

Strategic Analysis of Lucky Air



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1.0 Introduction

Senior managers of business organisations formulate business-level strategies utilising organisational resources on behalf of the owners so that organisational performance can be enhanced in the external environment that results in the appearance of intended and emergent strategies (Mason & Snyder, 2016). Both public organisations and private organisations need broad general directions for attaining long-term goals and objectives, therefore, strategies are crafted and executed through which organisations go through some changes also like distribution of ownership as it goes beyond shareholders to other internal and external stakeholders. Most of the time while crafting strategies for businesses, accessible and available resources within and outside the organisations are used such as people, financing, brand, factories; though businesses also develop new resources according to needs. The major concern of strategic management is to achieve sustainable competitive advantage over rivals in the performing market of an organisation and provide value to its customers; therefore, these two vital areas are maintained whenever organisation tends to go for strategic options (Porter, 2008). Along with that, strategic management covers three core areas – strategic analysis for analysing the environment, resources, and mission vision; strategic development for analysing the options, rational selection and finding strategic route; strategy implementation by resource allocation, proper planning-controlling.

In this assignment, the strategic analysis of Yunnan Lucky Air has been focused, where the central issues of the company will be identified and discussed how Lucky Air has managed to address those issues using different strategies. Lucky Air, initiated in 2004 in July that appeared in Kunming Yunnan, China for mitigating the needs for low-cost carrier and started operating between Dali and Kunming; now covering 62 destinations with 57 fleets (Luckyair.net, 2020). For addressing the strategies implemented at different times by the company, theories of strategic management will be used throughout the assessment along with the discussion of deploying these theories in emergent strategies. In the long run of 16 years of operations, the company formulated strategies for attaining competitive advantage in the Chinese airline industry, therefore, the choice of strategic management by Lucky Air for attaining competitive advantage will be brought into light for discussion.

2.0 The ways Lucky Air dealt with the central issues in China

2.1 Central issues faced by Lucky Air

Before the development as a low-cost airline in China, Lucky air had gone through different challenges and central issues that forced the company to adopt different strategies to handle the situation and make the situation flexible. The identified issues from Lucky Air case have been discussed here:

2.2 Heavy regulation in the Chinese airline industry

The Chinese airline industry has gone through rapid changes during the past three decades and resulted in the emergence of many new airline companies that intensified the competition; rapid growth and major reforms, some partially successful and ongoing today. During the 1980s, the economy of China expanded tremendously as a result of which, Chinese airline industry bloomed along with an increase in passenger volume that increased from around 12-billion-person km to 502.6-billion-person km (Mason & Snyder, 2016). The Chinese airline deregulation at this stage was only partial since the government wishes to safeguard its increasing local market. China's main challenge is whether to open airlines domestically first and to follow through with international further deregulation accord. Therefore, strict regulation in the airline industry was enforced like deregulation, high-speed rail, government taxes, etc. Different government taxes put additional pressure on low-cost airline companies like Lucky air in China, therefore, the payment of taxes was a major issue faced by the company where it faced a 2% to 10% tax burden on its operations (Luckyair.net, 2020).

2.3 Large scale airlines in the industry

In China, the largest airlines are China Southern Airlines and Eastern Airlines, Air China that have strengthened their position in the market since the development. In terms of fleet size, the fourth-largest airline is considered as Hainan Airlines that is also ranked as the second as 5 stars ranked airlines in the world (Murray, 2018). By implementing different strategies in order to gain competitive advantage over other companies operating in the market, the largest airlines in China have made their way toward success making the competition tough for low-cost airlines like Lucky Air China. The dominance in the airline market of these companies has grabbed the

combined market share of 83.7% in China leaving a little space for other airlines (Nytimes.com, 2020). In addition to this, Lucky Air also faced the disadvantage because of having limited routes covered because the competitor companies cover more routes, therefore, having the largest market coverage that created barriers in growing further for Lucky Air. The main airlines in China (Air China, China Eastern and Southern) constitute approximately 60% of Chinese airlines' seating space or 33% of the global seat capacity. Each airline has more than hundreds of international routes and its dimensions are relatively similar that resulted in a limited capacity for low-cost airlines (Pearce &Subramanian, 2007).

2.4 Pressure from low-cost airlines of reducing the price

As Lucky Air has evolved after struggling to compete with the large-scale airlines in China to make its way, the Chinese government has relaxed the regulation so that domestic airlines can emerge and make the industry stronger in the international market so that the Chinese airline industry can compete with the United States or the United Kingdom airline industry (Burgelman & Wheelwright, 2016). China's low-cost airline companies thrive and are poised to grow as their bigger rivals strive to make a return for the airline industry during tough times. The budget airlines preserve competitiveness with a business model focused on cheap airfares and lowered operational costs, at a time of lower yuan and expectations of increasing fuel costs on the mainland airline (Pearson, 2007). Therefore, the pressure from the low-cost airlines always puts Lucky Air the lower the ticket price which is a problem that must be emphasized for finding a solution.

