

Srm a strategic service vision for air asia bhd essay sample

[Transportation](#), [Airlines](#)



The major purpose of a strategic service vision is to serve as the vision of a place and purpose of the company as well as to link the entrepreneur's idea and the unmet needs which will eventually allow the company to achieve its goals. (Fitzsimmons and Fitzsimmons 2010) Service vision includes main categories: target market, service concept, operating strategy, and service delivery system. Target Market Segment

Air Asia creates values through vision and mission. First of all, vision of Air Asia is to be the largest low cost airline and serving the 3 billion people who are currently underserved with poor connectivity and low fares. It is clear that, the Air Asia is selling the airline service company. Hence, characteristic of the Air Asia's target audience is the all people who salaries are fall in the middle or lower earnings in Malaysia.

That is the reason why the Air Asia always use the low price strategic to place it is always cheaper than their competitors. Secondly, it also target to the age group who are young adult and above because this kind of age group have the ability to spending and may be always need a flight to other far destination in shorter time. So, they will easily attract and influence by the promotion doing by the Air Asia which only RM0. 99 for a flight. This kind of target market will easily shift to other competitors who also offer the lowest price or doing a sales promotion. In terms of service concept, Air Asia is the one of the largest airlines in Asia. Thus, Air Asia has short flights with frequent departures, and uses inner-city or low traffic airports to avoid congestion, plus carry-on luggage. In fact, Air Asia's major target section is originally geared towards low-middle revenue earners, budget travelers and

regular short-haul flyers such as overseas workers, contractors, and students. (Onwutalobi 2008) Service Delivery System

Well, how Air Asia delivers service? It is clear that, Air Asia has fostered a dependency on Internet technology for its operational and strategic management, and provides an online ticket booking services to traveler online. Furthermore, Air Asia hire cabin crew based on attitude and use a vast amount of aircrafts to control maintenance and operational cost. In addition, the key objective of low cost carriers is to increase their reach and provide the services to a large segment. Hence, in the terms of service delivery, Air Asia mostly uses technology and it allows them to provide barriers to entry by competitors and differentiate the service from competitors. At all, E-ticketing seemed to be a 'win' solution for Air Asia. It offered the company a chance to make considerable savings in both trade terms as well as in invoicing and internal accountancy procedures. Secondly, it was very attractive to customers, who may benefit from a service offer both technologically advanced and of high intrinsic value. Air Asia produces important cost savings by sending information using Internet, rather than by post or fax. To sum up, Air Asia mostly uses modern technology to operate and deliver service. Air Asia put into practice lean allocation by relying on internet as a main method of distribution while reducing the dependence on travel agents and sales offices, as opposed to full service airlines which usually used all distribution channels. (Air Asia 2011). Operating Strategy

Next point is operating strategy of Air Asia. Marketing and operations are significant elements of operating strategy of Air Asia. So, most effort

concentrated on promotions and rewards. By doing this, Air Asia provides reasonable and cheap promotions. For instance, Air Asia flies to Thailand by 450 RM, MAS(Malaysia Airlines) also flies to Thailand, but cost of the ticket is around 800 RM. However, meals, pre-book baggage, seat assignment and extra services are not included in ticket of Air Asia, it is reasonable, at all. Furthermore, Air Asia offers a simple “no frills” service at fares that are on average notably lower than those offered by traditional full-service airlines. Modeled on winning low fare airlines such as the U. S.-based Southwest Airlines and Dublin-based Ryan air, Air Asia was established to produce a new aviation product in Malaysia, one that would develop air travel, and improve the local aviation market by providing very low fares so more people can fly.

The company banks on the cost of running ‘bricks and mortar’ outlets and could reach national markets without having to extend a physical distribution network. Most essential was the company could save on customer service costs by enabling customers to serve themselves. Furthermore, Air Asia effectively adopted focus strategies by having developed a very well-organized and fully computerized system for its customers to book the air tickets through its website. Air Asia also have a high frequency of flights to most short haul and regional destinations in order to serve a wider market segment as well as to reduce the turnaround time in the ground between flights, which is 25 minutes compared to an hour for full service airlines. (Air Asia 2011) To summarize, Air Asia focused on marketing and promotions are major element of the organization strategy. Service Concept

Air Asia followed the overall cost leadership service strategy, which is categorized by seeking out low-cost customers, less customization options, reducing the personalized services for customers and reduced network costs. (Fitzsimmons and Fitzsimmons 2010) Furthermore, familiar attribute of low-cost carriers that is used by Air Asia is the peak point of aircraft utilization, point-to-point network and lack of assigned seating. (Air Asia 2011) To emphasize, the lack of assigned seating allowed Air Asia to maximize the passenger capacity on the aircraft as well as promoting on-time performance and rewarding punctuality for customers. (Fitzsimmons and Fitzsimmons 2010) Thus, Air Asia has assigned seats to passengers and also offered alternatives for passengers to get much better seats, such as express boarding and “ Pick-a-Seat” that is available at an additional cost. (Air Asia 2011)

Winning Customers in Marketplace.

