



A STUDY ON THE DEVELOPMENT STRATEGY OF AIR CHINA

ZEFEN WU

5917195017

AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT

OF THE REQUIREMENTS FOR

THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

GRADUATE SCHOOL OF BUSINESS

SIAM UNIVERSITY

2017



A STUDY ON THE DEVELOPMENT STRATEGY OF AIR CHINA

Thematic Certificate

To

ZEFEN WU

This Independent Study has been approved as a Partial Fulfillment of the Requirement of International Master of Business Administration in International Business Management


Advisor:

QIU chao

Date:

14/2 / 2017

(Asst. Professor. Qiu chao)


.....
(Assoc. Professor. Dr. Jomphong Mongkolvanich)

Dean of Faculty of International Master of Business Administration

Date:

09 / 07 / 2018

Abstract

Title: A study on the development strategy of air china

By: Zefen Wu

Degree: Master of Business Administration

Major: Business Administration

Advisor: QI CHAO

(Asst. Professor. Qi chao)

 19 / 12 / 2017

Air China Limited has obvious advantages in China, regarding asset level, customer quality, route network and so on. In the international civil aviation industry, Air China still has a big gap in terms of fleet size, management level and human resources compared with first-class aviation enterprises.

By analyzing the external environmental factors such as the political, economic, social, technological environment and competition structure in the industry, this study summarizes the opportunity and challenge that Air China faces. Through analyzing the internal resource capacities such as the company's product structure, human resources, marketing capabilities, production technology capabilities, the company's financial status and the company's value chain, this study summarizes the advantage and disadvantage of China Air's competition. Based on the analysis of the internal and external environment of Air China, the study adopts SWOT and combines with the strategic positioning of the company to formulate the development strategy of Air China. Furthermore, it designs the development strategies means and implementation steps for Air China and the effective strategies for the internal and external environment facing the company so as to ensure the realization of the development strategy of Air China.

This study finds that Air China should take diversified, merger,

reorganization and cooperation alliance strategies to deal with changes in the external environment, and realize the new development of the enterprise through the smooth implementation of its internationalization strategy. Finally, this study will be of certain reference to the development of Air China and other domestic aviation enterprises.

Keywords: Air China, Aviation Industry; Development Strategy; Strategy Implementation.



摘 要

题目：中国国际航空公司发展战略研究

作者：吴则粉

学位：工商管理硕士

专业：工商管理

导师：.....*ain chao*.....

(助理教授.邱超)

.....*15/12/2017*.....

中国国际航空公司的资产水平、客户质量、航线网络等方面，在国内的优势明显。而在国际上民航业中，中国国际航空公司与一流的航空企业相比，在机队规模、经营管理水平和人力资源等方面，国航仍然存在不小的差距。

本文通过对中国国际航空公司面临的政治、经济、社会、技术环境和行业内竞争结构等外部环境因素进行分析，总结出中国国际航空公司发展所面临机遇和挑战；通过对公司产品结构状况、人力资源状况、营销能力、生产技术能力、公司财务状况以及公司的价值链等方面的内部资源能力的分析，总结出中国国际航空公司的竞争力优势与劣势。在分析了中国国际航空公司内外部环境的基础上采取 SWOT 分析方法，结合公司的战略定位，制定出中国国际航空公司的发展战略。进而设计了在中国国际航空公司的发展战略手段、发展战略实施步骤，并制定了针对公司所面临的内外部环境的切实有效的实施策略，以确保中国国际航空公司发展战略的实现。

本文通过研究发现，中国国际航空公司面对外部环境的变化应采取多元化、并购重组及合作联盟战略，并通过国际化战略的顺利实施来实现企业新的发展。最后，希望通过本文的研究为中国国际航空公司以及国内其他航空企业的发展起到一定的借鉴作用。

关键字：中国国际航空公司；航空行业；发展战略；战略实施

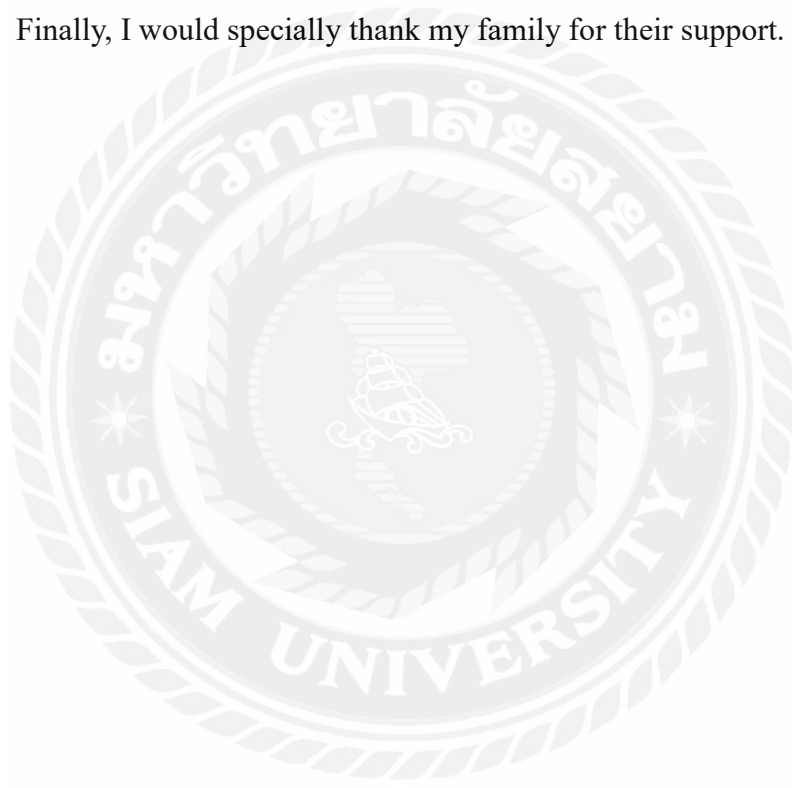
Acknowledgement

Firstly, I would like to thank my advisor for his help with my Independent Study. Without him, I could not finish it in time.

Secondly, I would like to thank all the lecturers for their help when I was studying at Siam University.

Thirdly, thanks to the accompany of my classmates, I had a great in my MBA study.

Finally, I would specially thank my family for their support.



Content

Abstract	i
Abstract-Chinese	ii
Acknowledgement	iii
Chapter 1 Introduction	1
Chapter 2 Literature Review	2
2.1 Related theory of independent variables	2
2.2 Related theory of dependent variables	4
2.3 Research hypothesis	5
Chapter 3 Research Methods	7
3.1 Research Design	7
3.2 Research Instruments	7
3.3 Data collection methods	7
3.4 Data Analysis Methods	7
Chapter 4 Internal and External Environment Analysis of Air China	8
4.1 Air China Profile	8
4.2 Air China's External Environment Analysis	12
4.3 Internal Conditions Analysis of Air China	19
Chapter 5 The formulation of the development strategy of Air China	23
5.1 Strategic Objectives of Air China	23
5.2 Company development goals	23
5.3 Air China Development Strategy Analysis	27
Chapter 6 The implementation of the development strategy of Air China	39
6.1 Financial Security	39
6.2 Customer Protection	39
6.3 Internal Process Assurance	40
6.4 Learning and Development Assurance	42
6.5 Conclusion	43
Reference	45

Chapter 1

Introduction

In China's aviation industry and impact of China in the international aviation industry, Air China's leading advantages is beyond doubt. However, in terms of international recognition, Air China is only China Airlines rather than an international aviation organization. Compared with the first-class foreign airline, both the asset size and the fleet size, as well as the operation and management level and service level, the reorganized Air China still has a big gap with first-class airlines in the United States, Europe and the United Arab Emirates. In the face of challenges, how Air China and other domestic airlines can enhance their competitiveness and get rid of their disadvantageous position in competition has become a topic for in-depth thinking and exploration by the civil aviation industry in China. This study is against this background of Air China Development strategy was studied.