2.5 Pressure from major cost components

The fuel price for airlines is set by the National Development and Fuel Commission and fuel is also supplied by China Aviation Oil, therefore, Lucky Air had to pay advance for purchasing fuel that increased the overall cost of the company.

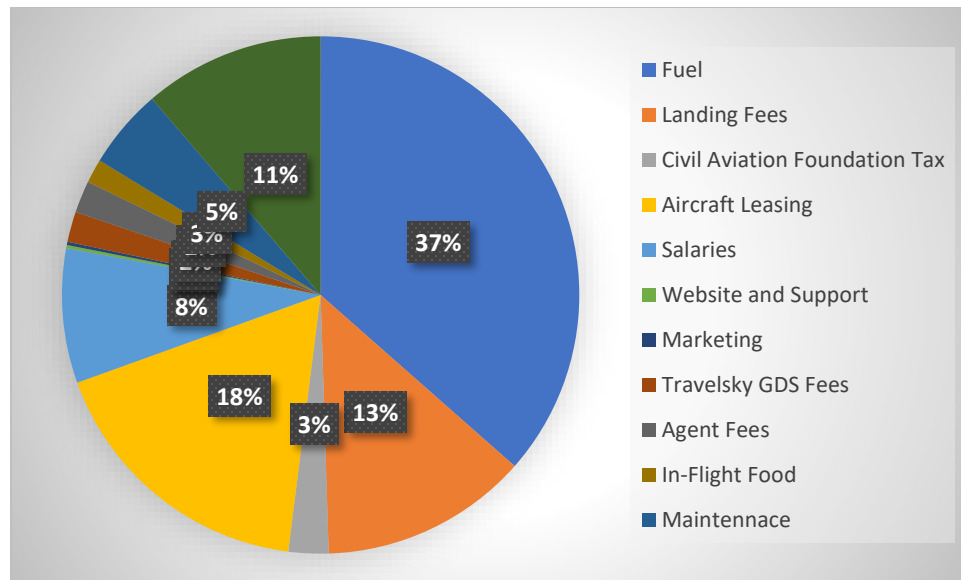


Figure: Yunnan Lucky Air Detailed Cost (Luckyair.net, 2020)

In addition to this, Yunnan always has a higher price of fuel because the price varied from region to region, and Lucky Air had to face it from every aspect (Barney & Hesterly, 2009). Along with fuel cost, Lucky Air faced another tough cost component that was landing fees as China always had a high fee for landing whether it was primary airport or secondary; therefore, low-cost airlines like Lucky Air found it tough to manage both. For leading aircraft, Lucky Air faced all types of disadvantages a small airline could get such as it was not allowed to lease from the third party or directly from the manufacturer (Dess, 2013). Moreover, it was less prioritised for getting aircraft as large-scale ones were on the top of the priority list that hindered the ability of the company to respond quickly because of the long lead time.

3.0 External Factors management by Lucky Air

For dealing with the issues Lucky Air faced externally, the need for conducting external analysis emerged, therefore, PESTEL analysis helped in making the way toward formulating effective strategies. The factors affecting Lucky Air and ways to manage those by the company have been discussed here:

