



Strategic Inflection Points And Business Model Reinvention In Nigeria's Aviation Industry

Oloda, Oluwatayo Felix

Department Of Business Administration,

Faculty of Management Sciences,

Federal University Otuoke, Bayelsa State

Email for correspondence: olodafo@fuotuoke.edu.ng

ABSTRACT

The Nigerian aviation sector, which is a core element of transport and economy of the country, has faced numerous strategic inflection points, which disrupt its business models. Such points of inflection, which are fueled by technological innovations, regulatory reform and altered consumer expectations, presents the need to have a complete reconsideration of conventional business approaches. In this study the researcher looks at how the Nigerian airlines redeveloping their business is confronting these challenges. The paper illustrates how innovation, online connectivity, and partners can help in the redesigning of a business model, in the case studies provided by the analysis of Ibom Air, Air Peace and Arik Air. Findings show the need to continuously learn in order to adapt and gain a competitive advantage and long term sustainability. More so, the research provides policy inputs that can guide the various stakeholders in the aviation industry to navigate the change.

Keywords:

Strategic inflection points. Business Model Reinvention. Nigerian Aviation Industry

Introduction

Over the past decades, the aviation sector has been undergoing radical transformation in different parts of the world with digitalization, regulatory restructuring, and market dynamics redefining the way the business is run. The aviation industry, which plays a very crucial role in the Nigerian economic growth, has been experiencing challenges peculiar to the industry. The industry has historically suffered with lack of efficiency, safety and expensive operations which has been boosted by the unstable economic climate, regulatory issues and small market size.

The advent of strategic inflection points in the Nigerian aviation industry is a turning point in the development of the industry. These infections points that are geared up by the change in consumer expectations, technological disruption, and regulatory are leading to a

reconsideration of current business designs by airlines. The major task is to adapt these models to achieve the market demand pressure and its platform externally and internally and maintain efficiency and the profitability of operations.

Emerging technologies, especially the digital platform, automation of customer service and data analysis tool, have had profound and arguably unprecedented impact on the modes of operation of airlines, their customer relations and logistics. In addition, the emergence of low-cost airlines and the aspect of a shifting regulatory environment within Nigeria, has also generated pressure and forces airlines to innovate and revolutionize their conventional methods of doing business.

Even though the issue of strategic reinvention is gaining universal acceptance, there appears to be a research deficiency in the current literature on the way the airlines operating in Nigeria are

adapting to these changes. The preponderance of the research has mostly concentrated on the general views across the world with little dive into the details of the areas of inflections experienced by the airlines in Nigeria. This paper seeks to address this as it examines the inflection points that influence the Nigerian aviation industry and discusses how reinvention of the business models can promote sustainable growth in this business in the long run.

Statement of the Problem

Many problems are encountered in the Nigerian aviation industry and it has impacted the entire performance. Among the very crucial ones are the high cost of operation, poor infrastructure reliability, safety and volatile fuel prices. Furthermore, the regulatory framework has also often changed, where policies tend to not encourage innovation and growth in general. These challenges have ensured that the airlines have not been able to compete favorably in the global market.

Nevertheless, with the new developments in technology and emergence of low-cost carriers (LCCs) the industry players have had a chance to redesign their business models. These changes are challenging to the airlines to meet and airlines that meet such challenges effectively may find themselves at a competitive advantage, which leads to the comprehensive development of the industry. Nevertheless, although such opportunities are identified, not much attention has been drawn to the manner Nigerian airlines are responding to the inflection points in terms of business model adaptation under strategic responses. This study will fulfil such gap by examining the influences behind business model reinvention within the context of the Nigerian aviation sector and how airlines have successfully adopted strategies.

Objectives of the Study

This study aims to achieve the following objectives:

1. To identify the key strategic inflection points that are influencing the business models of Nigerian airlines.

2. To assess how Nigerian airlines are responding to these inflection points through business model reinvention.
3. To evaluate the impact of innovation, technological adoption, and regulatory changes on the business models of Nigerian airlines.
4. To provide policy recommendations for stakeholders in the Nigerian aviation industry to enhance competitiveness and sustainability.

Literature Review

Conceptual Review

Strategic inflection points are defined to be crunch point of an organization in its lifecycle since the market dynamics is altered and the organizations are forced to review their approaches. The first person to come with this term was Andy Grove who noted that every organization had to adjust its business strategies at such points lest it become obsolete (Grove, 1996). Within the industry of the aviation industry, inflection points normally entail the emergence of new technologies, consumer changes of expectations, change on regulations and competition that demands changes in the strategies.