At present, the development trend of Air China is good. If it wants to go one step further, on the one hand, the opening of airlines to foreign airlines in the domestic market will consolidate the current market share and brand position in China; on the other hand, in the competition among famous airlines, it is necessary to change the backward status quo, develop the scale of the company's units, and substantially enhance the core competitiveness of enterprises so as to lead the competition in the domestic and international markets. There are many problems that still need to be solved. This article will be based on strategic management theory as the outline, make a comprehensive analysis of Air China, examine it correctly, and design a scientific and sustainable competitive strategy.

Chapter 2

Literature Review

2.1 Related theory of independent variables

"The allocation of enterprise resources means that enterprises allocate various kinds of economic resources they possess in terms of quality and quantity according to the strategic allocation according to the scope of business operations and the competitive advantages of the enterprises. ① "For all types of enterprises under the current social market economy, they generally occupy five kinds of enterprise resources:

1. Tangible resources (assets) are enterprise resources or assets with physical characteristics. They mainly include assets of enterprises, assets of production technology and facilities, and physical products, which are obviously reflected in the assets and liabilities of enterprises.

2. Intangible resources, as its name implies, are the intangible assets of enterprises, the representative enterprises' reputation, the brand of enterprises, the culture of enterprises, the technical knowledge of enterprises, the trademarks and patents of enterprises, the experience summed up over the years, and so on.

3. Human resources, is the ability of employees owned by the company. Enterprise human resources measure and divide the enterprises into units, which is a micro-sense of human resources.

4. Monetary resources, that is, assets owned by enterprises in the nature of money, are typically cash, corporate receivables, deposits in banks and so on.

5. Organizational resources refer to the capabilities demonstrated by the inputs of personnel and assets and organizations owned by enterprises and the output process.

On the classification of enterprise resources, some scholars more directly divide enterprise resources into internal resources and external resources, while others are divided into two types: physical resources and intangible resources. Jin Jianguo

(2001. belonged to the latter. In addition, he further subdivided the intangible resources of enterprises and concluded that the intangible resources of enterprises can be subdivided into institutional resources of enterprises, relational resources of enterprises, information resources of enterprises, The cultural resources of enterprises, the resources of enterprises and the technological resources of enterprises.

There is no progress without competition. It can be said that competitive strategy is an important part of modern social enterprise strategy. Competitive strategy is on the one hand under the overall corporate strategy, on the other hand, it directs other business strategies leading the enterprise. The enterprise competitive strategy is to establish the position of the enterprise's products in the market by positioning the needs of the customers, the competitors of similar products and the products produced by the enterprises, and to surpass the similar enterprises to maintain this position or market share.

Well-known strategic strategist Michael Porter's has the five force model, namely, the threat of new business, customer bargaining power, the threat of similar products, the bargaining power of material suppliers and the competitiveness of existing competitors. The profitability of enterprises depends on these five major competitiveness. At the same time the five major competitiveness also affect the cost of the enterprise, product prices, as well as the industrial structure of enterprises. Thus, if the enterprises want to maintain their long-term competitiveness, they must establish the most advantageous industrial structure for themselves.

Other strategic theories also include the competitive strategy of enterprises. The relative position of the enterprises in the industry determines the profitability of the enterprises to a certain extent. If the competitive position of the enterprise is higher than the former, the profitability of the enterprise is relatively large. If the competition between the enterprises Position backward, then its profitability is relatively small. Even in those industries where the average level of profitability is relatively poor, the relatively high return is obtained if the company is in a relatively

competitive position.

In addition, the competitive strategy of industrial clusters focuses on starting from the industry as a whole and exploring the competitive advantages of specific regions, thereby breaking the boundaries of the single industries of enterprises, for example, the competition or cooperation between the government, enterprises and civil society organizations and other relevant agencies of the overall industry cluster interaction. This will enable these enterprises, governments or institutions to proceed from the entire region to coordinate the balanced development of society and economy so as to promote the formation of a strong competitive industrial cluster in a particular region, rather than just considering the partial, unilateral and local economic interests of some individual industries or small areas.

2.2 Related theory of dependent variables

The strategic goal of the enterprise is measured by the results, but also requires the strategic determination, clear corporate mission. It has a decisive role in different stages of development direction and the profit target to be reached of a business. The strategy is not only deterministic but also quantifiable, such as the company's market position in competition, the overall operating performance, the average speed of business development and so on. The distinguishing feature of a strategic objective from a mission is its specific volume and time balance. Ying Teng, a domestic economics scholar, put forward the viewpoints of "strategic goal is macroscopic, long-term, relative stability, comprehensiveness, separability, acceptability, verifiability and changeability".

On the classification of corporate strategic objectives, Peter Drucker's "management practices" classified:

1. Market objectives: either to achieve the desired market share of enterprises, or to gain a strong competitive position in the market;
2. Technology innovation goal: enterprises can improve and develop new products by providing new service contents and measures.

3. Productivity goal: maximize the use of existing raw materials and other resources to enhance the quantity and quality of the flagship products of the enterprises.

4. Resources objective: to open up more channels of material and financial channels and give effective play to them.

5. Profit target: to achieve multiple economic indicators through promotion to achieve the profit margin that an enterprise should achieve.

6. Human target: to excavate, train human resources, train and develop management personnel to the greatest extent, give full play to individual talents and strengthen the ability and level of team cooperation.

7. Enterprise vitality goals: to motivate employees in a multi-dimensional manner and to improve manpower policies and measures such as remuneration and benefits in a timely manner.

8. Social responsibility objectives: To solve the social employment problem through normal and steady operation of the enterprise, pay taxes in accordance with the law, promote economic development in the region, actively fulfill corporate social responsibility and enable the enterprise to have a good social image.

2.3 Research hypothesis

Competing theory put forward by the famous competition strategy expert Mike Porter: from the industrial structure, enterprises analyze and describe its "can or can be done" aspects; and other ability management experts use enterprise value creation process of the value chain, focusing on the company's internal resources and capabilities for analysis.

Based on the above two statements, the SWOT analysis method combines the internal resource analysis of the company with the external analysis of the industrial competitive environment to form its own structured balanced system analysis system.

Many companies apply the SWOT analysis method in their strategic analysis,

which can also be used as an effective tool in strategy development. SWOT consists of the first letters of the four English words (Strengths, Weaknesses, Opportunities and Threats). Enterprises generally formulate strategies in the hope that the strategy based on their advantages and to eliminate the negative impact of disadvantages; and when the business lacks the ability to face the opportunity but can not be used to avoid threats, you can Extract from SWOT analysis to identify the necessary resources and reduce the disadvantages by strategic matching (i.e. selecting SO, ST, WO, WT) to gain advantage.



Chapter 3

Research Methods

3.1 Research Design

Through the review of strategic management theory and the combination of the external environment, internal resources of domestic aviation enterprises where Air China is located, the collection of various data departments, various business modules and industry dynamics, this study initially draws up the company's development strategy and finally proposes specific measures for implementation. This study makes a comprehensive and comprehensive analysis of the directions that can be implemented in the development of domestic civil aviation enterprises.

3.2 Research Instruments

This study mainly reviews literature through the internet to understand the status of Air China's development.

3.3 Data collection methods

Through the strategic management of the analysis, formulation, implementation and other aspects of the literature collection and research, this study studies the strategy of the Air China to provide a theoretical basis.

3.4 Data Analysis Methods

In this study, firstly, the direction and scope of the design of the airline should be pointed out through qualitative analysis, then the mathematical model should be set up through the statistical data, and the mathematical model should be used for further analysis and explanation. This will provide a clearer analysis of the internal and external environment of Air China.