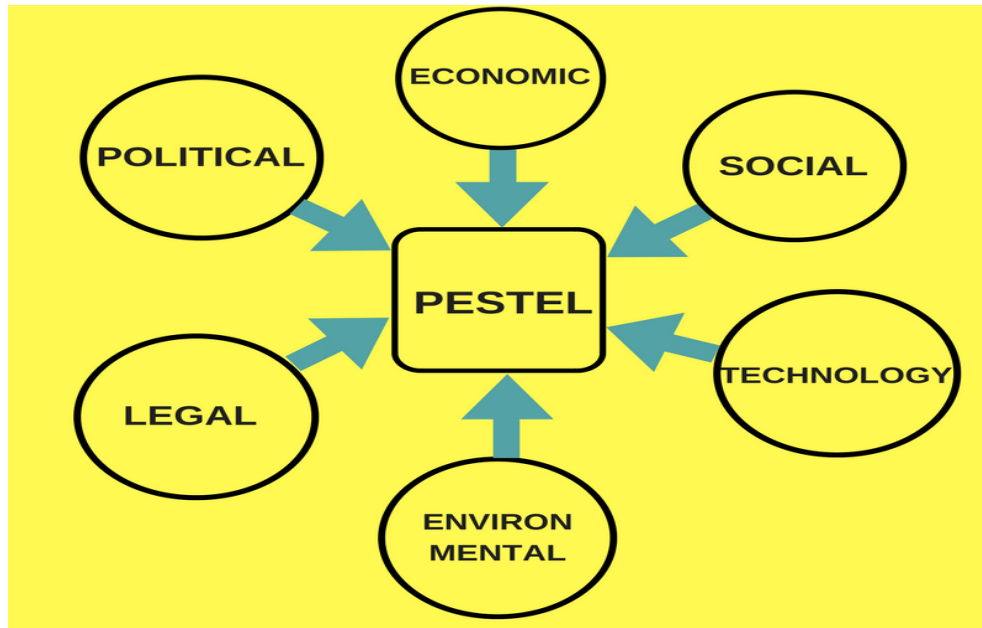


Figure: Factors in the External Environment (Morrison & Winston, 2010)

Political factors

Political factors comprise the interventions and decisions by the government like tax-paying, political stability, foreign trade policy, trade restrictions, etc. and Lucky Air faced political barriers in a different phase of operating in the Chinese Airline Industry. The tax had always been a major cost component of the company as the Chinese government put on different taxes varies from 2% to 10% that pressurised low-cost airlines. Before enacting the Airline deregulation act in China, the Chinese government was strict about new airlines in the market limiting the flexibility for low-cost airlines, therefore, struggling in the competitive market with Southern airlines, Western Airlines was tough for Lucky Air. Though the company managed to struggle despite heavy regulation from the government and sustained in the competition by providing low-cost operations for passengers (Fu & Yan, 2015).

Though the political factors in China posed threats for the company, it did not move back and articulated new strategy and focused on the routes with the tourist destinations on Yunnan province that provided the company with limited routes and a monopoly status; eventually, that turns into an opportunity for Lucky Air as it earned profit by carrying tourist to Dali and Xishuangbanna (Zhang & Round, 2008).

Economic factors

Yunnan Lucky Air faced the impact of interest and exchanges rates, inflation, economic growth, disposable income, etc. Yunnan Lucky Air was fortunate that it enjoyed an annual growth rate of 15% of air traffic anticipated by the Civil Aviation Administration in China (Fu & Yan, 2015). Therefore, the increased disposable income of Chinese people exhibited the ray of hope of earning profit through which Lucky Air can strengthen its position. Moreover, other economic factors like a tax paying policy, the interest rate had a major impact of Lucky Air as the increased interest rate by People's Bank of China pushed the company to struggle when the benchmark one-year lending rate increased from 6.06% to 6.31% and the one-year deposit rate also increased by .23% (Morrell & Swan, 2006). On the other hand, the increased cost of jet fuel also made low-cost airlines like Lucky Air struggle in the financial crisis as the fuel price increased from CNY500 to CNY6840; gasoline price, and diesel price consecutively increased by CNY500 and CNY 400 in 2008 (Naughton, 2007).

For handling the situation, only strategic move by airlines can show some way to exist in the market and started using a single type of aircraft for providing services to customers and it helped the company to compete in a tough situation as this strategy reduced the maintenance and operational complexity. Along with that, the company offered customers one seat coach with simple one-way pricing that made customers comfortable while travelling at low cost and Lucky Air also made profit turning the challenge into opportunities for earning money (Ansoff & Ansoff, 2018).

Social factors

Social culture can be referred to as socio-economic culture including the shared belief of people in a country, their way of living, preference of purchasing, adjustment capability with trends and fashion, etc. From this perspective of social factors, the Chinese airline industry is greatly affected by trends and behaviour of social people as some practices directly affected the airline companies like ticket price, a mediator in the airline industry, buying behaviour or tourist, destination, etc. The airline ticket distribution system is one factor that affected Lucky air in different ways as tourists or passengers in China could purchase tickets directly from the airline company, or authorised agent or through online distributors of tickets (Pearson, 2007). Passengers preferred purchasing tickets directly from the airlines through websites or call centres

because the ticket price is less than purchasing from agents or online distributors. Lucky air faced the issue of managing website traffic of passengers who desired to purchase tickets directly.

Lucky Air had the support of Hainan Airlines that hold the most advanced web portals in the Chinese Airline Industry. The company had to be courageous about going online as airline e-commerce was in the early stage in China and a small airline company like Lucky air would face risk more though it successfully did it.

Technological factors

Technological factors are where they drastically change and affect a company in different ways. Lucky air faced challenges from technological factors for managing the services and marketing activities on a small scale where large-scale airlines like Southern Airlines, Air China did marketing activities in a wider area (Chow, 2014). The company had limited resources and financial supports compared to the large-scale airlines, therefore, could not afford to increase the cost for marketing and new technological adaptation. In addition to this, Lucky Air confronted the situation of seeing the country with growing internet users and internet accessibility emerged during 2007 and 221 million internet users had been identified and the penetration rate was increasing by around 6 million per month in China; the advantage was taken by large companies in the airline industry as they had a financial backup and large market coverage (Ho, 2014).