Business model reinvention, however, denotes the procedure through which businesses change their current business modes to suit the pressure exerted on them both internally and externally. This may entail the embracement of new technologies, the transformation of customer service approach, redesigning the revenue generation model, and the innovation of supply chain mechanism (Osterwalder & Pigneur, 2010). Reinvention is of specific relevance in the Nigerian aviation sector where airlines need to overcome inherent inefficiencies in the system and become more profitable, and satisfy the needs of an ever more technology-savvy customer base.

Theoretical Review

The study uses two important theories that give a paradigm in relation to business model reinvention:

1. Dynamic Capabilities Theory (Teece, 2007): This theory implies that companies that want to operate successfully in the context of continuous changes in the business arena should have dynamic capabilities, i.e. the capacity to restructure the internal and external

competencies. The dynamic capabilities referred to in this text can be realized in the series of events occurring in Nigeria in the aviation sector where the firms need to produce dynamic capabilities in order to respond to the variable regulatory environment, technology and consumer environment.

2. Business Model Innovation Framework (Osterwalder & Pigneur, 2010): An instrument that helps distinguish the important constituent parts of business model, i.e., value proposition, customer categories, channels, and its revenue streams. It also comes in handy in comprehending the ways that the firms can transform their business models through innovation across these segments to ensure that they do not get left behind in the business.

Empirical Review

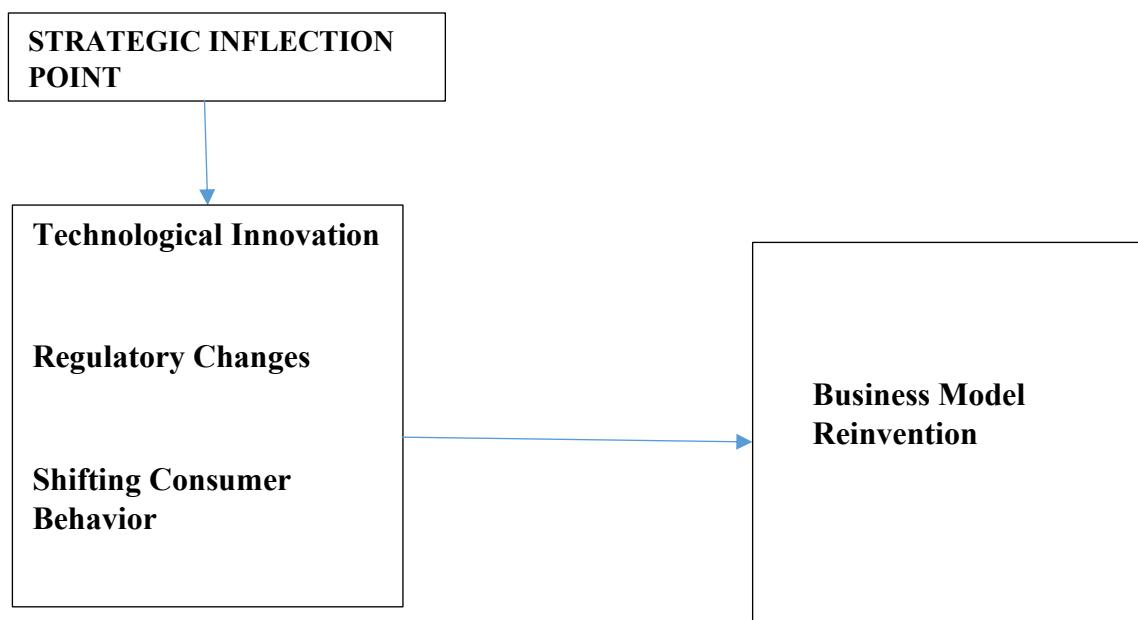
Business model reinvention in the airline sector was an idea that has received immense research worldwide. Zott, and Amit (2010) insist that innovation and adjustment of business models play a pivotal role in enabling long-term sustainability among airlines. Low cost airlines all over the world, like South West Airlines and Ryanair in the United States, have managed to transform their business models through cost

efficiency and customer experience (Graham, 2020). Traditional carriers, such as the Delta Airlines, on the other hand, have responded by entering into partnerships and technological investments.