Chapter 4

Internal and External Environment Analysis of Air China

4.1 Air China Profile

4.1.1 History of Air China

The predecessor of Air China Limited was the Beijing Administration Flying Corps established in January 1955; the "Civil Aviation System Reform Program" approved by the State Council in 1988 and the subsidiary of Civil Aviation Beijing Branch established Air China; and in 2002 In October, Air China, together with China Southwest Airlines and China National Aviation Corporation, formed the China Aviation Group and took good tripartite air transport resources to set up a new Air China company with the flag of China and served as Chinese national leaders plane task.

In September 2004, after the approval of the State-owned Assets Supervision and Administration Commission of the State Council, the shareholding system reform was carried out and Air China Co., Ltd. was formally established in Beijing. In December, Air China sold overseas stocks for the first time and listed on the two major stock exchanges in Hong Kong and London. In August 2006, it was listed on the Shanghai Stock Exchange. It was recommended by Lufthansa that it formally joined the three major airlines in December 2007 Star Alliance, one of the company's alliances, has become a member of the International Alliance of Airlines and the first member airline of Star Alliance in China. Shenzhen Airlines, its subsidiary, will also join the league in 2012.

In September 2006, Air China sold all its shares in Dragonair to Cathay Pacific Airways and Dragonair was solely attributable to Cathay Pacific Airways. In exchange, Cathay Pacific Airways shares, mutual control of the two shares, has become an important partner.

In March 2009, the company acquired the entire share capital of East Star Airlines and strengthened the resource layout of units and routes in the Central China

region. In March 2010, the Company increased its capital by 680 million yuan to increase its stake holding 25% of Shenzhen Airlines to 51 %, Becoming the largest shareholder of Shenzhen Airlines. After the completion of this move, Air China's assets and revenue scale have risen sharply. As a result, Air China has become the first of the three major airlines in China and formed Beijing as the pivotal hub. With Shanghai's radiation in eastern China, Chengdu radiates the southwest region, Wuhan radiates the central region of China, radiating southern region of Shenzhen, Beijing, Shanghai, Hong Kong as an international gateway hub airline.

4.1.2 Air China's Business Status Quo

4.1.2.1 Business Portfolio

Due to the high level of homogeneity provided by airlines, Air China's business is not significantly different from other airlines. Its main businesses include: domestic and foreign airlines provide regular and occasional air passenger or cargo, luggage and other services ; to undertake international and domestic government departments of the official flight mission; all types of aircraft executive business, basic maintenance business; for non-qualified small airlines to provide business agents and other services; In addition, there are the main business around to provide visitors ground service and air postal courier service; handling onboard duty-free service. In recent years, Air China has begun to focus on the development of its surrounding businesses such as the training of flight crews, a range of downstream and upstream services such as hotels, jet fuel, airport services and more.

4.1.2.2 Resource Configuration

Air China owns 297 aircraft of all types, with the majority of its units being narrow-body machines, with Boeing B737s and Airbus A320s occupying 80% of its fleet, second only to China Southern Airlines in domestic airlines. In recent years, the company plans to wide-body aircraft, vigorously the introduction of B777, A330 as the main model of the long-range wide-body fleet, by the end of 2017, Air China will have the largest wide-body fleet, and the average age will further decline.

Air China has 322 domestic and international airlines. Domestic airlines rank the first place with nearly 3,000 weekly scheduled flights. The 56 international routes are mainly in Europe, Asia and North America. The routes in the southern hemisphere are Brazil and Australia. Meanwhile, Air China provides cross-Strait regular flight services to provide flights to Taipei. It is worth mentioning that the top 20 domestic airports ranked the destination, Air China accounted for 40% of the resources of international routes is even accounted for nearly half, far higher than the other domestic airlines.

Air China has a highly skilled, experienced and well-trained pilot team. The flight team won many honors both at home and abroad and has a world-class record of safe flight. It successfully landed in the polar airspace both at home and abroad for 45 years (including night flight) after being safely flying in Chengdu-Lhasa, a space restricted by the World Civil Aviation. In addition, for the backup pilot strength, the construction of flight training center, the use of the most advanced full-mission flight simulator and computer-based training device for pilot preparation for basic training, turnaround training, training and regular flight training and other training.

Air China has offices in most of the top 10 airports in China and its wholly owned subsidiary is China International Cargo Airlines Co., Ltd. In addition, it owns Beijing Aircraft Maintenance Engineering Co., Ltd., Macau Airlines Co., Ltd., Shenzhen Aviation Co., Ltd., Beijing Co., Ltd., shares Cathay Pacific Airways, Tibet Airlines, Dalian Airlines, Shandong Airlines and other enterprises.

The company has 195 marketing agencies both at home and abroad, including North China Marketing Center, East China Marketing Center, Southwest Marketing Center and South China Base in Beijing, Shanghai, Chengdu and Guangzhou; and Air France Europe, North America and Japan respectively in Frankfurt, Los Angeles and Tokyo Regional headquarters, sales network throughout most of the domestic cities and foreign first and second tier cities.

The company's maintenance force is formed by the three centers, six bases,

more than 100 maintenance terminals, thousands of maintenance engineers and technicians to complete, including the B777, A330 wide-body fleet most of the current world's main aircraft Maintenance and repair tasks.

4.1.2.3 External Coordination

Air China has carried out extensive cooperation with many airlines both at home and abroad: the domestic airline code sharing with Shandong Airlines, Shenzhen Airlines and other airlines, the international side and All Nippon Airways, United Airlines, Dragonair, Germany Lufthansa and other airlines more than 20 code-sharing, and nearly 100 foreign airlines signed SPA cooperation agreement. In 2007, Air China officially joined the largest and most developed airline alliance in the world - Star Alliance.

4.1.2.4 A Brief Description of the Competitive Situation

As one of the "three major domestic airlines," Air China has its own advantages in terms of network layout, passenger groups and operational efficiency.

As one of the "three major domestic airlines," Air China has its own advantages in terms of network layout, passenger groups and operational efficiency. Among domestic top 20 airport resources, Air China accounted for 40%, the international airline resources even accounted for nearly half, far higher than other domestic airlines.

Passenger groups: As a flagship airline, with its distinctive market positioning and good customer management, such as the earliest frequent flyer program in China, Air China has a high proportion of business travelers, which is one of the company's Big advantage

Operational efficiency: the higher operating efficiency of the company is firstly manifested by a higher effective yield, that is, the occupancy rate and the unit fare / discount double high. For example, the passenger load rate of Air China reached 81.3% in 2016, which is higher than the industry average and second only to China Southern Airlines in the three major airlines; the discount reached 0.67, which is the

highest among the three major airlines; the effective return obtained by multiplying the two, which is among the best in the industry. Second, with good support from maintenance technicians, it has a high utilization rate of aircraft every day. The aircraft utilization rate in 2016 was 9.5, reaching the international advanced level. Third, the higher operating efficiency of Air China is also reflected in its relatively low man-machine. Air China owns more than 300 aircraft. Staff members owned by the aircraft of the unit are in a relatively low position in the industry.

Cost control: Air China's unit cost was 2.98 yuan in 2015, lower than 3.25 yuan for China Eastern Airlines and 3.57 yuan for China Southern Airlines. The company's lower unit costs come from its stringent cost management. In order to save fuel costs, the company conducted a fuel hedging. Asset-liability ratio and high financing potential: at present, the asset-liability ratio of Air China is only 67.3%, while that of China Eastern Airlines and China Southern Airlines is as high as 88.4% and 83.3% respectively.

4.2 Air China's External Environment Analysis

As a high-investment and oligopoly industry, airlines are greatly affected by national policies and the economy. The development of China's aviation industry is also inseparable from the political environment and economic background. Only by correctly analyzing the political and economic situations both at home and abroad and formulating suitable development strategies can aviation enterprises gain a good direction of development and space for development.