The drastic step was taken by Lucky Air to developed IT infrastructure and provide quality services. The IT operations are one of the strengths of Lucky Air as it was dependent on Hainan, its parent concern that had developed IT facilities in China. Airlines spent just 0,15% of their net revenue on IT investment for IT support. The company's website luckyair.net was the first in the sector to allow verification and online creation of credit cards for the passengers' community (Naughton, 2007).

Environmental factors

Environmental factors only appear in a few years because airline companies face the challenges when there is a scarcity of raw materials, pollution targets, following ethical ways, carbon footprint targets, etc. Yunnan Lucky air faced many of these challenges during operation as the fuel is one component that need to be managed properly so that the environment did not get

affected. The rapid growth of the size of air travel illustrated the constraint of civil aviation airspace services, facilities, and human capital, etc. (Shaw & Zhou, 2009). China was deepened ecological cultures and improved the atmosphere by dual regulation behaviour on overall energy quantity and volume, use and building property, as well as the need to save resources and preserve the climate of aviation.

With the company's main energy usage areas and links, with strong use of new energy-saving technologies, new processes and new materials, Lucky Air developed a standardized and efficient power management system in order to increase energy efficiency and in the same time, to reduce energy consumption (Murray, 2018).

Legal factors

While manage travelling of passengers, airline companies must follow some rules and regulations like passengers' safety laws, advertising standards, equality maintenance, etc. must be maintained. Lucky Air confronted the challenge of maintaining the policies and rights of suppliers which had been done appropriately as the company always paid the fuel price in advance despite being a small-scale airline company in China (Hanlon, 2007). Having forced by the government in managing tax policy, landing fee policy the company never dishonoured laws enacted by the Chinese government, therefore, managed to enjoy the competitiveness of performing as a monopolistic company by having the limited route license by the government.

4.0 Five forces analysis for Lucky Air

In formulating strategies for existing in the competition, organisations must analyse the industry forces that are creating high or low barriers. Therefore, the Five Forces model by Porter is used widely for the future strategic aid of a company. For Lucky Air, the forces and ways of dealing with them have been discussed here:

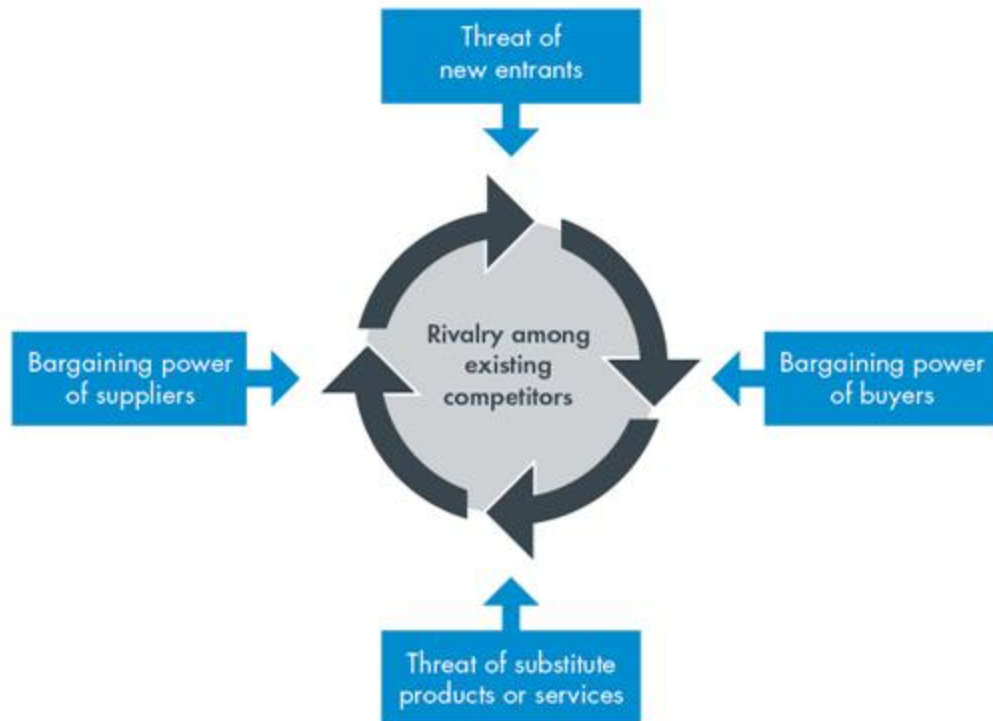


Figure: Forces in the Airline Industry (Pearce & Subramanian, 2007)