Service Qualifiers

At first, depending on the competition and personal needs, customers select a service provider using criteria. Hence, before a service firm can be taken seriously as a competitor in the market, it must attain a certain level for each service-competitive dimension, as defined by the other market players. For instance, in airline services, safety is defined by the air-worthiness of the aircraft and by the rating of the pilots, as an obvious qualifier. In addition, in a mature market such as fast foods, established competitors may define a

level of quality, such as cleanliness, that new entrants must at least match to be viable contenders.

To illustrate, for fast food, a dimension that once was a service winner, such as a drive-in window, over time could become a qualifier because some customers will not stop otherwise. Thus, Air Asia is well-known as low-fare airline and in the case of service qualifier I can arguably note that, Air Asia is service qualifier, hence a vast amount of people are select Air Asia. Another good example is Volvo, which is well-known for safety. To emphasize, people know that Volvo cars can provide safety. To summarize, service qualifiers is one of the ways to win competition. In case of Air Asia, Air Asia maintained a high standard on safety by not compromising safety rules, ensuring the security of staff members and guests, and to comply with every regulation while maintaining the highest standards. (Air Asia 2011) Service Winners

Service winners are dimensions such as price, convenience, or reputation that are used by a customer to make a choice among competitors.

Depending on the needs of the customer at the time of purchase, the service winner may vary. For example, Air Asia is a service winner; hence Air Asia is the largest low-cost and award-winning airline in the Asia. Well, if one wants fly to Thailand in a budget class, definitely will choose Air Asia, it means people select Air Asia as service winner. For instance, BMW is famous for good engine and service winner. Well, Air Asia arguably can be considered as a service winner among airlines in Asia and Malaysia, as well. Although, as numerous competitors try to keep up with Air Asia, many of the unique elements that form the competitive advantage for Air Asia will often be

duplicated by its competitors in order to sustain in the competitive market and those will eventually turn into a service qualifier when it became too commonplace. (Fitzsimmons and Fitzsimmons 2010) Service Loser

Service loser is the organization or service provider, which failure delivers at or above the expected level for a competitive dimension can result in an unsatisfied customer, who is lost forever. For various reasons, the dimensions of dependability, personalization, and speed are particularly vulnerable to becoming service losers. Some examples might be failure of an auto dealer to repair a mechanical problem according to dependability, rude treatment by a doctor, which is due to lack of personalization, or failure of delivery service a package on time because of slow speed. Furthermore, Air Asia also failed in terms of punctuality and dependability; hence it may lead to lose customers. To illustrate, sometimes when there is enough complaint about an online service across many social Medias, the businesses involved will try their best to not only address the problem but engage with the public to show that they actually care about the service they are providing. In this case it seems that Air Asia just don't want to listen. At all, the booking system of Air Asia is down often and there are numerous errors. (Air Asia 2011)

Cost leadership in the budget hotel industry and Air Asia Bhd. At first, an overall cost leadership strategy requires efficient-sale facilities, tight cost and over-head control and often innovative technology, as well. Having a low-cost position provides a defense against competition, because less efficient competitors will suffer first from competitive pressures.

Implementing a low-cost strategy usually requires high capital investment in state-of-the art equipment, aggressive pricing, and start-up losses to build market share. A cost leadership strategy sometimes can revolutionize an industry, as illustrated by the success of Tune Hotels, Walmart, and Federal Express. To illustrate, the strategy of Holiday Inn Express is probably best described as low-cost leadership because of its broad appeal to the mass market and emphasis on limited service, cleanliness, timelessness, and cost efficiency- to ensure optimal use of space, ease of maintenance, and a higher return on investment for owners.