4.2.1 4.2.1 Macroeconomic environment analysis of Air China

4.2.1.1 Political Environment

In the 21st century, the CAAC carries out joint reorganization of domestic airlines and service guarantee enterprises, implement Civil Aviation Regulatory Reform and the airports are administered by local governments, in accordance with the separation of government and enterprises and the principle of territorial management.

At this stage it basically formed the situation of "three big and two small": "three big" means Air China, China Eastern Airlines and China Southern Airlines; "two small" means HNA and Xiamen Airlines. However, in recent years there have been some small airlines, such as Spring and Autumn, Okay, Eagle Alliance and so on. Yet the three major airlines split nearly 80% of China Airlines market, so it can be said that the three major ones are still supplemented by small airlines.

Due to the monopoly of the three state-owned major civil aviation companies and the uncertainty of the long-term development of policies on the private aviation industry, for three consecutive years from 2005 to 2007, few private airlines were able to apply to fly to Beijing, Shanghai, Guangzhou route between the gold, coincidentally these places are precisely the base camp of the three major airlines, these high-quality air routes are firmly in the hands of the three major airlines.

After 2007, in order to break the current situation, the Civil Aviation Administration intends to make regular and cyclical adjustments to the routes of these golden routes. However, after the expansion of these airports, the current time of taking off and landing has almost reached the full time, and the routes of the three major airlines It is unlikely that we will be redistributed to other airlines at all times. We can only add some points of departure and take-off to dilute the current oligarchy after the airport continues to expand.

For the international airline flight authority, national policy is more biased toward the three major airlines, especially to undertake a major business, wearing the national flag of China Airlines, most of the high-quality international airlines have the right to fly Air China in international routes On even the Eastern Airlines and China Southern Airlines are also at a disadvantage. It is also worth mentioning that CAAC has a precondition for the application of the international route flight authority: the airlines that must fly safely for more than 10 years only have the qualifications to apply for international routes, plus many international routes, the longer the general navigation distance, Narrow-body flight more difficult to meet the flight requirements,

small and medium-sized private airlines have limited strength to make its application for international routes far behind.

To sum up: at present, the background of the domestic civil aviation industry is to rapidly develop the aviation industry. However, its internal policies do not have the conditions, but tend to be oligopolistic.

4.2.1.2 Economic Environment

Aviation industry in our country in the future economic growth process has the inevitability of rise. The growth drivers for the aviation industry mainly come from the macroeconomy, international trade, tourism demand (business and tourism, source of tourists), oil prices (supply chain, major variable costs), and the impact of interest rate exchange rates.

1. Macroeconomic

The macro-economy has a direct impact on the development of the aviation industry. The sustained and rapid growth of China's macro-economy has provided a strong impetus to the development of China's air transport industry. China's GDP has maintained double-digit growth for many years. From 2000 to 2007, the CAGR reached 14.1%. Although the GDP growth rate of China was slowed down in 2008 due to the financial crisis, it maintained the growth rate of about 8%. From the development of the past five years, the total turnover of the air transport industry reached 100 billion tons of km by 2014, an increase of 12.7%, passenger traffic reached 460 million, an increase of 11.5% and cargo and mail turnover reached 8.45 million tons Speed 10.3%. It is expected that

in 2020, the gross national product of our economy will double, with an average annual growth rate of 7.2%. The demand for air transport will also be further increased. The potential for development of civil aviation in China is still huge. That is, from 2015 to 2020, Will maintain about 10% annual growth rate.

2. International trade

With the development of global economic integration, the economic ties

between countries and regions have become increasingly close and international trade has become more frequent, creating a vast market for the development of the air transport industry. With the implementation of China's reform and opening-up policy and the sustained and rapid economic growth in the PRC, China has made remarkable achievements in international trade and thus provided a strong impetus to the continued growth of China's air transport industry. Data show that in 2001 the total amount of international trade was 12.65 trillion US dollars, 38.39 trillion US dollars in 2012, an increase of more than 200% in 12 years. China's import and export of goods increased from 509.8 billion U.S. dollars to nearly 3 trillion U.S. dollars, a 4.8-fold increase. China has become the world's largest exporter and the second largest importer. With the rapid growth of international trade, the total volume of civil aviation transportation in China has risen from the ninth place to the second place in the world. The three major airlines and Air China Southern have made greater efforts in comprehensive transportation. For first and second-tier cities such as Beijing, Shanghai, Guangzhou, The throughput of airports in Chengdu, Kunming and other places keeps rising. The overall strength of civil aviation has been internationally recognized.

3. Oil prices

Oil prices have a significant impact on the price of jet fuel, which is one of the most important components of airline costs. Changes in oil prices and the price of aviation fuel associated with oil prices have a significant impact on the operations of airlines . The price of domestic aviation fuel in China is regulated by the Chinese government and is set with reference to the average fuel price of Singapore Airlines. In addition, international aviation fuel prices are usually set with reference to New York crude oil prices.

After the year of 2008, due to the increase of energy demand, the instability of political situation in the region and natural disasters, the international oil price soared. In 2010 to 2013, Singapore Airlines fuel prices and New York crude oil prices

are high, the airline's cost of change is also gradually rising, the current domestic fleet operating costs to reach 50,000 yuan per hour, although the airlines also corresponding increase fuel surcharge. However, if the average amount of fuel collected is only 5% -10% of the ticket price, the price of oil in China will increase by 50% -80% in recent years, which can only make up for one tenth of the cost. In the spring of 2015, when the price of China's aviation fuel was in the downward cycle, the companies canceled the fuel surcharge in succession and most of the airlines' profits doubled as the revenues from the existing km were almost flat year on year.

4. Interest rates and exchange rates

Air transport industry is a capital-intensive industries, airlines debt ratio is generally higher than other industries, businesses. Changes in interest rates will have a significant impact on airline financing costs, affecting airline performance. Airlines often have a large amount of dollar-denominated debt because their business often crosses countries and regions, as well as demand for aircrafts. When the RMB is devalued, this means an increase in the debt converted into RMB, resulting in the financial cost of shipping companies. As of 2013, the three major airlines brought a substantial year-on-year increase in exchange gains due to the appreciation of RMB. The exchange gains contributed most of the profits: Air China net foreign exchange gains in 2013, from 1.19 in 2012 RMB100 million rose to RMB1,938 million; the exchange gain of China Eastern Airlines in 2013 was RMB1,976 million, only RMB148 million in 2012; and the exchange gain of China Southern Airlines in 2013 was RMB2,706 million, an increase of RMB2,504 million as compared with 2012.

4.2.1.3 Social environment

1. Tourism and leisure concept

In recent years, with the sustained and steady growth of China's macroeconomy, the disposable income of residents continues to increase, and the demand of the tourism industry shows a rapid development. The rapid growth of tourism demand also provides strong support for the development of China's civil

aviation industry. According to the statistics of China National Tourism Administration, in 2014, the number of Chinese residents traveling outbound tourism exceeded 100 million to 114.14 million and the overseas consumption exceeded 150 billion Dollars, and surpassed Germany and the United States to become the world first. On the other hand, the tourists' choices of departure destinations have gradually shifted from the short-range markets that tend to include Hong Kong, Macao, Japan, South Korea, Southeast Asian countries and Southeast Asian countries to those that include the United States, Russia, Australia, Canada, France, Germany, even some relatively stable political situation in Africa and other such relatively remote markets. At the same time, such factors as appreciation of the renminbi, relaxation of visas and norms of tourism policy administration have also shown a good momentum of development and have further stimulated the release of outbound travel demand.

Some countries or regions with rich tourism resources in the world have all placed the market focus on Chinese tourists and have actively introduced policies aimed at creating a relaxed and convenient travel environment. The domestic market, apart from the former coastal cities of Hainan and Xiamen, the grassland in the northwest, the ethnic minorities in southwest China, etc., have also gradually started to heat up. The reports of numerous scenic spots and holidays are endless.

