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Etihad Airways: Rethinking Internationalization and Growth

Tony Douglas reviewed Etihad Airways' recent strategy and performance. He knew the company needed to make changes. It was February 6, 2020, and Douglas had initiated numerous strategies to turn around years of lost profits since taking charge as Etihad chief executive officer in January 2018. Douglas, an MBA from England's Lancaster University, had restructured Etihad's asset base, persuaded Airbus and Boeing to sell the airline fewer planes than ordered, eliminated unprofitable routes, augmented revenues by creating new ticket selling partnerships, opened Etihad's premium lounges to economy class passengers for a fee, and reduced the company's workforce base to streamline costs.

Etihad, headquartered in Abu Dhabi, United Arab Emirates (UAE), saw its losses decline from $1.52 billion in 2017 to $1.28 billion in 2018. However, the airline carried 18.6 million passengers in 2017 and only 17.8 million in 2018. The largest air carrier in UAE, Emirates Airline, reported annual revenues of $26.7 billion in the fiscal year from 2018 to 2019, making a profit of $237 million and carrying 58.6 million passengers.[1]

Douglas knew he had to do more to assure a sustainable future for Etihad in the changing worldwide aviation sector. But the company needed a comprehensive strategic review before launching new measures or modifying existing initiatives.

Launched in 2003 as a full-service luxury airline, Etihad had established a fleet strength that included a mix of wide-bodied and narrow planes and an aggressively-built international route network through code sharing arrangements and international joint ventures. Etihad earned net profits of $14 million on revenues of $4.1 billion in 2011.[2] Profits increased in the next year to $103 million.[3] But rising costs, partner failure, international tourist traffic declines, and low-cost carrier (LCC) competition quickly began to erode profits. In 2016, Etihad lost $1.95 billion on revenues of $5.9 billion. James Hogan, the airline's first CEO, left the organization on July 1, 2017, and chief people and performance officer Ray Gammell took over as interim CEO.[4] Douglas took charge at the start of the next year.[5]

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