low-cost and high efficiency strategy. The company is recognised for its ability to utilise a cost leadership marketing strategy, which has enabled it to win a diverse customer base. Most of its customers are young students who are less economically independent. By lowering the cost of the services, the company has managed to attract the young customers who have contributed over the years to its market expansion and gradual business growth. The company also focuses on other demographics when targeting their customers (Berenguer et al., 2008). For instance, as per indication in the case study, the company maintained a strong relationship with all of its customers with the young ones remaining loyal even after venturing into the labour markets and becoming more financially independent. Such a strong customer base has acted as the company's key strengths, especially when it comes to sustainable business growth.

The company's effective e-commerce business strategy has acted as a key strength, thus enabling it to overcome much of the local market competition from the dominant players. The company developed a strong e-commerce network through which it has sold most of its tickets directly to the customers, thus eliminating any distributors or brokers. According to the statistics, the company was the first in the industry to create a website, luckyair.net, which enabled online credit card verification and established an online community for the passengers

(Berenguer et al., 2008). Such innovation therefore helped the company to venture into the market successfully, while winning large customer base through sufficient and reliable service provision. Given that China was becoming more of a digital community, most customers preferred purchasing goods and services through online platforms thus giving companies, like Lucky Air, a chance of dominating the e-market.

The company is believed to have adopted an effective management approach, with its customer relationship management (CRM) been among the best in the industry. The company uses Web 2.0 to access reliable market information and, based on it, formulate the most effective CRM strategies (Berenguer et al., 2008). As per the illustration in the case study, through the strong CRM the company has managed to build a strong brand image, which is critical in the overall business growth. Lucky Air has also adopted some of the key components of Southwest Airlines model, including using a single type of aircrafts to reduce the operational and maintenance cost and complexity. The airline is focusing on offering one seat class coach, which plays a critical role in reducing the operational costs. Through such reduced operation costs, the company has managed to offer its services at reduced prices compared to the competitors, something that has enabled it to not only remain competitive within the market, but also serve a diverse customer base, including the low and middle class population who cannot afford first-class services. The company has also managed to avoid flight delays by focusing on the short-haul routes and using secondary cities. Such strategies have been associated with the company's reliable and effective management strategies.

- **Weaknesses**

There are several weaknesses that can be identified from the case study. One, the company seems to operate at a relatively small scale, which involves small number of employees, and focuses on a narrower market. Initially, the company focused on the Yunnan airline market, which is a single province in China (Berenguer et al., 2008). Such an approach could have limited the company from growing and expanding its operations within the region

and even internationally. Secondly, the company lacks uniqueness in its low-cost strategy, thus facing huge competition as a result of the market influx from other low-cost airlines. Such competition therefore slows the company market growth as it has to focus on other diversified marketing strategies, like e-commerce which proves to be relatively costly (Berenguer et al., 2008). The company has faced varying challenges while trying to acquire aircrafts due to the restrictions put in place by the Chinese authorities on how airlines lease their aircrafts. In China, airlines are not allowed to lease aircrafts directly from the manufactures or any other third party. This has acted as a key hindrance for the Lucky Air in its effort of expanding its operations.

- **Opportunities**

There are numerous opportunities identified in the case study which have enabled the company to acquire a gradual and sustainable business growth. One of the opportunities is that the company's parent, Hainan Airlines is a large corporation and has established a strong brand image over the years. With Lucky Air been identified with such a strong brand image, it stands a better position of expanding its market share locally and internationally. The company also uses some of the Hainan Airlines' facilities, including borrowed management strategies which have acted as a key opportunity for its future growth.

The Chinese airline industry has benefited from the massive country's economic growth in the last few decades. The economic growth resulted to the increase in the individuals' disposable income of the Chinese people who allowed them to travel more through the air. According to the estimation by the Civil Aviation Administration of China (CAAC), by the year 2020 the aviation industry in China would have attained a growth rate of close to 15%. Such prediction was based on the country's economic growth rate and the stability of the aviation industry, which acts as a key opportunity for the company's growth (Chua, 2020). Statistics show that by the year 2007, air passengers in China increased to around 387 million, which was a 16% increase from the previous years (Berenguer et al., 2008). This acted as a key

opportunity for Luck Air and other low-cost airlines to expand their operations across the country and compete with other giant players in the industry.