2. Sense of time

With the continuous progress of society, people's concept of time is getting more and more important. The idea that "time is money" has gained more and more popularity since the reform and opening up. As the quickest and most comfortable mode of travel, aviation is more and more favored by tourists. Traveling by air and saving time for work and enjoyment of life are the hallmarks of current social development and productivity improvement.

4.2.1.4 Technical environment

Aircraft, Flight Technology: a study on Air Transport found that the average fuel consumption per passenger-kilometer is 35 milliliters. In particular, the new

Airbus A380, Boeing-B787 and K-km passenger air- 30ml below. for the 40-year-old aircraft, passenger kilometers average fuel consumption is about 100 milliliters, and now the aircraft fuel consumption level saves 70% than before. In addition, the current use of air traffic control systems and the improvement of the control system can also be said to reduce the average fuel consumption of the aircraft further by 2 to 6%.

Information technology: the large-scale use of proprietary information technology platforms in airport development and its peripheral service facilities effectively solves the human resources investment in airport links and makes passenger services more convenient and faster. For example: a convenient and effective check-in system, shuttle car / information system from the terminal or sitting system. The increasing use of information technology in the air transport industry has greatly increased the operational efficiency of the air transport industry and its ability to provide integrated services. It is gradually becoming an important production tool and profit source for the air transport industry. In recent years, along with the development of information technology, travelers are also increasingly inclined to use the Internet to purchase air tickets and sell air tickets through the Internet and telephones, which reduces the input of front-line personnel to facilitate passengers' travel tickets and reduce the cost of airlines Comes for technical convenience.

4.2.2 Industry Environment Analysis

1. At present, CAAC sustained, rapid and healthy development. Its scale, quality and efficiency leaped to a new level and grows rapidly. Before 2006, the overall condition of China's aviation industry was a loss and it turned profitable in 2007. Aviation industry in China is in a period of maturity.

2. The air transport industry is an industry closely related to the domestic and international macroeconomic cycles. When the macroeconomic downturns, the airline's revenue and earnings will be affected to some extent. For example: at the economic crisis of 2008, the global aviation industry losses.

3. The air transport industry is seasonal in nature, and air transport is obvious during the peak season of one year. According to Civil Aviation Administration of China, "Civil Aviation from Statistics", domestic industry-wide airliners accounted for more than 30% of total annual turnover in the period from July to August, which is the peak season for the whole year, while the total transportation turnover in other periods is relatively small .

4.3 Internal Conditions Analysis of Air China

4.3.1 Internal Resources Analysis of Air China

1. Safety technology resources

Air China is an established domestic airline. In addition to its long operating history, it also has a good safety record and no major accidents have occurred. This is extremely rare for airlines established in various countries for more than 50 years. Therefore, both domestic and foreign passengers Have a good brand awareness and safety and comfort of the brand reputation. Coupled with the aforementioned logo of Air China, it carries the logo of Air China and undertakes the official duties of long country leaders. It also provides sports delegations and government diplomatic missions in various major international cultural and sports events, especially the 2008 Olympic Games Provided a plane or charter. In June 2009, Air China ranked the 25th in the list of "China's Most Valuable 500 Brands" with a total value of 31.723 billion yuan, and it is still the first company to enter into the "World Top 500 Brands" by CAAC.

2. Base resources

The main base of Air China is located at the heart of Beijing Capital International Airport in China. As the capital city, Beijing is not only China's political center, but also the top in the economic, cultural and sports fields. Capital International Airport's annual passenger volume is more than 8000 million passengers, ranking second in the world, which makes it China's most intensive route airport. Beijing Capital International Airport is not only an important hub of domestic routes,

but also an important hub connecting China's domestic routes to international routes. In addition, Beijing Capital International Airport has a good public-service passenger structure. According to statistics and surveys conducted by the Institute of Civil Aviation Transportation Market of CAAC, during the peak season and off-peak season, the number of official and business travelers at Beijing Capital International Airport accounted for 57% and 76% respectively of the total number of tourists. The company occupies about 45% of the passenger and cargo market in Beijing, occupying the leading position in the market.

3. Route network resources

Air China's route network resources are the best in China. Several major domestic bases complement well balanced with each other and the international route gold resources are unparalleled. The main capacity of the Company mainly concentrates in the top 10 airports in Beijing, Shanghai, Hangzhou, Chengdu and Chongqing, and links these domestic and international route networks through these bases to form a domestic network. Specifically, Beijing is an important area in China Hub, can be Air China's domestic routes, international routes complex convergence; Shanghai is the base of East China and the international origin route portal; Chengdu as the southwestern base, will cover the western and plateau routes, Cathay Pacific, Air Macau, Shandong Airlines And Shenzhen Airlines' control or participation will help further expand the company's network coverage. Internationally, the route departing from the capital Beijing covers the developed countries such as Europe, the United States and Japan. Due to frequent participation in the country-led overseas visits and the flight of major events, the right of way on the Golden Route has been tilted by the resources of the country and the international community and flying cities are the first choice of domestic airlines.

4. Customer resources

As Air China is the earliest ever launched frequent flyer program in the country, coupled with the background of this political, commercial center, the ratio of

public business travelers has been relatively high, an advantage of this company. In addition, in recent years, the company has promoted a large-scale customer marketing system covering a large number of Chinese government departments and clients of the Fortune 500 companies and entered into a number of long-term service agreements with the above customers, raising the quality and loyalty of its corporate customers to a higher level .

4.3.2 Analysis Ability of Air China

1. Its sales channels are second to China Southern Airlines

Air China's sales network is divided into direct sales and indirect sales (ie sales through the agency). Direct sales are through the direct ticket office. At present, the company has established sales offices and terminal ticket offices in all overseas navigable cities and most navigable cities in China. It has set up commercial representatives (offices) in some domestic navigable cities and overseas non-navigable cities for direct sales. In recent years there has been a large improvement in the development of frequent travelers and major clients. However, it is worth noting that the scale of the fleet of Air China is small, resulting in a lag between the airline and the major foreign airlines and the lack of a corresponding sales network.

2. The company continued to introduce advanced foreign sales system

Air China uses a revenue management system software, the PROS Revenue Management System ("PROS System"). The PROS system uses sophisticated forecasting and optimization models to quickly analyze the economics of supplying seats at different fares for the company, enabling the company to derive the maximum benefit from its current carrying capacity. At present, PROS system in the company to promote the use of all domestic routes.

Chapter 5

The formulation of the development strategy of Air China

5.1 Strategic Objectives of Air China

First realizing the vision and mission of Air China:

Air China Vision

Air China vision and positioning are "an airline with international reputation."

Its connotation is to achieve the four strategic goals of "the forefront of competitiveness in the world, continuous enhancement of its development capability, unique and beautiful customer experience and steady improvement of relevant interests", and eventually become the leading large-scale network carrier entering the aviation industry in the world.

2. China Air's mission

Its corporate mission is "to meet customer needs and create common values"

According to the business philosophy of "Safety First, Customer First, integrity-based", Air China takes its mission of "Satisfying Customers' Needs and Creating Value Together", and takes "serving the highest level and the public generally recognized" as its corporate values, wholeheartedly To provide customers with "rest assured, smooth, comfortable, tempted" service.

5.2 Company development goals

In combination with the company's vision and mission, the company set forth a phased development goal in the "13th Five-Year" plan for the company's development. During the 13th FYP period, its competitive strength continued to occupy the top position in the world, its development capability continued to be enhanced and its customer experience was good. Unique and steady improvement of related interests of the four strategic goals; In the coming years, the company will continue to implement inclusive development. Through strategic unification among

all companies, resources will be shared and synergies will be established. Both domestic and foreign policies will be balanced on the basis of a high degree of resource integration, and the coordinated development of national policies, corporate strategies and local economies will be realized. Interests and employee benefits consistent with the establishment of sustainable profitability model. In addition, we will continue to enhance the satisfaction of passengers in various aspects, extend the innovation of products and services to the upstream and downstream of the industry chain, moderately diversify into industries such as civil aviation, air cargo logistics, tourism, aircraft maintenance and construction, etc. , Strive for synergistic development in related industries and achieve transcendence and leadership in their respective fields.

