1.Airline Industry Analysis - U.S. Market:

The Airline industry of United States is high competitive since more and more low cost airlines are entering the market and the online booking systems are widely used today. Customers would like to compare prices and online reviews before they purchase tickets. In order to achieve competitive advantages, our company need to invest IT plans that will support our expansion strategy.

2. Porter's Five Forces Analysis

Bargaining power of buyers- High:

- o Since there are many service providers in airline industry, the competition is aggressive. Customers have more choices so they can decide how much they want to pay for air tickets.
- o Each provider has its loyalty customers
- o Customers need to pay small amount of switching cost if they want to switch another airline company.
- o The online order systems are widely used today, customers would rather to compare prices and reviews online before they make purchase decisions.
- o The adding service is critical, such as mileage program

Rivalry among existing competitors – High:

- o There are more low cost airlines leading price wars in airline industry. Airline companies launched eco-friendly airlines to attract more market shares.
- o Fixed costs in airline industry are high, such as the increasing gas price.
- o Different airline companies have their own brand identities, such as better service, cheaper price, or better loyalty member programs.

Threat of new entrants --Low:

- o Existing companies have large cost advantages. The industry requires big amount of fund to operate capitals; compare to existing companies, the new entrants do not have stable customer bases to gain profits.
- o Customers will consider the company they are familiar instead of new company since the safety aspect involved.

3. Analysis based on IT Strategic Grid
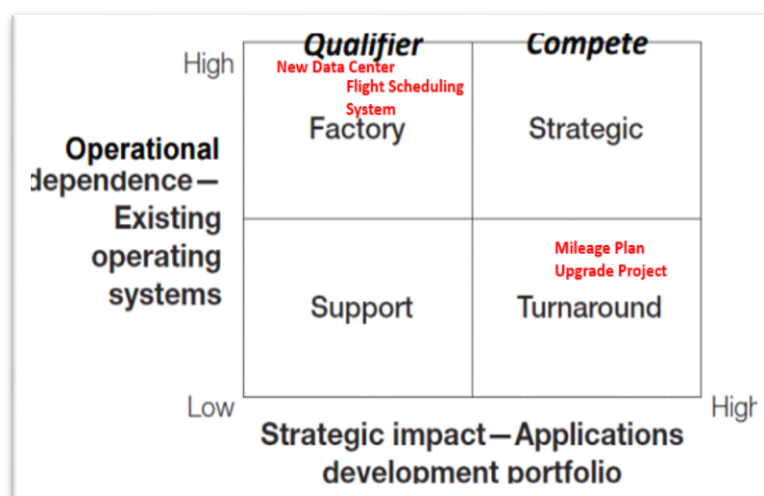
4.Suggestions:
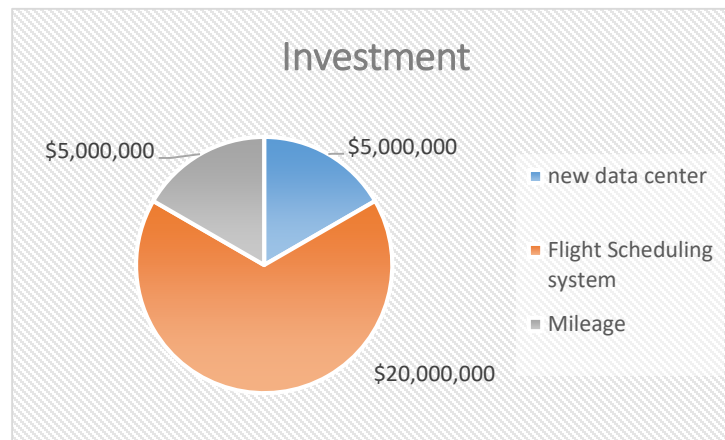
- In order to support our expansion plan, the Flight Scheduling System should be the most important project to implement, because:
    1. Our current scheduling system is outdated, it could not cover the entire regions that our expansion plan will cover, such as Alaska and Seattle.
    2. The new flight scheduling system is high operational dependence which also will provide supporting for our competition strategies.
    3. Lower cost and reduce downtime.
    4. The more accurate information will improve customer satisfaction.
    5. Business unit should to fund the flight scheduling system
- We should spend some of our budget on mileage plan upgrade project, because:
    1. Customer loyalty is critical for our expansion plan.
    2. Build up partnership with other business from different industry could help us earn more market share.
    3. Mileage plan help us differentiate our services and products, which is important, especially we will be the new entrant in the expanded areas.
    4. However, we should not invest the whole $10 million budget on it, because it will bring some strategic value to our expansion plan, but it has low operational dependence.
    5. Business unit should to fund the mileage upgrade project.
- Instead of investing $15 million to build a brand new database center, we could only invest $5 million to our old center to upgrade equipment and software.
    1. The old data center is smaller but there is no existing problem need to be solve now.
    2. The new data center will support the entire IT system, but it has low value for supporting strategic aspect. At this point, we want to expand our service network to get larger market, so it is better to invest new data center later.
    3. IT department should to fund the data center upgrade project.

Sources:

https://sites.google.com/site/admn703ai/the-team
http://www.businessweek.com/articles/2012-04-05/once-high-flying-jetblue-returns-to-earth