Threat of entry

New Travel & Leisure entrants introduced creativity, creative ways to do it and pushed low-cost airlines in China like Lucky Air to cut premiums, minimize costs and deliver innovative value packages to consumers (Koliousis, 2019). Lucky Air faced all these threats and create successful barriers to maintain its competitive advantage. The Chinese airline industry was heavily regulated by the government, therefore, the new airlines got little flexibility in the market and the intended company did not gather the courage to enter the regulated industry where low-cost airlines need to struggle. Therefore, Lucky Air faced low threats of new entrants through the existing 11 low budget airlines that made the competition tough to be in the low-cost operation. Lucky Air managed to survive because it had benefited by the rapid economic growth and high disposable income of Chinese people (Dess, 2013). It strengthened its position by focussing on Yunnan province as a destination that had been an advantage.

Threat of Suppliers

The raw materials are bought by other businesses in the Arline Industry. The premiums that Lucky Air gains on the market will be diminished by manufacturers who dominate. Powerful Consumer Goods providers use their negotiating power to extract better rates from the industry. The supplier of oil in the Chinese airline industry is China Aviation oil, and fuel price set by National Development and Reform Commission, therefore, there was no space for Lucky Air to bargain for fuel price that resulted in a high threat from suppliers. In addition to this, the aircraft suppliers are Boeing for the company where Lucky Air is also facilitated by low power to bargain (Barney & Hesterly, 2009). With the limited number of airplanes, Lucky Air increased the flight numbers that helped to triple the operating revenue of the company.

Threats of buyers

Buyers always demand quality services at reasonable prices, therefore, the profitability of an airline company, in the long run, could be affected by the buyer's bargaining power. Building a large customer base could be proved helpful in the Chinese airline industry, but the challenge is to attract customers with the most attractive offers. Most of the travellers and passengers preferred large scale airlines in China like Southern Airlines or Air China, therefore, Lucky Air enjoyed high threat from buyers (Nytimes.com, 2020). The company tried to turn the threat into opportunities of generating more revenue compared to the previous operating years and take advantage of the government's announced limited route license and introduced itself based on the Yunnan province as the tourist destination under which Dali and Xishuangbanna were covered (Burgelman & Wheelwright, 2016). Therefore, tourists find the only feasible and budget-friendly airline to visit the most favourite destination.

Threat of substitutes

The profit of an industry can be affected when a product satisfies a similar customer need. When a value proposition varies significantly from present offerings from the market, the probability of a competing product/service is strong. Lucky Air faced low threats from substitutes like bus, train, or any other vehicle run as the proximity time is important here. Therefore, passengers most often considered the low price of air ticket and proximity time for travelling the destination point through Lucky Air (Ho, 2014). As Yunnan already established a tourist destination that

was covered by Lucky Air, whereas, it established itself as a high-efficiency airline and adopted different components from Southwest Airlines to become successful and made the threat of substitutes moderate for the airline industry.

Intra-Industry rivalry

When there is extreme competition with emerging competitors in a market, costs will decline, and the total productivity of the market will be reduced. Lucky Air operated in a competitive industry as the Chinese airline industry made an international recognition through the performance of Southeast airlines, Air China, and then the low-cost airline Lucky Air (Porter, 2008). The overall long-term profitability of the company will be affected by the competition in both the national and international markets, whereas the domestic competition was intense because of the high performance of the large-scale Chinese airlines. Lucky Air performed in the better way to make a mark in the industry and offered the lowest cost airline in China for the first time despite having so much government restriction, low flexibility, and other barriers (Murray, 2018).

5.0 How issues were deployed in the emergent strategies

An emerging strategy results from action over time, when the organization does not have a clear mission or objectives. The emerging strategy is often referred to as realised strategy. Lucky air is operating since 2004 and faced a different situation in the Chinese airline industry, therefore, situations demanded actions to be taken that could be regarded as emergent strategies. The ways of addressing those issues by Lucky Air have been emphasised and discussed here:

During the time Lucky Air started operation in the airline industry, the industry was regulated by the government with low flexibility for newcomers and high restrictions of destination coverage, ticket price, fuel price, landing fees, tax rate, etc. (Zhang & Zhang, 2014). Therefore, the central issue created a barrier for a low-cost operators like Lucky Air and other small airline companies. Lucky air deployed the situation in an emergent strategy by declaring that its routes are based on Yunnan Province that was the attraction of the tourists. During that time, Yunnan province was the most popular domestic tourist destination and a large number of tourists were eager to visit the place. This significant growth was identified by Lucky Air and made its one-way destination to Yunnan (Jiang & Liu, 2013). This strategy came all of a sudden and it proved fruitful for the

company as it achieved the monopoly status in Yunnan and made a profit despite having hard and tough guidelines.