5.2.1 Cooperation Strategy

With the continuous expansion of the tourism market and the continuous expansion of industry resources integration platform, it is the future direction of aviation enterprises. While resource integration, cross-border cooperation is also an indispensable part of the airline. 1. Horizontal Alliance: It can also be called complementary alliance. Domestic cooperation in the industry is actively expanded. Some airlines with regional advantages choose to use code sharing to operate jointly. First, through code sharing, the alliance between airlines can provide a larger and more comprehensive airline network. In addition, we reduce costs by sharing maintenance facilities, operating equipment and even staff to support ground services, maintenance and catering. Through horizontal alliances between airlines, on the one hand, aviation costs are reduced, companies can make more profits, and passengers are likely to buy airfares at lower prices. On the other hand, due to the improvement of the aviation network, the number of passenger transits must also decrease with a certain probability, and the destination can be reached more conveniently and quickly.

International airline cooperation and exchange is also a major trend. At present, joining the aviation alliance has gradually become the mainstream choice of

major airlines. Through strategic alliances, airlines can not only establish strategic contact with competitors, form strategic networks, expand international markets. Moreover, the alliance is also an effective means for airlines to strive for economies of scale and reduce production costs. At the same time, to meet customer needs, giving travelers more options for travel routes and freight frequency, customers can fly in the frequent flyer program using the same account of different airlines can earn miles.

Vertical Union: also known as the Upstream and Downstream Alliance. The main direction of the upstream alliance of aviation enterprises is the large-scale passenger aircraft produced in China, namely large aircraft. Large passenger aircraft in China mainly refers to the weight of more than 100 tons, with more than 150 trunk jet aircraft. Air China and China's large passenger aircraft manufacturers to strengthen strategic cooperation, on the one hand to support the development of domestic passenger aircraft to provide the necessary business cooperation and support for the company, on the other hand, the early strategic alliances, but also bound for Air China future aviation equipment procurement, maintenance brings economic and technical convenience.

The downstream direction vertical alliance mainly refers to the travel company, on the one hand, because the airlines to direct model of slow progress, in the premise of distribution cost is not increased, unable to obtain more direct sales business, the airlines need to continue to find new ways to digest rising capacity. Airlines and travel agencies to a certain extent. The airline seat fast digestion, travel planning team let airline guest have some protection, can easily raise prices to increase revenue, so as to help large airline and budget airline company to provide comprehensive service to compete, because the travel agencies make Chinese Airlines present large airlines are dominant. On the other hand, travel agencies focus on tourism services, and travel tickets account for a relatively high cost. Therefore, travel agencies must cooperate with airlines to seize more aviation resources and occupy the

main market.

5.2.2 mergers and acquisitions strategy

Since the 21st century, a new trend has emerged in the world economic development. The wave of capital operation has generally risen worldwide. The merger and reorganization of enterprises has become an important means for the expansion and development of enterprises. Till now, the wave of mergers and acquisitions of enterprises intensified. In the global aviation industry, mergers and acquisitions wave will come one after another.

Horizontal mergers and acquisitions: Through the horizontal mergers and acquisitions of airlines, the expansion of fleet size, route networks and the expansion of market share are achieved. At the same time through the mergers and acquisitions, the expansion of enterprises is conducive to economies of scale and reduce operating costs, thereby enhancing the competitiveness and credibility of enterprises, help enterprises to broaden the financing channels and reduce risk, so as to maximize the value of the enterprise.

Vertical M & A: Vertical M & A also includes both upstream and downstream directions. The upstream suppliers mainly refer to maintenance-related companies. Currently in Beijing, Sichuan and other major bases, Air China's aircraft operations belong to their own subsidiaries, along with the continuous improvement of the route network, the size of the aircraft and aircraft equipment, there are some unexpected situations are difficult to effectively and effectively deal with the efficiency of using the aircraft is an increase in the flight cost per unit time. In addition, due to the failure of the aircraft to be dispatched in time, flight delays may result in loss of revenue of the company and may further affect the company's brand image and influence the travel options of passengers

5.2.3 Air China combined strategic plan

Domestic aviation market Although Air China has comparative advantages in competing with China Southern Airlines, China Eastern Airlines and local airlines,

it is quite clear that the global gap between Air China and world-class airlines is significant. The gradual opening up of power is also the trend of the times. Competition is more and more fierce and inevitable. Unit cost leadership can make Air China invincible in international competition. Merger and reorganization of upstream suppliers and alliances allow companies to purchase at a lower cost than other airlines and provide the lead for unit cost leadership. The simultaneous domestic and international route resources, the expansion of unit size, aircraft utilization efficiency higher, unit flight cost will also be reduced.

Ranking the front-line hub route in the country and paying attention to the third and fourth tier cities, especially the western region, have great potential for development under the influence of the Belt and Road; On the other hand, in addition to the gold routes such as Europe, the United States and Asia. In recent years, Latin America and Africa have strengthened their ties with China. These international cities are an important source of profit for Air China in the future.

5.3 Air China Development Strategy Analysis

5.3.1 Development Strategy Evaluation Criteria

According to strategist Richard Rumya, there are four standards in the strategic evaluation: Consistency, coordination, superiority, and feasibility. Among them, coordination and superiority are generally used for external evaluation of the company, and consistent and feasible for internal evaluation.

Consistency. Specifically, the goals and policies in a strategic plan should always be the same. Strategic goals and policies are inconsistent, and conflicts within the organization and disputes among different departments may result.

Coordination. Coordination refers to the trend in the evaluation of individual and portfolio trends. Business strategies must respond adapt to the external environment and to the key changes that occur within the business.

Feasibility. It is the most important test of strategy, relying on all aspects of the current company. Whether human, financial or material resources can guarantee

the company to achieve its goal. In the evaluation of the strategy, the more intuitive way is to examine whether the enterprise has the ability, technology, talent and mismatch strategy needed to implement the established strategy, which may result in the waste of various resources of the company.

Superiority. Business strategy in a specific business area enables the company to maintain a competitive advantage. Specific areas include the following three aspects: First, resources, that is, the rational allocation of resources and improve overall efficiency; Second, skills, strategic evaluation, the list of selected to help establish and maintain competitive advantage in specific areas of business skills to ensure that the strategy Implementation of the quality; third, location, location can prevent competitors from launching a comprehensive offensive, and under the premise of the basic internal and external factors remain unchanged, position advantage can be self-renewal. The right strategy, in all three aspects can maintain their advantages, are indispensable.

5.3.2 Development Strategy Feasibility Analysis

5.3.2.1 Diversified strategic conditions are available

Diversification strategy, the reason why the current development strategy is the center, because the company's internal resources, external environment and diversification strategy requirements are highly consistent:

1. Supply and demand balance and market competition are not high. The contradiction between supply and demand and the low level of market competition are important aspects of the external environment of an enterprise. They are also the basis for enterprises to formulate and implement business strategies. At present, the peripheral industries of domestic aviation such as freight transport, airports and aviation fuel are all semi-monopolistic, in line with the balance between supply and demand and the weak market competition.

2. where the growth of the industry life cycle position. Any industry has to go through the four stages of infancy, growth, maturity and recession. Because of the

competitiveness of enterprises in various periods, the potential for development and barriers to entry are different, the best choice for diversification of enterprises is in the infancy or growth of the industry or products, try not to choose the maturity of the recession industry. The semi-monopoly of the peripheral industries such as freight forwarding, airport services and aviation fuel, coupled with the gradual marketization of aviation-related industries, coupled with the good momentum of the economic environment, optimizes market prospects.

