

Winglar plc (Legislation and The Competitive Environment)

Specification topic: Legislation and The Competitive Environment

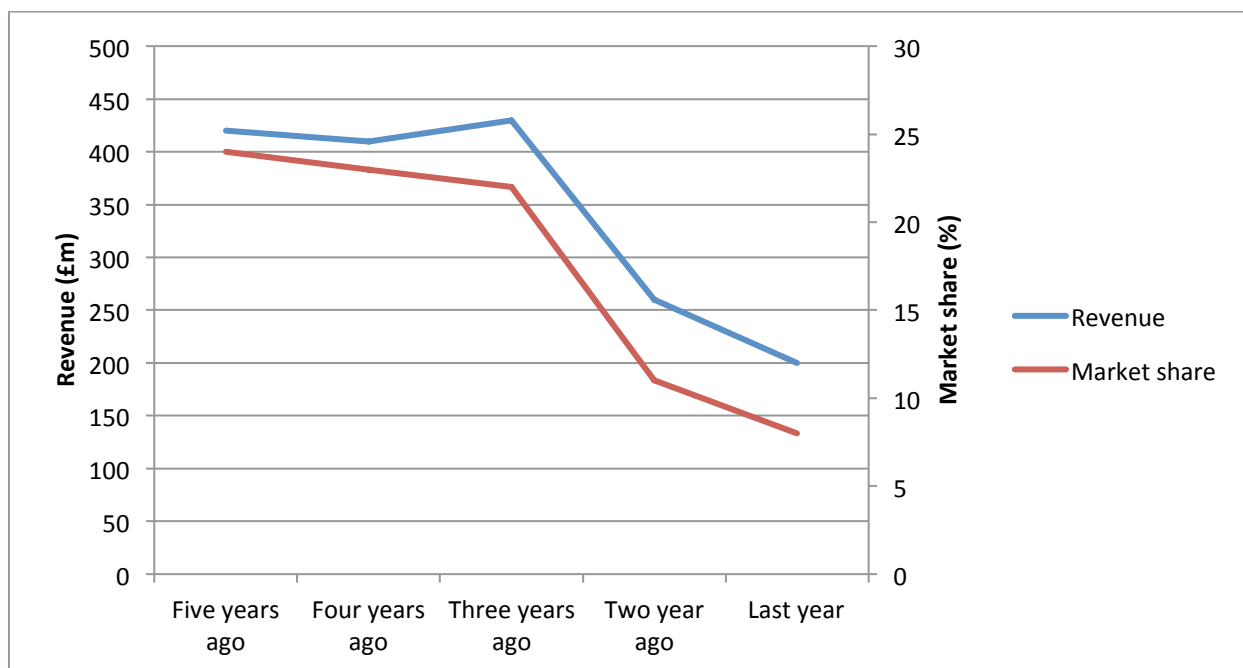
Case Study: Winglar plc

Low cost airline Winglar had never enjoyed the best of reputations apart from their reputation for low air fares. Winglar had high market share only a short time ago.

However two years ago national newspapers published accounts of a pair of pilots falling asleep while flying planes. These staff members attributed this to being given insufficient breaks. Several flight attendants went to the press reporting they had not received sufficient training in the event of an emergency. One of Winglar's suppliers of on-flight meals was discovered to be using staff who were working in the UK illegally for less than the minimum wage. These revelations were followed by an out-cry on social media claiming not all planes had sufficient life jackets on board, though these allegations were never proven.

Last year Winglar's planes came under criticism for being fuel inefficient and damaging the environment more than rival's planes. Two months after, memos were leaked from discussions between senior staff members about charging customers for use of the toilet while on the plane. This news did not help reputation, despite these policies never actually being introduced.

Winglar's revenue figures and market share are shown below:



The market for budget airlines is growing but Winglar is not taking advantage of that market growth. New rivals are entering the market and are not having to try hard to take Winglar's customers despite Winglar still offering the cheapest air fares to most European destinations. The marketing director said in a recent board meeting that all Winglar have to do is ensure they comply to the letter with every piece of government legislation and revenue and market share will be restored over time.

Exam-style questions

1. Assess the likely impact of Winglar failing to meet employee protection legislation. (10)
2. Evaluate the importance of following legislation in helping Winglar regain market share. (20)

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Suggested Answers

1. Assess the likely impact of Winglar failing to meet employee protection legislation. (10)

- Employees are less likely to be motivated as their basic needs are not being met. This is likely to lead to low labour productivity and retention rates. Employees are likely to leave.
- The business may find it hard to recruit in the future if they gain a bad reputation
- The safety of passengers is at risk which is paramount in this industry. This could lead to investigation and fines from authorities as well as loss of customers in the future

Potential counterbalance

- Many of the allegations involve small numbers of employees and may not be entirely representative of what is going on in the organisation. However what matters most is what people believe is going on
- The effect of this depends on how well publicised the events were
- The impact depends on how easily employees can leave to work elsewhere – this may well be possible in a growing market
- The employees being paid below minimum wage were not employees of Winglar and it can be difficult to monitor employment practices of all suppliers

2. Evaluate the importance of following legislation in helping Winglar regain market share. (20)

- Following legislation is very important for Winglar to avoid any further PR disasters – revenue and market share took a large dive after the staff allegations
- Following employment protection law and health and safety legislation should help motivate staff and keep passengers safe. If staff stay at the firm for longer, the firm should save money in recruitment and training costs
- By updating the planes to be more environmentally friendly, consumers who care about green issues may be more likely to fly with the company and long term the business may find fuel bills fall

Potential counterbalance

- Following legislation is the minimum that is expected of businesses and is unlikely to be a strategy for gaining market share
- The business's reputation may be damaged beyond repair. Any change needs to also be accompanied by a PR campaign or re-branding
- Following legislation may be difficult particularly if finances are tight and if it clashes with company culture
- Following legislation is likely to be costly which could mean the airline must put up prices which could lead to further loss of revenue in this price sensitive industry.
- They may want to focus more on safety and employee protection than environmental protection legislation as sales revenue took the largest fall after the revelations relating to staff and safety
- The business need to research what new competitors are doing to attract customers