Another issue faced in the airline industry was the high competitiveness by Southern Airlines, Air China, Southwest Airlines, an increased number of passengers who demanded quality services with a low ticket price. Lucky Air that time had only 5 Boeing Airplane with limited capacity, therefore, the company just wanted to increase the flight numbers and flight hours for meeting the existing demand that turned out profitable for the company as it successfully achieved higher operating revenue (Luckyair.net, 2020). In addition to this, it minimized by using a single class of maintenance of aircraft, and sophistication of the operation. It gave only one type of seats – coach, easy one-way type pricing. No seat assignments or amenities were available. Much of the routes were point-to-point and short-haul to maximize the numbers of departures and arrivals on time. It mainly worked in the secondary sector cities to reduce congestion and minimize the cost of landing (Andriotis, 2014). In that way, Lucky Air also maximised its profit during the high competition where high-profile airlines were thinking of taking measured to remain in the competition.

Arrivals	Growth Rate	Breakdown of Arrivals (millions)				
		Chinese nationals	Foreigners	Hong Kong	Macao	Taiwan
21.02	22.6%	18.80	1.45	0.34	0.09	0.34

Figure: Passengers into Yunnan Province in 2007 (Chen & Tzeremes, 2018)

As Lucky Air has evolved after struggling to compete with the large-scale airlines in China to make its way, the Chinese government has relaxed the regulation so that domestic airlines can emerge and make the industry stronger in the international market. In such case the Chinese airline industry is able to compete with the US or the UK airline industry. After deregulation in the airline industry in China, many low-cost companies evolved and offered low priced air tickets also though Lucky Air snatched the position to become the only low-cost provider in the Chinese Airline industry (Nytimes.com, 2020). The strength of Lucky Air was the backing power of Hainan Airlines that supported to develop a strong IT-based airline in China. Then, in China, the online travel market in China was small. In addition to this, other large airlines started

offering online services to get higher customers' response, whereas Lucky Air had to spend only 0.16% merely of its own income for the IT services because of the backup of its parent concern that helped in developing the first airline in Chinese Airline Industry that offered customers online credit card verification by creating a separate online community for passengers (Luckyair.net, 2020).

6.0 The ways Lucky Air achieved a competitive advantage

6.1 Generic strategies by Porter

While booking or purchasing a ticket, a passenger can have different options available such as low cost, high performance, differentiated services, etc. because each airline company chooses a specific approach of attaining competitive advantage (Chow, 2014). Lucky air gained a competitive advantage in the Airline Industry from China and the strategy selected by the company can be described under Porter's Generic Strategies.



Figure: Strategies to Achieve Competitive Advantage (Porter, 2008)

The cost leadership strategy

Generic strategies by Porter aids in being able to gain the competitive advantage by developing the way of gaining the advantage and establishing the weaknesses of the competitors, and two main ways of getting this within a cost leadership strategy can be used by Lucky Air China:

- While choosing the industry average prices, it could gain a cost leadership advantage through reducing costs that will result in increased profits in the Chinese Airline industry.
- Charging lower prices for tickets and make an increase in the market share that would still make profits for each sale of tickets because the cost was reduced (Dess, 2013).

Cost leadership does not include the price that customers pay to the company, therefore, Lucky Air must be conscious about minimising the organisational cost of delivering products and services. Cost leadership approach would be proved beneficial because it helps in becoming the cost-leader within the industry. Usually, companies which have success in being a leader have - exposure to the funds available in investing in technologies which reduce costs, useful logistics, a low-cost foundation for labour, supplies, facilities, and a way to reduce the prices below of rivals in a competitive manner (Barney & Hesterly, 2009). Considering the requirements for cost leadership strategy, Lucky Air could adopt this one for attaining competitive strategy over rivals because the Chinese Airline industry did not have any low-cost operator that provided low ticket prices along with maintaining the quality of services.

The differentiation strategy

Differentiation strategy includes making the products or services more attractive, introducing in a more presentable way from the competitors' products or services; therefore, Lucky Air in the Chinese Airline industry could have adopted this strategy to attain a competitive advantage over Southern Airlines, Air China or Southwest Airlines. If Lucky Air wanted to adopt this strategy in the market, it needed to analyse the exact nature of the airline industry, and the services offered like features customers want, functionality, durability, brand image, and above all, customers' value. To make the strategy successful, the company could require innovating, research, and development within the organisational context developed the ability to deliver high-quality service developed effective sales and marketing (Murray, 2018). In pursuing a differentiation strategy, large organisations remain agile with the process of new product development using their resources, tactics; therefore, a small, low-cost operator like Lucky Air China could face trouble in maintaining the differentiation strategy. Considering these, the differentiation strategy was not suitable for the company to operate within the Chinese airline industry.