3. The new entry into the industry has a great effect on the main business goal. The development of Air China in a series of upstream and downstream industries such as aviation fuel and airport service can not only bring extra high returns to airlines that can not be achieved by passenger and freight transport but also combat the development of small and medium-sized airlines. In a favorable position in the competition; the company in the hedging of fuel, but also can reduce costs, make the company more profits.

4. Diversification is in line with the company's core competitiveness [26]. The diversification of enterprises must involve the core competitiveness of enterprises. The aviation industry and its surrounding market characteristics determine the same strain between them, not contradictory.

5.3.2.2 Merger, Reorganization and Cooperation Union Risk Control

The key to the M & A coalition is whether the advantages of resources can be swiftly integrated through M & A and alliances to create new internal competitiveness. The two strategies need to focus on capital, talent and other factors, risk in the early stage of the company's strategy implementation. Air China mergers and acquisitions and implementation of the strategy, with the following internal and external conditions:

Sustained capital investment and good financing ability: As mentioned above, it is mentioned above that due to the "flagged" airlines, as the best-operated and lowest-loaded airline in China, with continuous capital investment and Good

financing is not a very difficult issue in and of itself.

Good product service and strict supervision of employees [27]. In the case of jet fuel prices running high, Air China takes various business measures to fuel its services through fuel savings, promotion of secondary clearances, route selection, active flight adjustment, establishment of foreign sub-control centers and service agency fees A variety of ways to reduce operating costs. Through these efforts, the company's operating costs have been effectively reduced, which makes the company gained a competitive advantage in the cost, thus enhancing the company's anti-risk ability. Air China, the earliest in China to adopt advanced management information system to reduce management levels, reduce management costs, staff focused and effective training to improve work efficiency and reduce waste of resources, such as: the recovery of cabin products, the flight channel Take straight and so on.

5.3.3 Development Strategy Choice

5.3.3.1 Diversification strategy is the center of current development strategy

Through the "four-quadrant analysis", combined with the current status quo, the company should give more consideration to how to avoid weaknesses and adapt to the situation, ST strategy and WT strategy as the dominant development strategy in stages is feasible. It is categorized the business of Air China by the Boston Matrix model and selected celebrities and problem blocks that have potential for growth:

Star business: civil aviation passenger and peripheral aircraft, large aircraft business, the company's high market share and rapid growth in sales, air passenger transport in the future can be relatively weak in the international market focused on the selective development of large aircraft.

Problem Business: Travel and aviation logistics business, the company's market share is low, but the sales growth in recent years is fast, and need to invest more resources in these potential markets to make it a new star product;

These businesses are the development direction of the diversified strategy. In order to adapt to this development idea, this article believes that the company should

closely follow the development and changes of the market, and implement "diversification" for upstream and downstream industry chains such as large aircraft, maintenance, tourism and air cargo. The company's current strengths and weaknesses into the future advantages and opportunities, establish long-lasting core competitiveness, access to a strong competitive position, the company's development has long-term power.

One of the upper reaches of the large aircraft, maintenance and modification, not only to provide the company's maintenance capabilities, access to the government development and Reform Commission's policy subsidies, and further through the diversification of other companies to increase the entry barrier, the company in a more advantageous position; through specialization of the investment company, the hedging of the fuel can reduce the fuel cost caused by the rising fuel cost to the company. Downstream diversification, including tourism, aviation logistics, two aspects:

M & A involves two routes. One is direct acquisition or replenishment of existing maintenance companies. In early September 2013, Sichuan Airlines Group increased its controlling stake in Swire in Sichuan. This method can directly access to the local well-known maintenance resources, costly, fast, more suitable for small and medium-sized airport near the maintenance company; the other way is to acquire the famous domestic aircraft engineering technology company, build their own platform, the introduction of domestic. For example, in November 2013, Hong Kong Aircraft Engineering Co., Ltd. acquired TIMCO, a US aircraft engineering and technology service company, to provide aircraft services including aircraft assembly, operation and maintenance, aircraft design, production of engine room products, aircraft modification, parts and other services. This approach builds platforms by themselves, introduces technology, low acquisition costs, and maintenance personnel can learn more about learning opportunities and get more comprehensive skills for large airports.

Strengthen the cooperation with large aircraft manufacturing: At present, the

international mainline aircraft market is dominated by the United States Boeing and French Airbus. In February 9, 2006, the State Council promulgated the "Outline of National Medium and Long-term Scientific and Technological Development Plan (2006-2020)" and the large-scale aircraft was identified as one of the "16 major scientific and technological projects striving for breakthroughs in the next 15 years". In the State Council executive meeting agreed in principle to the large aircraft project and approved the plan to start manufacturing large aircraft by 2020. The starting point for making large aircraft in China should be based on the perspective of national security strategy. After more than 50 years of development, China's aviation industry already has the technical and material foundation for the development of large-scale aircraft. In the future, investment in all fields will inevitably be small. Unwrapped on the basis of more subsidies, resources to ensure that China's large aircraft can quickly gain market share. Early cooperation with large aircraft manufacturers to strengthen, in the future aircraft procurement, aircraft maintenance on the formation of other airlines a considerable advantage.

Downstream diversification can start from the aviation logistics industry, which is the artery and basic industry of the national economy. With the deepening of economic globalization and the rapid development of online shopping, the market demands for time are getting higher and higher. Air transport has played an increasingly important role in the entire logistics industry. With the rapid development of e-commerce and the global economic integration, the demand for customers to buy needed goods through the Internet has been gradually enlarged. Airline logistics is undoubtedly the quickest and most convenient way for customers. Currently, the e-commerce platform is more willing to cooperate with mature logistics companies cooperation, Air China can share by way of shares, access to huge space for aviation logistics market. According to Boeing's forecast, by 2018, air cargo will take up more and more proportion, from the perspective of global air transport will reach 44%, while in the next 20 years the world's air cargo volume will be in years average

growth rate of about 6.2%. For shipping companies, the lack of flight technology and aviation management experience, and airlines need to rely on the volume of freight companies to improve freight revenue, such a complementary effect if the merger will inevitably produce more than 1 +1 chemical reactions, Airlines choose to merge the way to enter can be said to be a multiplier. In April this year, China Southern Airlines intends to acquire a certain percentage of Yuantong courier shares, walking in the top three routes.

The rapid development of the tourism market is an important growth pole for air travel. In the future, there is great room for free travel. With the direct involvement of the tourism market, Air China can tailor its personalized travel products around the needs of travelers. Around this train of thought, after sorting and analyzing the situation of domestic airlines, Tibet-based airlines can serve as the future direction of Air China's mergers and acquisitions. In addition, the Company started its business in Lhasa through Chengdu to Shenzhen, Lyinga via Chengdu to Shanghai, Linzhi via Xining (Guiyang) to Nanjing, Chengdu to Hangzhou, Chengdu to Shenzhen, Chengdu to Xiamen and other routes. In April 2015 in Kathmandu, the capital of Nepal, signed an agreement with Nigerian partners to set up Himalayan Airlines. It plans to open the route from Kathmandu to Lhasa in October this year. This is in line with the idea of "Belt and Road" and will have tremendous potential for development in the next few years. As of March 2011, the company has 11 Airbus A319-100 aircraft. At present, Air China shares the registered capital of 20070, you can refer to the Shenzhen Airlines model, that is, through capital increase to obtain more than 51% stake in Tibet Airlines.

5.3.3.2 Cooperation and restructuring strategy is an important means of development strategy

Through horizontal mergers and acquisitions and cooperation, the maximum utilization of network resources can be realized. With the improvement of airlines resources and the enhancement of aircrew strength, Air China can obtain considerable

scale effects such as the bargaining power of aviation equipment, thereby reducing the Company's purchasing cost. In addition, horizontal expansion on international routes with certain thresholds will reduce the company's public relations into the local market, combing the government relations and re-investing corresponding taxes and fees will also reduce the company's public relations costs and eventually lead the unit cost strategic fit.