The Chinese government introduced favorable policies for the local low-cost airlines thus enabling companies, like Lucky Air, to compete effectively with other multinational players. For instance, based on the information provided in the case study, the Chinese government planned to invest around \$20.2 billion in the airport capacity upgrading programs across the country as well as opening 50 more airports (Berenguer et al., 2008). This is a great opportunity for the emerging airlines because their landing costs would go down, thus making their operations more effective and efficient. The plan by the government to finance innovation, especially the technological developments also acted as a key opportunity for Lucky Air's future business growth.

- **Threats**

More than 80% of the Chinese aviation market share is controlled by three giant airlines, leaving the rest for over 25 small low-cost airlines. With the market dominated by giant players, the small airlines, like Lucky Air, are likely to encounter hardship trying to expand their market share both locally and internationally. Based on the statistics provided in the case by Berenguer et al. (2008), despite experiencing a drastic growth in the number of internet users, credit card penetration in China is reported to be relatively low. At that point, while the credit card usage in the US stands at 90%, in China it is less than 4% (Berenguer et al., 2008). Such a slow penetration in the credit card usage thus affects the future growth rate of the company, slowing down its e-commerce. Luck Air, therefore, faces this threat in its effort to venture into online market (Lin et al., 2019). E-commerce is also facing security threats as the number of cyber-attackers is on a rise. With such threats, most customers are becoming reluctant to use online platforms to make orders and make the payments.

The company's operations are threatened by the Government regulations on the landing fees, fuel distribution, aircraft leasing and, taxes. Unlike the case in the US, in China, the China Aviation Oil is the sole supplier of fuel to all the Chinese airlines while the prices are set and controlled by the National Development and Reform Commission (Berenguer et al., 2008). The regulations restrict small airlines, like Lucky Air, from paying for its fuel directly. They are forced to pay for the fuel in advance until they meet the threshold that proves their reliability and stability. Such an approach acts as the key financial burden for the airline, thus threatening its future business growth and sustainability. In China, unlike the case in the US where the landing fees are relatively low, the fact that most cities have one airport results to the increment in the landing fees, which is a great burden and hindrance for the small low-cost airlines' business growth (Berenguer et al., 2008). With most of the revenues going into such costs, the company experiences hardship trying to balance the shareholders' needs and the sustainability of the business. The Chinese government's increase of taxes for the airlines and other aviation operations also acts as a significant threat to the growth and development of most airlines like Yunnan Lucky Air.

Porter's Five Forces

According to Baxter (2019), Porter's Five Forces is a strategic management tool that allows companies to evaluate the market competition scale to come up with the most effective and applicable strategic management approaches. It evaluates market competition based on the threats of new entrants, buyers' bargaining power, suppliers' bargaining power, threat of substitution and competitive rivalry.

- **Threats of the new entrants (high)**

From the statistics in the case study, it is clear that the number of new entrants is increasing with the expansion of the Chinese airline industry. The case indicates that by 2007 there were 25 airlines operating in China, with most of them having been in operation for the

past few years. More low-cost airlines were still venturing into the market hence the possibility of a market influx in the future. Among the airlines, three giant corporations dominated more than 80% of the local airline market leaving the rest for low-cost airlines to compete for the smaller market share left (Berenguer et al., 2008). With the growing number of these entrants, the threat of new entrants is becoming more severe than before.