The cost focus strategy

Organisations which use the focus strategy approaches concentrate on specific niche markets in order to initialise and create innovative low-cost or well-specified services and products because they are able to identify the complexities of the market and the individual demands of consumers. Because they represent the customers exceptionally, they are able to create and maintain a high brand loyalty with the consumers (Zhang & Round, 2008). Lucky Air could adopt this strategy in the market by identifying a niche market and served the specific one only though it could not perform well with focusing niche market because there were already competitors who were niche market focussed and provided special services. Therefore, a small airline company in the industry could struggle to attract a niche market. Moreover, resources required for attracting a target market must be available to a company such as investment in marketing, human resource, etc. Considering these issues for Lucky Air, cost-focus would not be a good choice of strategy at all.

The differentiation focus strategy

Differentiation focus strategy is an approach that is adopted for gaining competitive advantage in which a company seeks to over perform its competitors by delivering a product which is seen by customer to be better and superior to that of rivals as the price is higher; in adapting a differentiation focus strategy, the company relies on small market penetration, aiming instead to attract a targeted niche (Ansoff & Ansoff, 2018). In most cases, the customers of the niche market do not price-sensitive, therefore, companies add various innovative features to the product or services after conducting lots of research and development (Porter, 2008). Lucky Air could adopt this strategy if the company had enough investment for innovation and other research for satisfying a niche market. The company always focused on saving cost, therefore, focus differentiation would be a wrong decision for the company.

6.2 Choosing the right generic strategy

Lucky Air adopted the ***cost leadership approach*** for capturing the Chinese airline industry. Lucky Air operated in an industry when there were more than 11 low-cost operators and many large-scale airlines where existing was tough. The company had the option of going e-commerce

based on the IT back-up of Hainan Airlines. Hainan Airlines sponsored IT operations at Lucky Air as it had one of China's most popular airline web portals (Luckyair.net, 2020). The company selected the cost leadership approach at that time for capturing the market. During 2007, airline e-commerce was in the early stage through Lucky Air tried to position the company at the cutting edge of technology. For implementing the strategy, the company provided one type of aircraft and this strategy has the result of reducing the maintenance and operational complexity; therefore, reduced the organisational cost of delivering services (Morrison & Winston, 2010). Nearly all of China's airlines began providing online booking facilities, and the quality of services was not enough satisfactory; therefore, Lucky Air spent 0.15% of its net income for IT operations and provided quality services. Thus, the company developed a low-cost strategy.

6.3 VRIO analysis

For analysing the competitive advantage of Lucky air by analysing the choice of strategic management, the VRIO framework can be used. VRIO is a method for market research that forms part of a broader strategic scheme for a company (Morrell & Swan, 2006). Each company has a basic strategic process. This process is formed of the mission and progresses through priorities, policy decisions, internal & external review and strategy formulation and implementation.

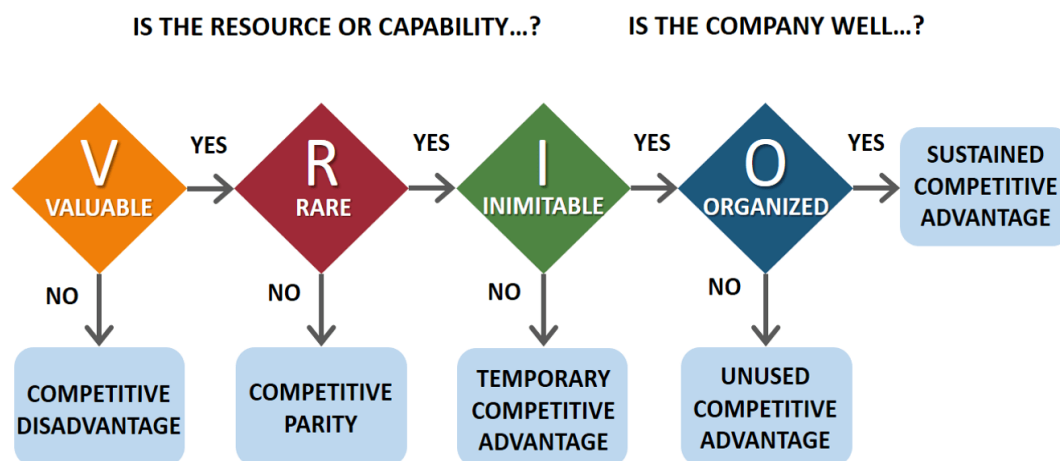


Figure: VRIO framework (Mazraati & Faquih, 2008)