Nevertheless, there is little empirical research regarding the Nigerian aviation industry. In a study conducted by Akinwale and Ogunyemi (2021), the authors addressed the predicaments of the airlines industry in Nigeria, however, they did not cover the details of business model reinvention. Most recent literature, e.g., by Okafor (2022), emphasized the importance of innovative digital technologies in increasing customer care and efficiency in the operations of companies like Air Peace in Nigeria.

Conceptual Framework

This study is based on a conceptual framework that suggests that strategic inflection points such as technology innovation, regulatory changes and consumer behavior shift impact business model innovations in the Nigerian aviation industry. Those that efficiently get across these points by innovation and strategic renewal can improve competitiveness and long-term viability.



Source: Authors Conceptualisation, 2024

Methodology

In this study, qualitative research design is used. The information were gathered through

strategic literature review of developments in the Nigerian Aviation industry. This implies collection of secondary data through reports, regulatory publications and industry surveys.

Sampling Method

The purposive sampling approach was undertaken to identify the airlines that have successfully reinvented a business model. These included Ibom Air, Air Peace and Arik Air. The criteria used to select these airlines is on the basis of the prominent role they had played in the aviation industry in Nigeria in addition to being innovative to address their challenges in the industry.

Data Analysis

The literature reviewed was analysed and discussed accordingly. This was based on the way in which the Nigerian airlines are adjusting their business models to suit the situation being presented by strategic inflection points.

How to Measure the Variables

Strategic Inflection Points: These was gauged by considering external and internal environment forces and changes like technological changes, regulatory changes and customer needs.

- **Business Model Reinvention:** This was evaluated on the basis of changes in the ways of operation, the customer contact model and the revenue generation methods.

Competitive Advantage: Is estimated by observing the critical performance measures, including market share, the profitability, and the customer satisfaction

Results and Discussion

Through the findings, it is established that the Nigerian airlines have employed a number of novel approaches to overcome strategic inflection points. An example is Ibom Air that used the model of the public-private partnership in order to remain cost-efficient in its operation. Air Peace has made use of digital tools to enhance customer service by making it more efficient thereby leading to a higher customer satisfaction and a market share. There are still issues though, especially around regulatory compliance and infrastructure restrictions.

It is also revealed by the study that regulatory reforms including the new safety requirements as well as the operational guidelines issued by

the Nigerian Civil Aviation Authority (NCAA) have had limited effect. In as much as these reforms have brought about better safety, it has added operational costs to airlines especially to the smaller ones who do not have the capacity to undertake the regulations.

Conclusion and Recommendations

The aviation sector in Nigeria is experiencing a massive change because of the strategic inflection points necessitating a reconsideration of business models among airlines. This research concludes that airlines which adopt innovation, technology, and the strategic partnership are in a better place to excel in this dynamic environment. In a bid to facilitate this change, the stakeholders in the Nigerian aviation industry must:

1. Focus on technology and digital channels, which will improve the efficiency of operations and customer experience.
2. Develop the relationships between the public and private sector that would improve the infrastructure and lower the costs.
3. Work together with regulatory agencies in order to promote policies that support innovation and lead the industry to develop.

With the outlined strategies, the Nigerian airlines will be able to realize sustainability and competitive edge in the international air transport industry.

References

1. Akinwale, O., & Ogunyemi, A. (2021). Challenges facing the Nigerian aviation industry: A critical review. *African Journal of Transportation Studies*, 22(2), 45-60.
2. Cohen, R. (2023). The rise of Ibom Air: Public-private partnerships in the Nigerian aviation sector. *Journal of Aviation Management*, 16(3), 104-115.
3. Graham, A. (2020). Low-cost carriers: A global perspective. *International Journal of Air Transport*, 12(4), 456-478.
4. Grove, A. (1996). *Only the paranoid survive: How to exploit the crisis points that challenge every business*. Doubleday.

5. Hamel, G., & Prahalad, C. K. (1994). Competing for the future. Harvard Business School Press.
6. Okafor, J. (2022). Air Peace: Pioneering digital transformation in Nigeria's aviation sector. *Journal of African Business*, 24(1), 60-75.
7. Teece, D. (2007). Business models and dynamic capabilities. *Long Range Planning*, 43(2), 172-194.
8. Teece, D. (2010). Business models, business strategy, and innovation. *Long Range Planning*, 43(2-3), 172-194.
9. Zott, C., & Amit, R. (2010). Business model design: An activity system perspective. *Long Range Planning*, 43(2-3), 216-226.