



## Publication Alert August 2009 –

### **‘Emirates’ formula of success: an effective hub and spoke operation, a competitive cost structure and a strong leverage of its brand’**

**In a study on the rise of the Arabian Gulf carriers, in particular Emirates, John F. O’Connell (Cranfield University) provides an overview of the core competencies of Emirates, which contribute to the twenty year cycle of profits of the airline. He comes to the conclusion that Emirates’ underlying formula for its success is largely attributed to its hub and spoke operation, competitive cost structure, and by the strong leverage of its brand.**

O’Connells research offers a comprehensive overview of the current situation of the most important Arabian Gulf airlines (Emirates, Etihad Airways, and Qatar Airways) and the core competencies of Emirates which have contributed to the success of the airline.

Firstly, the author stresses the advantageous geographical location of the Arabian Gulf airlines’ hubs. From those hubs, all continents are accessible by a direct flight. He also points out that, as a result of its profitable location, Arabian Gulf airlines’ seat capacity is far more evenly distributed over the different continents than that of their European counterparts. Furthermore, Emirates, Etihad, and Qatar have a total of wide body seats on order which is almost double the number of wide body seats on order by the 35 members of the Association of European Airlines (AEA). Finally, the airport development plans in the Arabian Gulf states will accommodate a spectacular growth of aircraft movements in the region.

In addition, O’Connell presents the core competencies of Emirates, which contribute to the twenty year cycle of profits of the airline. Firstly, its creation of a megahub at Dubai International Airport enables the carrier to collect traffic from the six continents that it operates to and then redistribute this traffic over its hub. Secondly, its low cost structure enables it to offer low fares. Thirdly, Emirates invests heavily in developing its brand. Sports sponsorship has become an integral component of its marketing mix. Finally, the author also points at the dangers facing Emirates: liberalized skies will lead to more direct routings, which makes flying via Dubai with Emirates inferior. Finally, Dubai’s debt is a burden that may offset the growth of Emirates as the growth of Dubai and Emirates are intrinsically interlinked.

#### **Source:**

**Title:** The rise of the Arabian Gulf carriers: An insight into Emirates core competencies that are contributing to its twenty year cycle of profits

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Source: Proceedings 13<sup>th</sup> Air Transport Research Society Conference, Abu Dhabi, 2009

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