Valuable

The framework includes the questions about how to add value to a resource by helping a company to purchase resources or protect itself against threats, and if the answer is positive, then this resource can be considered valuable. A resource can be made valuable by differentiating the services, reducing price for products or services, and failure leads to competitive disadvantage (Chow, 2014). Lucky Air had improved technology infrastructure backed by Hainan Airlines, therefore, that resource proved to facilitate for the company in delivering differentiated services like credit card verification on online, buy and refund option for the ticket, a home page for customers to write blogs and share experiences, etc. that made the company's resource valuable (Koliousis, 2019). Because internal and external factors can be constantly changing, in a company it is absolutely necessary to re-evaluate resources. Otherwise they will become worthless or less useful.

Rare

Assets or resources that are present in only one company or few companies in an industry are regarded as rare in the industry. The situation can emphasise the leader when more companies are using the same resources, just because some organisations can use the same tools and to execute similar methods. After all, no one company is able to produce better performance, and that can be related to Lucky Air in China because the one asset that could be considered rare in the IT infrastructure (Dess, 2013). Having a comparative balance is not the optimal position, a company should not ignore important but popular resources. Loosing important skills or capital will affect an organization, and is very important to remain on the market. Lucky Air emphasised on all the issues to be rare in the Airline industry, as China was not improved in technology at that time. All activities online-browsing, scheduling, charging, and validating-were electronic (Andriotis, 2014). To the management of Lucky Air, the platform was a good way to imitate the overseas airlines' good practices and hold Chinese competition clear. Therefore, the large-scale airlines in China adopted the advantage of China's continuous growth inaccessibility to the internet though the services were less than satisfactory to customers, and Lucky Air forwarded to achieve temporary competitive advantage.

Inimitable

It is important to notice that a resource is valuable to imitate if it is impossible to achieve this, to be bought or simply replaced with another product at a lower price. Imitation manifests itself in 2 forms. The first is a direct imitation of the resource, and the second, by producing a service or a similar product (Pearce & Subramanian, 2007). Yunnan Lucky Air did not only emerge as the best e-commerce-based airlines, it stuck to it for developing the company as the renowned one in China. China had 210 million Internet users at the end of 2007, around 54 percent more than in 2006, and the rate of penetration rose approximately with 6 million in a month. The Internet population exceeds 590 million by the middle of 2008 and by 2012 and total internet penetration in China was around 20 %, compared to approximately 68% in the U.S., which greatly differed across continents (Nytimes.com, 2020). Lucky Air took advantage of the opportunity and invested .15% only for IT solutions from Hainan Airlines that had the advanced web portals in China Airline Industry which other airlines could not imitate or initiatives to imitate would be costly for competitors because the e-commerce sector was unsophisticated that time.

Organised

The resources utilised within a company do not bring benefits to a company if it is not organised to obtain the value. Every company must be able to manage its structures, strategies, vision and mission, so as to assess the value of its resources and capabilities at such a level that it cannot be imitated. Only then the enterprises can gain sustained competitive advantage in an industry, and Lucky Air successfully gained sustained competitive advantage as the company had organised resources that it utilised inappropriate ways to minimise cost and maximise profits (Ho, 2014). Its physical resources like the aircraft are properly managed and the limited number of aircraft had been distributed by increasing flight numbers. In addition to this, the human resources of the company were efficient to manage the online activity, offline performance at the same time. Lucky Air has prospered because it has managed to model its actions on the model of Southwest Airlines and because it was inspired by its counterparts from Europe and America. (Jiang & Liu, 2013). Within its limited resources, the company reduced the internal cost in many ways such as operating mostly in secondary cities for avoiding high landing fees, many of the routes are short-haul and point-to-point, to maximise departure and delivery on schedule. All these actions made the company an organised one in the Chinese Airline Industry.

Conclusion

For ensuring the continuous success of the company, the focus of a company must be on the development of strategies and companies within an industry are expected to ensure they involve in formulating effective strategies and implement them because the effectiveness and sustainability of companies rely highly on strategic management. In the airline industry, certain issues are involved, and a company that is operated based on low costs must be conscious about those issues so that strategic moves can be made earlier to tackle the issues. Lucky Air in China established itself in a time when the Chinese airline industry was captured by Southern Airlines, Air China, Southwest Airlines who operated like the airline companies in the US or the UK; and the high performance created a competitive edge where Lucky Air faced trouble to make its way. The strategic move that aided the company was an e-commerce platform through which Lucky Air was established as the low-cost provider in the Chinese Airline Industry. In achieving the title and gaining the sustained competitive advantage, different supporting actions, strategies were formulated and those have been discussed throughout the assessment with the use of strategic theories and models.

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