

Case study airasia

Business



Growth in Asia Middle Class: Rapid growth in China, India, Indonesia, Vietnam, Thailand and Malaysia will cause Sais's share of the new middle to more than double from its current 30%. By 2030, Asia will take 64% of the global middle class and account for over 40% of global middle-class consumption.

This is a great opportunities for low cost airlines especially leaders like Eurasia to seize the opportunities to continue its dominate position by expanding its business in these emerging countries. Thai Eurasia has implemented expansion strategies to reach more Chinese cities.

Differentiation from traditional low cost model by adding customers services or operations as a full serviced airline with low fare, such as providing customers with package with full services. Ongoing industry consolidation has opened up more prospects for new routes and airport deals . 4. Threats Full services airlines start to cut down costs to compete with Lacks Entrants of other LACKS.

E. G. Thai Smiles created by ThaiIntelairways. High fuel prices decreases yield. Accidents, terrorist attacks and disasters affect customers' confidence to travel by air.

Increases of labor costs, operation costs. Air control and government restrictions Chapter 6. Strategic Planning of Air Asia in Cost and Marketing The key components of the LLC business model are the following; + High aircraft utilization No frills Streamline Operations Basic Amenities Point to point network Lean Distribution System As previously mentioned Air Asia is a

low cost airline which has had great success over the last decade because of its business plan that seeks to keep costs down.

The company has outperformed most low cost budget airlines because its strategic plan that allows it to innovate and remain reasonably flexible. By outsourcing many of its services and increasing staff productivity and output Air Asia has maintained a lead over its rivals in reducing its costs. An example of this is that Air Asia keeps the weight of its planes down by removing such things as screens in the backs of seats.

The removal of the entertainment system and several weight saving initiatives allows Air Asia to reduce fuel costs.

Not only does an entertainment system involve the weight of screens but also the weight of the wiring associated with the installation of an entertainment system. Another cost factor is the maintenance costs of the entertainment system which Air Asia has eliminated. Air Asia now allows passengers to book and pay for entertainment which is provided on Samsung tablets. Air Asia is in a position to negotiate deals with tablet suppliers as they can promote a tablet company's product by letting passengers experience and use the product. The company actively seeks to expand its network by adding emerging destinations such as Lombok and Bandung in Indonesia, Chengde and Hangzhou.

These are often seen as potential and profitable emerging markets. For example Air Asia chose to fly direct flights to Chengde because previously international passengers flying from Chengde had to fly by either Shanghai or Guangzhou. As a city of over 7 million people with a rising middle class Air
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Asia believed that by offering direct flights out of China to tourist centers' would appeal to the increasing number of Air Travelers.

Air Asia also runs a performance based salary package for its entire staff. Staff are able to obtain salary bonuses if the work they do helps maintain the companies drive for efficiency and cost reduction.

Some of the functions usually performed by outside staff are now undertaken as part of the duties by cabin staff. Another important strategy employed by Air Asia is the use of its website and its customers and non customers to actually do things for Air Asia on an almost adulatory basis.

A good example of this was when Air Asia required a mural for its newly opened Indian operations it ran a competition on its website asking people to submit designs with the offer a two free flights to Koala Lump and the chance for he graphic artist to have his or her work seen by millions of people. This resulted in Air Asia receiving almost free the work of thousands of graphic artists and members of the public. Involving the public and customers in cost saving activities is a strategy that Air Asia uses very effectively.

Customers use the company's website in a variety of ways.

They save the company money when they book online and print their own tickets. They order meals allowing the company to know what and how many meals are needed on the aircraft The have an agreement with a group called option town which allows this group to sell people unoccupied seats on aircraft for a reduced fee which means Air Asia can actually generate income from unsold seats. En booking a seat on Air Asia the company also offers

insurance at the same time so it profits from its association with an insurance company.

Many people booking online often fail to uncheck a box that would allow them to exempt themselves from the policy. As the box is already ticked and people often don't notice it they end up paying for the insurance and although there is a way to remove it most people continue paying for it as going back in the web booking process can be time consuming.

These are all part of a complex marketing and cost reduction strategy employed by Air Asia. Referral has been used extensively to promote Air Asia as an attractive low cost carrier. The recent TV show "The Apprentice Asia" was not just a game show.

It was an avenue to increase Air Asia's profile world wide. It allowed viewers to see how Air Asia operates and the professionalism of its management and staff. It also allowed Air Asia to interview thousands of highly talented people seeking a position within the Air Asia Company.

Air Asia uses the social media extensively in its advertising and brand promotion. During the screening of "The Apprentice Asia" it offered "Contestants" a chance to win Air Asia flights by commenting about favorite contestants on Twitter and Facebook.

This was designed to not only promote the show but also to boost ratings. The company also enters into agreements with car hire companies, accommodation chains, merchandise suppliers and service suppliers to boost revenue and offer benefits to its customers. Until recently Air Asia customers

have only been able to book flights on the Air Asia website or at travel agents.

Internet travel companies, such as Juju, did not list Air Asia flights. However a recent agreement will see Air Asia flights being listed on Expedite the world's largest internet flight booking agency.

Technology is also one of the major components of the Air Asia strategic plan with nearly all aspects of its supply chain depend on technology to maintain its price advantage over other low cost carriers. Air Asia has ensured its adoption of new technology is inline with its business plan and the benefits from new technology are implemented quickly. With the decline in sales in computers and the increase in tablets and smart phones the company has Introduced a number of APS to allow customers to book flights and other products using these devices.