Operations, Finance and Marketing Report

Fly Easy Airlines Ltd is a low cost Australian based domestic airline that has been exploring options to expand globally. Its domestic customers in Australia typically tend to be "backpackers" and holidaymakers aged under 30.

The business intends to begin operating flights into the highly competitive Asian market in the latter part of 2017. To achieve this, the business will have to fund the purchase of new computerised ticketing and baggage facilities at its Sydney terminal.

Management believes there is also opportunity for the airline to move all scheduled aircraft servicing and maintenance to a contractor in Singapore.

You have been employed to prepare a report for the management of Fly Easy Airlines Ltd. In your report:

- Describe the advantages and disadvantages of outsourcing aircraft servicing and maintenance
- Discuss debt and equity financing
- Explain promotional strategies that Fly Easy Airlines Ltd could implement to increase customer awareness of its brand in Asia

Criteria	Marks
• Clearly provides characteristics and features of the advantages and disadvantages of outsourcing aircraft servicing and maintenance • Clearly identifies issues and provides points for and/or against debt and equity financing • Comprehensively relates the cause and effect of promotional strategies that Fly Easy Airlines Ltd could implement to increase customer awareness of its brand in Asia • Makes effective use of the information provided, demonstrating extensive knowledge and understanding relevant to the question • Presents a sustained, logical and cohesive business report integrating relevant business terminology and concepts	17-20
• Provides characteristics and features of the advantages and disadvantages of outsourcing aircraft servicing and maintenance • Identifies issues and provides some points for and/or against debt and equity financing • Relates the cause and effect of promotional strategies that Fly Easy Airlines Ltd could implement to increase customer awareness of its brand in Asia • Makes some use of the information provided, demonstrating some knowledge and understanding relevant to the question • Presents a logical and cohesive business report using relevant business terminology and concepts	13-16
• Sketches in general terms the advantages and disadvantages of outsourcing • Provides characteristics and features of debt and equity financing • Provides characteristics and features of promotional strategies that Fly Easy Airlines Ltd could implement • Includes features of a business report and uses some business terminology and concepts	9-12
• Provides a basic sketch the advantages and disadvantages of outsourcing • Sketches in general terms debt and equity financing • Sketches in general terms promotional strategies • May include some features of a business report and uses basic business terminology	5-8
• Refers to a outsourcing and/or debt and equity financing and/or promotional strategies • Uses basic business terminology	1-4

Answers could include:

Advantages of outsourcing:

- Efficiency and cost savings
- Access to superior skills and/or resources
- Ability to focus on core business
- Improvements in quality and/or performance

Disadvantages of outsourcing:

- Payback periods and cost

- Communication and language barriers
- Loss of control of standards
- Information security and issues with confidentiality

Advantages of Debt Financing
- Funds are usually readily available and can be acquired at short notice
- Interest payments are tax deductible
- Increased funds should lead to increased earnings and profit
- Flexible payment periods available
- Ownership control of the business remains with the owners

Disadvantages of Debt Financing
- Security is often required by the business.
- Regular repayments have to be made so firms have to generate sufficient earnings to make the payments
- Lenders have first claim on any money if the business ends in bankruptcy.
- Over the life of the term, costs may rise, interest rates change and therefore debt repayments increase. This leads to increased gearing and increased risk to the firm.

Advantages of equity financing
- Funds don't have to be repaid unless the owner leaves the business
- Safer and less risk for the business and owners
- No interest payments
- Low gearing
- No formal repayment period

Disadvantages of equity financing
- Lower profits and lower returns for the owner
- Expectations of investors about the return on their investment i.e. they will expect higher profits and dividends to compensate them for higher risk as they only have a residual claim on assets.
- Dividends are not tax deductible.
- The providers of the finance own part of the business and have voting rights (shareholders)

Promotional strategies
- elements of the promotion mix – advertising, personal selling and relationship marketing, sales promotions, publicity and public relations
- the communication process – opinion leaders, word of mouth