- **The bargaining power of suppliers (high)**

Based on the case study, the bargaining power of suppliers seems to be high as the number of the airlines exceeds that of the suppliers. For instance, taking the case of the aircraft fuel supply chain, the fuel is solely distributed by China Aviation Oil, which enjoys the bargaining power as the individual airlines do not have much influence on the market prices of the commodities (Jaganathan and Tan, 2015). This has left most low-cost airlines, like Lucky Air, to incur losses following the added production costs compared to the revenue generated. Such factor has resulted in the increased fuel prices in China compared to other airline industries across the world, like the United States. Additionally, most Chinese airlines purchase their aircrafts from a small number of manufacturers, thus giving the manufacturers more bargaining power when it comes to the regulations of the aircraft prices.

- **Bargaining power of buyers (high)**

In most cases, buyers demand the best quality and the best offer from the sellers. They normally go for the best offers that are given at the lowest prices possible to create value for their money. The Chinese airline industry is influenced by the same customers' demand. Based on the information provided in the case study, the Chinese airline industry is among the fastest growing in the world, with the number of travellers increasing drastically with the increase of the airline companies (Huang, Rundle-Thiele and Chen, 2019). The fact that there are numerous airlines offering the same services to the customers put more pressure on Lucky Air to offer quality and competitive services at reduced prices to win over as many loyal customers as

possible. Such a trend thus gives customers more power over the sellers, which is a critical factor the company needs to consider when devising and implementing its management strategies in the future. However, given that the number of the travellers in China is relatively high, makes the customers' bargaining power to be moderately high.

- **Threats of substitute products and services (low)**

In most industries, there are substitute products and services which serve as an alternative for the customers' needs. In the airline industry, some of the substitutions may include water, road and rail transportations, which offer alternative means of travelling for the air passengers. In the Chinese airline industry, the threat of substitutions is low as most air passengers do not prefer travelling by other means (Wang et al., 2019). Also, given that most of the local travellers are tourists and prefer less delay to reach their destinations, the airway marks the most convenient transportation option for them. Lucky Air has experienced less threat of substitutions, thus making it less significant to consider while formulating future strategic management approaches.

The Competitive rivalry among the existing players

China airline industry is characterised by stiff competition from the few giant airlines and the numerous low-cost firms. When the competition is considered to be high among the existing players in an industry, there is a possibility of the prices to decline as well as the profitability of the entire industry. The competing firms try to lower the prices of their offerings as an effort of attracting and retaining as many customers as possible, thus ending up reducing the profit margins, which also reflects to the entire industry. Competition is advantageous to the customers as they enjoy quality services and products at reduced prices (Aggarwal and Schenone, 2019). Considering the case study of Lucky Air, it is noted that the company has faced intensified competition from the giant players, like the Air China, China Southern Airline

and China Eastern Airline. These airlines control 83.7% of the local market, thus making it hard for Lucky Air to expand its market dominance in different parts of the country. The remaining less than 20% of the market share is occupied by more than 20 small airlines, intensifying the competition among them (Berenguer et al., 2008). Such an increased competition then results to a highly competitive rivalry among the existing market players, which is a critical factor for the company's management to consider while formulating and implementing strategic marketing.

The implications of Porter's Five Forces on Yunnan Lucky Air

By analysing the five forces of Lucky Air based on the information provided in the case study, it is possible to gain a clear picture of the external factors that affect the company's business operations and its profitability thus devising the most reliable and effective strategies to ensure a sustainable growth in the future and to balance the shareholders' value for their investments and other needs of the business. Understanding the threat of new entrants, for instance, will allow the company's management to understand the market competition trends, thus devising the right marketing strategies that will ensure sustainable market growth through competitive advantage and customers' satisfaction. The analysis of the bargaining power of the suppliers and that of buyers is a critical aspect of strategic management. In this case, the determination of the two forces creates insights on how the company can establish a positive relationship with the suppliers, thus ensuring that it gets the raw materials at competitive prices. For instance, the company can ensure it has a positive business relationship with the China Aviation Oil to get favorable prices. Creating a positive market relationship is therefore vital in expanding the customer base, thus increasing sales and profit generations.

