

Student's Name

Professor's Name

Course

Date

Case Analysis

Question 1

The commercial jet industry can be segmented into narrow and wide bodies. The narrow jet segment has in the recent past gained a lot of popularity due to the many advantages that it presents, such as ease of maintenance and low fuel consumption. The narrow body jets are also capable of ferrying passengers to smaller cities and towns, making them more flexible. Wide body segments are larger and less flexible, carrying more passengers and goods. These disadvantages have made such jets less popular on the market. Their main disadvantage is lack of flexibility as they carry large volumes which are only present in highly populous areas. The choice between the two depends on the strategic decisions that are made by an organization.

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The most important concept in market segmentation in the commercial jet industry is studying the market and identifying the existing gaps that need to be filled. For example, if a company discovers a route that is only served by wide-body jets but has the potential for narrow-body jets, it should consider venturing into the market as it will gain a competitive advantage due to the size of its planes.

Question 2

The competitive structure of the commercial jet industry is an oligopoly. The aviation industry is capital intensive and this locks out many potential investors. With only a few players dominating the market, they can be in a position to influence the market. The firms in an oligopoly are interdependent and action by one player will be felt in the entire market. For example, if one company reduces the prices, the impact will affect the entire market as customers will be attracted by better prices. Other players will be forced to lower the prices to retain their customers. An oligopoly is characterized by a few firms dominating the market which makes other small players have no option but to follow them. In the airline industry, more than seventy percent of the market share is dominated by only six airlines. The remaining part is shared by all the remaining airlines in the world. The dominant players in this market can easily dictate the direction that the market will follow through their actions. In this case, the small airlines can do very little to influence the market. They can only try and offer better services at a premium cost that can attract passengers who need them. In this way, these small players will be able to compete effectively against the market leaders.

Question 3

The commercial jet industry is one of the most attractive industries for any investor with adequate finances. The industry has for a long time experienced continuous growth which is a positive indication for its future. The biggest factor that makes the industry attractive is that there are few threats for new entrants into the market which means less competition. Also, there are no direct substitutes especially for long flights. This factor plays a significant role, thereby reducing competition.

Question 4

When running Boeing or Airbus, the most important strategy to prevent others from entering the market is to maintain these aircraft and offer lower prices. These two types of aircraft are cheap to maintain and are also fuel-efficient. Other players, especially with other types of jets that have high maintenance costs will not be attracted to the market. Even companies using similar jets will not be attracted to the route due to the low-profit margins.

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