This is not to say that Holiday Inn Express is a low-quality lodging brand. In contrast, Holiday Inn Express offers full-service comfort and value to a broad market. Hence, a vast amount of firms are pursuing cost-leadership set out to become the lowest-cost providers of a good service. Furthermore, broad scope of cost leaders means that they attempt to serve a large percentage of the total market. Thus, numerous hoteliers would bristle at the thought that they are pursuing a low-cost leadership strategy. Rather, they envision their firms as pursuing some sort of balance between low-costs and differentiation. While clean room and linens and some level of comfort (i. e. telephone and television) is expected at every lodging property, efforts to differentiate may result in increased cost but not added value, making a firm more stuck-in-the middle than competitive. Hence, I choose Tune Hotels in order to describe about cost-leadership in hotel industry. Well, Tune Hotels.com is a “ limited service” hotel chain operated by Tune Hotels Regional

Services Sdn Bhd that provides “ 5-star sleeping experience at a 1-star price” high quality accommodations.

Tune Hotels is part of the Tune Group, the private investment group of Tan Sri Tony Fernandes, founder and Group CEO of low-cost airline Air Asia. Tune Hotels is aiming for 100 hotels in its global portfolio by 2015. The limited service model used by Tune Hotels is similar to the no-frills business model practiced by low-cost carriers such as Air Asia and has been adapted to the hospitality industry. As with low-cost carriers eliminating many traditional passenger services to keep costs low and prices affordable, Tune Hotels limited service and pay-as-you-use of add-ons concept omits many traditional hospitality services to keep costs and rates as low as possible. Instead, services and extras are offered on a pay-as-you-go basis, including toiletries, 12 or 24 hours air-conditioning, TV and internet access and also single or double occupancy.

The key concept of Tune Hotels is providing high-quality basics such as 5-star beds, powerful hot shower, central & convenient locations, clean environment, and 24-hour security at the best value for money. Tune Hotels targets the savvy traveler who wants the best value for money. Using a self-service online booking system, guests can book rooms at prices starting from USD3. 00 or even lower? Personal service is not an attribute you should expect to receive. If you make a mistake in your booking, expect to eat the price of your booking and make a new booking for whatever price is available at the time. Hotel space is also available for rent to advertisers

(indoors, outdoors as well as whole floors) on room walls, room keys, hallways and in the lobby.

References

Books:

Bull, A (1995), *The economics of Travel and Tourism*, Second Edition, Longman, Melbourne. Bossevain, J (edited), (1996), *Coping with Tourists. European Reactions to Mass Tourism*. Berghann, Oxford. Cohen, E (1972) *Contemporary Tourism* . Elsevier, Oxford. Cooper, C. Fletcher, J., Gilbert, D., Shepherd, R. and Wanvill, S. (1998) *Tourism: principles and practice*, Second Edition, Longman, Harlow.. Heskett, James, L.; W. Earl Sasser, Jr; and Leonard A. Schlesinger (1997) “ The service profit chain“. Free Press., New York Hill, Terry. (2000) *Manufacturing Strategy*. 3rd ed. Irwin Mehraw, New York. Holloway, J. C. and Robinson, C. (1995) *Marketing for Tourism*. Longman, Harlow. Lea, J. (1998) *Tourism and Development in the Third World*. Routledge, London. Law, C. M (1996), *Tourism in Major cities*. International Thomson Business Publishing, London Mathieson, A. and Wall, G. (1982) *Tourism. Economic, Social and Physical Impacts*. Longman, Harlow. Oppermann, M. and Chen, K. (1997) *Tourism in Developing countries*. International Thomson Business Press. London. Prokech, Steven. (1995) “ Competing on Customer Service“ *Harvard Business Review*, November-December, 1995, pp. 101-112. Shaw G. and Williams, A. M (2004) *Tourism and tourism spaces*. Sage, London Vanhove, N. (2004) *Economics of Tourist Destinations*. Butterworth-Heinemann, Oxford.

Websites:

Air Asia Corporate Website. [http://www. airasia. com](http://www.airasia.com) viewed on 4 July 2011

Navitaire Open Skies by Navitaire Reservation and Distribution System.

[http://www. navitaire. com/res_and_dist/openskies. asp](http://www.navitaire.com/res_and_dist/openskies.asp) viewed on 29 June 2011

Air Asia – How to book online tutorial.

[http://www. airasia. com/site/en/page. jsp? name= HOW%20TO%20BOOK %20ONLINE&id= 4d99d08ac0a8c85d-177e6b40-4dab9d31](http://www.airasia.com/site/en/page.jsp?name=HOW%20TO%20BOOK%20ONLINE&id=4d99d08ac0a8c85d-177e6b40-4dab9d31) viewed on 29 June 2011