Porter's Five Forces also allows the company's management to understand the current market competition scale, which is a critical factor in strategic management. Understanding the competition scope allows companies to devise the most effective business strategies, including

marketing approaches, HRM practices and quality improvement strategies that are more competitive than those adopted by the competitors (Juliana and Nyoman, 2019). The information on the current market competition also enables companies to understand the weaknesses of their rivals, as well as their strengths and with that information, come up with the counter-strategies that help them capitalise on the weaknesses to dominate the market.

Strategic analysis of the company

Looking at the practices Lucky Air has employed as per the information provided in the case study, the effectiveness of its strategic management approaches can be determined, especially in addressing the challenges it experiences. Conducting a strategic analysis will therefore help in determining the competitive capability of the company when it comes to combating the current competition and other challenges within the Chinese aviation industry (Bellamy et al., 2019). Using frameworks, such as Ansoff's growth/product matrix and Bowman's strategic clock, however, it is easy to measure the competitive strength of the company and its capability of attaining its future business growth through strategic management.

Ansoff's growth/product matrix

The Ansoff's matrix is a tool mainly used by organisations to analyse their current strategies, highlighting their strengths and weaknesses, and determining the most effective changes for improved performance. The matrix highlights a total of four key strategies that a company can employ to achieve a sustainable growth and determine the risks associated with each one of them (CFI Education Inc., 2020). The strategies include market penetration, product development, market development and diversification.

From the information provided in the case study, it is clear that the company faces market competition from the dominant airlines as well as the emerging low-cost companies. To

deal with the competition, as a business challenge, the company has devised varying strategies that can be considered to be effective in the manner they ensure a sustainable business growth for the company. For instance, the company operates on a high-efficiency and low-cost strategy (CAPA, 2015). Based on Ansoff's matrix, the company concentrates on market penetration, whereby, it uses its existing offerings to expand and dominate the existing and new markets. Having its headquarters in the Yunnan province, Lucky Air has tried to dominate the market by attracting more customers within the region, while offering the best quality services to meet the diverse needs of the customers (Berenguer et al., 2008). The company is not mainly focusing on introducing new services to penetrate the local market. Such a strategy seems to work well as there are no added production costs and all the company's resources and efforts are concentrated on improving the quality of its existing services and products to ensure total satisfaction of the customers. Using the aid of technology, such as e-commerce platforms and the online credit cards, Lucky Air has managed to beat most of its local competitors by creating new customers' experiences, thus ensuring that they remain loyal to the brand despite the availability of alternative services from the competitors as well as from the substitute products.

One reason why the company could not have opted for a product development, which involves introducing new offerings to the existing market, is that with the intensified competition from giant airlines, like Air China, it would be financially straining to offer new products (Berenguer et al., 2008). As a matter of fact, producing such new products and services would have required added resources. The company, therefore, is trying to utilise strategic management approaches to improve on its offerings and create new and more improved experience for its customers. One of the key advantages of this business strategy to the company is that it increases sales at reduced production costs. Also, the strategy allows the company to create a unique and strong brand image that acts as a key competitive advantage for the future growth of the business within the industry.

While market development strategy involves creating new markets using the existing offerings, which include countries or other geographies, Lucky Air has tried to create an online market as a new market and introduce its offering to online customers. At the moment, the company was venturing into the e-market, internet users in China were far much less compared to the Western countries like the US (Berenguer et al., 2008). However, following the government's support of the digital technological developments and its investments in technology, Lucky Air has identified the opportunity and grabbed it by introducing its service to the e-market. To support the online market venture, Lucky Air has been backed by Hainan Airlines, which initially had among the most advanced and effective web portals within the industry (CAPA, 2015). Lucky Air has, therefore, managed to create a site through which passengers could make their bookings and pay through credit cards. The Lucky Air's online credit card services were the first within the market in 2007 (Berenguer et al., 2008). Such innovation has allowed the company not only to expand its e-commerce market share but also to create a strong brand image that ensures a sustainable business growth over the years.

