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CHINA SOUTHERN AIRLINES SWOT & PESTLE ANALYSIS

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Company Name : China Southern Airlines

Company Sector : Aviation

Operating Geography : Asia, China, Global

About the Company : China Southern Airlines is China's largest airline and world's seventh-largest airline measured by passengers carried. It is also the third largest globally in terms of fleet size. It was established in 1988 and is headquartered in Guangzhou, China. The company has the China Southern Air Holding Company as its parent company. It is a state owned enterprise with primary hubs located at Guangzhou Baiyun International Airport and Beijing Capital International Airport, The airline provides services to 224 destinations in 40 countries, including passenger and cargo transport and mail delivery. It also engages in other services like hotel and tour operations as well as general aviation and aircraft maintenance. The airline has one of the biggest fleets of Asia with over 840 passenger and cargo aircraft. In 2018, the airline was granted the 2-Star Flight Safety Diamond Award by the Civil Aviation Administration of China (CAAC) for maintaining the best safety records in China. SKYTRAX, the world's most prestigious airline performance evaluation organization, has also given it a Four-Star status and also recognized it as the "World's Most Improved Airline" in 2018. In March 2019, it started a frequent flyer program partnership with American Airlines. Its subsidiaries include Xiamen Airlines, Shantou Airlines, Guizhou Airlines, Zhuhai Airlines, Chongqing Airlines and Henan Airlines.

The mission statement for China Southern Airlines reads, "connecting around the world for a prosperous life." Its vision is "building a world-class air transport enterprise with global competitiveness".

Revenue :RMB 114,981 million – FY ending Dec 31st 2016

SWOT Analysis :

The SWOT Analysis for China Southern Airlines is given below:

| Strengths | Weaknesses |
|--|--|
| <ul style="list-style-type: none"> 1.Largest Chinese airline with a fleet of more than 700 passenger and cargo aircraft and wide global network 2.Relatively young aircraft fleet with an average age of 6.6 years which results in low operating cost 3.Strong technology infrastructure and own flight training college | <ul style="list-style-type: none"> 1.Major dependency on the China-Australia route accounting to 22% Available Seats Kilometer (ASK) 2.High foreign currency liabilities, especially in US\$ which will increase interest expenses in wake of depreciating RMB |
| Opportunities | Threats |
| <ul style="list-style-type: none"> 1.Strategic tie-up with American Airlines will improve market share and access to diverse locations 2.China trips per capita well below that of western markets underscoring the strong market potential 3.China to become world's largest aviation market by 2024, according to IATA aided by rapid growth in outbound travel | <ul style="list-style-type: none"> 1.Formidable competition from domestic players like with China Eastern Airlines and Air China. 2.Significant depreciation of the RMB to result in foreign exchange losses for China Southern 3.Expansion of high-speed railway network across China will impact growth in air travel |

PESTLE Analysis :

The PESTLE Analysis for China Southern Airlines is given below:

| | |
|---|---|
| <p style="text-align: center;">Political</p> <p>1. Being a state-owned enterprise, it has good rapport with the government and Civil Aviation Administration of China</p> <p>2. Any major strain in Chinese- US relations will affect business growth in the North American sector</p> | <p style="text-align: center;">Economical</p> <p>1. Oil prices are expected to remain around \$50 a barrel, aiding operational margins</p> <p>2. Strategic foreign investments from American Airlines to help in improving efficiency and competitiveness</p> |
| <p style="text-align: center;">Social</p> <p>1. China trips per capita well below that of Europe and North America, underscoring the strong market opportunity present</p> <p>2. Rising per capita income and untapped tourism potential in China to aid aviation growth</p> | <p style="text-align: center;">Technological</p> <p>1. Completion of "China Southern e-travel" project to drive online sales</p> <p>2. Tie-up with American Airlines will help China Southern on innovation via technology transfer.</p> <p>3. Own flight training college in Australia and in-house maintenance reduces technology costs for China Southern</p> |
| <p style="text-align: center;">Legal</p> <p>1. China Southern has to deal with thousands of customers globally and may be subject to lawsuits in case of service deficiencies</p> | <p style="text-align: center;">Environmental</p> <p>1. China Southern's pursuit of fleet optimization, route optimization and low-carbon travel resulted in significant savings in FY16</p> |

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