China's M & A cases as early as the early 20th century had precedent: 2002, according to the direct program of China Civil Aviation Administration, its immediate nine airlines were jointly reorganized to form the three major aviation groups. In 2007, the Implementing Rules of the Civil Aviation Enterprise and Airport Joint Restructuring and Restructuring Management Regulations were put into effect to further standardize the M & A and restructure of China's civil aviation enterprises. It was during this period that Air China acquired the controlling subsidiaries of Shenzhen Airlines, Shandong Airlines and East Star Airlines. On the one hand to achieve its own expansion of the scale of the company in Central China, East China, South China's share of capacity rose rapidly to the top two, enhance the competitiveness of these three regions of the enterprise, expanding the scope of the company's competitiveness. On the other hand, Cathay Pacific was controlled by the share swap and crossed the hurdles of Hong Kong's aviation enterprises to enter the Hong Kong market smoothly so as to further improve the regional distribution in southern China and comprehensively enhance the competitiveness of the Company.

5.3.3.3 The company's unit cost leadership and domestic and international development strategy simultaneously constitute the company's development strategy portfolio platform

By analyzing the relationship between upstream and downstream industries and the competitive position in the industry, unit cost leadership can be used as the company's competitive strategy. Unit cost strategy refers to a company through effective ways to reduce costs, make the company's total cost lower than the cost of

competitors, and even in the industry with the lowest cost, thus gaining a competitive advantage strategy.

In the unit cost leadership strategy of Air China, in order to control risks and reduce the possibility of loss of advantage, it is necessary to find out the main factors affecting the cost of the company. The cost of the aeronautical industry mainly consists of aviation equipment, aviation fuel, maintenance costs, interest on liabilities and other office costs. The cost control of the company must be based on the unit size, maintenance technology, bargaining power against upstream suppliers, financial management level, internal management System and so on. There is also a need to focus on declining quality of service due to excessive cost requirements and keeping other major competitors behind; and issues such as the cost reduction, the utility of technological change and the reduction of corporate resources.

1. Domestic strategy: the profits of most airlines in China come from the domestic routes. This is in line with the trend of aviation powers such as the United States. Therefore, increasing the operation of domestic routes is the fundamental guarantee for the domestic status of the Company.

First, strengthening Beijing base is the foundation of Air China. From the distribution of capacity of Air China, Beijing round-trip flights accounted for the total capacity of 37070 and Beijing Airport's annual throughput ranked first in the country. The headquarters of the company located in Beijing. The company occupies the advantage of route resources, airport time, advertising, channel development and government relations in Beijing. In addition, customer sources of routes related to Beijing are mainly business and the average revenue is high, which is the important income of the company. Thirdly, the opening of T3 terminal of Beijing Airport and the increase of number of aircraft parked at the airport will reduce the time for other airlines to thicken, enter the Beijing market and enhance the control of Beijing market companies. Therefore, the Beijing route will be encrypted, Strengthening Beijing base is the foundation of Air China.

Second, consolidating the status of domestic hubs and routes is the guarantee for the development of Air China. At present, Air China has delivered over 90% of its capacity among the top 10 airports in Shanghai, Guangzhou, Shenzhen, Chengdu, Hangzhou and Xi'an, and the share of these airports in China is the top three in China. These cities are all domestic , Second-tier cities, which are China's eastern, southern and western development center. With the process of urbanization in China, the status will become more and more prominent. Therefore, consolidating the status of the domestic hub and route is the guarantee for the development of the company.

Again, it is important for Air China to strengthen the domestic market of the Northeast, Northwest and Southwest China. The main destinations in the three northeastern provinces are the four sub-provincial cities of Harbin, Changchun, Shenyang and Dalian. The 16th CPC National Congress proposed "to support the adjustment and reform of old industrial bases in northeast China and to support the continuous development of industries in cities and regions that support resources" "Supporting the development of major grain-producing areas" and other policies, formulated a new development strategy for the three northeastern provinces, and gave favorable support to the policies and even promoted the economic development of the three northeastern provinces. Coupled with the vast geographical and unique natural environment, the market potential in Northeast China is larger. The western region of China is the most abundant tourist resource in China. Its natural landscape and cultural landscape account for half of the country, with rich and colorful tourism resources in western China. It is not only an enrichment area for China's fine tourism but also a tourist destination for world-class tourism Rich areas: Terracotta Warriors and Horses of Qin Shihuang in Xi'an, Xishuangbanna of Kunming are all golden tourist cities. The world-class cultural cities such as the Potala Palace in Lhasa, Guohuang and Datong Grottoes are famous all over the world. At present, without exception, the 10 western provinces and cities have taken tourism industry as a pillar industry to nurture and develop. In addition, after the "One Belt, One Road" policy is

introduced, culture, tourism and transportation will benefit the local industries in the first place. In the next ten years, Air China will make the West a key deployment area.

Finally, studying the long tail market is the future of Air China. Long tail markets refer to some small and medium-sized cities with special tourism resources and local governments are willing to come up with resources to enhance the local image. Some cities such as Yibin and Mianyang have certain tourism resources, and local governments generally take the initiative to find airlines requires navigation hub city, and is willing to give subsidies, aftermarket cultivation. The revenue is often not low. The operating cost of taking off and landings at these airports and the lower rates at airport terminals reduce the direct costs per unit time. In addition, these airports are rarely delayed traffic control flow, which can reduce the indirect costs of airlines.

2. International Strategy: It is also the direction for China's international aviation development to speed up its internationalization in the future due to the reasons such as the global economic integration with China Airlines, that is, the global economic integration, outbound travel and the increasing number of business travelers.

Air China's international routes are of higher quality, but they are far behind the world-class major airlines in terms of network coverage and route density. China's airlines are not far behind first-rate international competitors in terms of fleet size, technical strength, service capability and management capability. Air China currently has a bigger lead in domestic competition and should invest more to the international market. It should also learn from direct competition with the world-class airlines.

Reference

- [1] Ding, C.Y. (2013). Global Alliance of Airlines. *China Civil Aviation*, 19(3), 42-44
- [2] Grandy, G., & A. Mills. (2004). "Strategias Simulacra ARicalical Reflexology of the Discipline and Practice of Strategy." *Journal of Management Studies*, 41(7), 1153-1156.
- [3] Helfat, C., & M. Peteraf (2003). "The dynamic resource-basedview: capabilitylifecycles." *Strategic Management Journal* 24(10), 997-1010.
- [4] Meng, Z. R. (1998). World famous airline management. *China Civil Aviation Press*, 19 (12), 98-101.
- [5] Michael, P.(1997). Competitive strategy. Beijing. *Huaxia Publishing House*, 20(6),87-91
- [6] Pan, C. Y. (2006). Outline of the Theory of Life Cycle Management of Brand Market. *China's Circulation Economy*, 9(67), 69-80.
- [7] Pang, N. (2007). China Civil Aviation Transportation Opportunities and Challenges Countermeasures. *Scientific Observation*, 28(8), 3-5
- [8] WANG, G. (2012). Evolution and Prospect of Enterprise Strategic Management Theory. *Science of Science and Management*, 25 (1), 23-28
- [9] Yi, X. J. (2004). From Metrics to Communication - Master of Balanced Scorecard *Robert Kaplan*. 20(3), 114-122.
- [10] Yan, B.Y. (2005). Industrial Protection Policy and the opening of the fifth freedom rights. *Economic Latitude*, 4(12), 12-15.
- [11] Zhao, J. L. (2014). China Southern Airlines Development Strategy Analysis. *Journal of Civil Aviation University of China*, 27(9), 1-3.