Recommendations for the company's strategic management

From the analysis of the company's strategic management approaches, especially based on the manner at which it has addressed the market-related issues, there are a number of strategies that the company's management should consider implementing to improve its competitiveness and ensure a sustainable business growth. For proper formulation of recommendable strategies, the Bowman's strategy clock model may be used. It is a model applied mainly in marketing to conduct competitive position analysis of an organisation in comparison with the strategies adopted by the competitors (Desai, 2019). The model looks at competitive advantage with regard to the differentiated advantage and cost advantage, thus giving a clear picture of the position of an organisation and the capability to adopt certain strategies going forward (Porter, 1985). There is a total of five core strategic options that a

company can employ which are highlighted in the model, including hybrid, cost leader, segment specific, differentiation, and focused differentiation. Hybrid involves a strategy through which a company offers high added value goods or services at the lowest price possible, cost leadership involves offering products and services with mediocre added value at a low price, while segment specific involves offering low added value products at low prices. Differentiation strategy, in this case, involves offering products and services with high added value at medium prices while focused differentiation is a strategy through which an organisation offers products and services with high added value at a high price.

With the main challenge Lucky Air is facing being the increasing competition from the new entrants and the giant Chinese airline, it is recommendable to adopt the most competitive strategies to expand its market share and win over more local customers. The company's primary focus is the local market, with an intention of attracting young people, especially the students and young couples who prefer going for vacations but they do not have much money. As the most effective strategic approach, it is recommendable for the company to adopt a differentiation strategy, which will give room for flexibility in setting up prices and the quality of the services. From the case study, the company is offering low added value services at low prices (Li, Zhang and Sun, 2019). For instance, most of the flights do not have entertainment facilities. Not all customers prefer such low value services, even though they seem to go for the lowest prices. In that case, by improving the quality of the services, especially with introduction of the entertainment facilities in the flights, even though it will come at an added price, the company will manage to capture the needs of the diverse customers thus satisfying. This will help the company to compete with other giant airlines that offer premium services and at the same time beat the competition offered by other low-cost airlines.

The company should also consider a more diversification marketing strategy, which will involve introducing new products and services and venturing into the new markets. Even though this strategy is somehow risky as per Ansoff's matrix, it offers a great opportunity for the

companies to gain competitive advantage over the competitors and acquire a sustainable growth. If Lucky Air considers diversifying its offerings it will be able to capture a wider customer base and meet their unique needs, which is a critical aspect of a business growth. According to the argument by Mendoza-Abarca and Gras (2019), the diversification strategy is always risky because it does not involve the existing knowledge to achieve the economy of scale as the organisations are required to be innovative and come up with unique and new approaches. This also makes it somehow expensive to implement. The investment is however worth because the strategy has been marked among the most effective in ensuring competitive business growth. It is part of strategic management that promoted the establishment of an innovative organisational culture necessary for the business stability and sustainability. Lucky Air should, therefore, differentiate its resources into implementing both, differentiation and diversification strategies as part of its strategic management approaches.

Conclusion

The case study by Yunnan Lucky Air demonstrates some of the challenges that organisations face while trying to attain competitive advantage through strategic management. The report identifies some of the key challenges that affected Lucky Air in its business operations within the local market. As per the case study, the company experiences tight competition from the numerous emerging low-cost airlines as well as the giant players, like the China Air, and China Southern Airlines, all of which have established strong local market share. The company also operates at a relatively low scale, which limits its capability of addressing much of the market challenges and to expand its market share. The company has however failed to diversify its market segments as well as its services. This, therefore, limits its competitive advantage. Based on Porter's analysis of the case study, we can conclude that the company concentrates on implementing a market development strategy without mainly paying much attention to the need for introducing new products into the new market. Such strategic

approach limits the company from acquiring competitive advantage and expanding its market share. As an effort of addressing such pressing issues, the report has highlighted a number of recommendable strategic approaches. First, the company should consider adopting a diversification strategy through which it will diversify its offerings by introducing new products and services and targeting new customer segments. The company should also consider employing a product/service differentiation by introducing quality services at a medium price. This will help in targeting a wide customer base and satisfying their unique needs. Also, the company should invest more to expand its workforce to cater for the additional customers' needs and develop a more innovative organisational culture.

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