

The airasia marketing concept management essay

[Environment](#), [Air](#)



In the world of growing business competition, strategic management is where a process of certain level of management set goals and tactics in a firm. Strategic management provides overall direction of the functional areas of business firm department such as accounting, finance, production and marketing that allows the management to understand the concept of each operation level of management in the entire organization. Managers should also make the most from each organization level to achieve a best strengths and weakness in the environment. When this method is being applied, management seek answer to question regards to “ how, why and what will happened”

Airlines industry has help the industry in economic growth hence changing the life of people live and experience the world today Airlines operations interact among various officially permitted, community life, technology thus influencing management to make decision and actions This involved in relating the goals of the organization with the environment to a way of conscious and a planned method.

AirAsia is one of the companies with a good strategic management and has becoming a low cost carrier airline which received several awards and recognition in the best low cost airlines in the world in year 2009. As of December 31, 2011, AirAsia Berhad (AsiaAsia) has engaged in providing transportation services which operates at a fleet of 90 aircraft. AirAsia operation flies over domestic and international destination with 108 routes and operates over 400 different daily flights which are located from different hubs. Those hubs are located in Malaysia, Thailand and Indonesia. AirAsia

concept applies in no-frills, hassle-free, low fare business concept and their corporate values are “ Now Everyone Can Fly”.

Low Cost Airlines Simple Product Low Operating Cost

Positioning

Figure 1. 0 AirAsia marketing concept.

According to Daniel Chan market for airlines in Asia has been glomming to seek ways to compete each and another in the industry. Each of them has their own strategic management which allows them to achieve long terms objective and making them the best among their competitors. This has encourage AirAsia to consider strategic management program due to the current competition of Asia travel market and the need to have the urge to compete with their competitor which makes them only one of its kind in the industry. Four major functions of process which are planning, organizing, leading and controlling were no longer sufficient to support the current complex environment. This is because this process only managed the company internally but do not concentrate on the current environment which affecting the organization. Companies that adopt the four major functions were found that they were not successful in the current competitive market forces. On top of that, the organization only performs well in operation effective but not in strategy. Operation effectiveness and strategy are both similar but they only perform in a very different ways.

Strategy is about the competitive market which the company performs different task in different ways of environment. Those tools are PESTEL,

SWOT and Porter Five Forces. All of these tools analyses the macro and micro environment. Below diagram will further explain those tools.

PESTEL DIAGRAM

Political

To fly outside Malaysia is not easy. Government political is one of the problem that low cost airlines faces. Landing charge and parking charges are very expensive and destination to Bangkok, Beijing, and Singapore is no cheaper than a backup airport.

People are afraid to fly where threat of terrorism attack has happened before in the month of Sept 11 2001.

Political stable where Asia country has no strikes, no wars and customer is free to plan their own traveling time.

Economic

Due to the stiff competition from MAS, AirAsia tend to offer lower pricing in tickets and a few flight routes to compete with the current economic. The rising of Asia middle class population growth has encourage customer to enjoy flying with a cheaper rate of tickets

Malaysia Tourism and hospitality has boost AirAsia economic by advertising the brand name

Social

Has created a huge people awareness and exposure on traveling within a limited budget in Asia countries. This motivation was created with the AirAsia slogan " Now everyone can fly"

AirAsia has created different living environment and culture by promoting different countries

AirAsia commit to " Safety First" has outcome the fear of customer flying abroad due to the Outbreak of Several Acute Respiratory Syndrome (SARS).

Technology

AirAsia has the state of the art in IT technology which offers E-commerce. In Aug 2003, AirAsia become the first to offer SMS booking where the online service allows consumer to book ticket online, offer seat choosing and luggage check in. The website also offers viewing in six different languages.

GO holiday was also launch to introduce customer to book holiday packages online via real time.

AirAsia has bought in A320 to replace Boeing 737; which the new airbus has improved fuel efficiency, bigger overhead bin, lower maintenance and extra seat which proven to better performance and reliability.

Environment

The new purchase of A32 planes has an engine which burn less fuel technology which included lighter weight body. The new planes engine maintenance and wash program which proven to gain 1% to 2% efficiency.

More improved pilot training which are being train to take-off and landing more efficiently AirAsia green methods is by adapt the paper containers and cups when they server food during the flight route.

Legal

Government policy has been set up to ensure that all government business trip to engage with MAS airlines.

The budget airlines in south-east Asia is under-develop due to the market of aviation is control by the government right agreement.

Customer has taken legal action towards AirAsia for failing to disclose the full price for some route location.

Figure 1. 0 Self created Pestel analysis

Below diagram shows the SWOT analysis. The internal factor can be look into the strength and weakness of the company where else the external factors would be the opportunities and threats in the external environment.

SWOT DIAGRAM

STENGTHS

WEAKNESS

AirAsia has a very strong relationship with the government and airlines industry leaders

The current management team is good in strategy formulation and implementation.

The branding of AirAsia was well established in Asia Pacific.

One of Asia cheapest Airlines which are low cost operations.

The advance technology of the IT team such in emails alert and desktop alerts for a new promotion

Multi-skilled staffed which are well equip and efficient in workforce.

A single type of fleet which is easy to maintain and easy for pilot dispatch.

AirAsia does not have own repair system, maintenance or overhaul (MRO) facility.

Received a lot of complain from end user due to overwhelming of ticket purchases on festive season.

Flights always delay due to improper time management.

A fix-cost in perishable product which are the airlines seat. This will encourages the airlines to cut down price to attempt to fill empty seats at a lower price than rather flying at a half empty plane.

No central location or backup airport.

Branding is always an issue in placing in market position.

OPPORTUNITIES

THREATS

The increasing of oil price creates an opportunities for AsiaAsia to capture new or existing customer which are on budget travelers.

The ASEAN Open Skies program allows competition among regional airlines which creates partner with other low cost airlines for example Virgin has join in to create a brand name for AsiaAsia.

Increase of population of Asian middle class will increase 700 million by 2013 which creates a huge opportunities for AsiaAsia to cater the need of user.

Ongoing business prospect will open up new routes and new airport deals

Rates such as airport departure, security charges and landing charges are elastic price which beyond the control of the airlines

AirAsia profit margin is about 30% and this creates a new competitor to arise such as Tiger Airways.

User safety point of view is neglected due to cheaper cost of ticket. User need to purchase a separated insurance for the ticket.

Oil price fluctuations which affect the Aviation turbine fuel (ATF) and other operational cost. This will add cost to AirAsia since the total cost fuel is higher than 26% for low cost airlines compared to 20% for a full service airlines

Lack of secondary backup airport infrastructure. Other countries like Europe have a secondary airport to avoid flying into mainland airports hence they can skip to pay high cost of landing fees.

System always down due to high volume of online sales.

Figure 2. 0 Self created SWOT diagram.

Porter five forces have been used to determine the competitive and the magnetism of the market value and to understand the AirAsia competitive advantage. Table below shows the porter five forces:

PORTER FIVE FORCES

Competitive rivalry within an industry.

This would be the matrix segment of geographical and demography market. AirAsia competitor would be Tiger Airlines and Firefly which both of them also provides cheap flight and several same routes. AirAsia also claim that they don't have any additional fees which are not true. They have several hidden fees which are booking seats and luggage fees which could create a problem in price issue.

Population of middle class income is increasing hence creates a huge opportunities for the airlines therefore airlines have to slash price among each another due to customer are not loyal and they tend to switch easy from different company to another

Threat of new entry

Branding is one of the major factors for new entry. Entry within this industry not only required high cost but also a branding image. New entry is required to impress the investors so that they can make a huge investment in the industry.

Government legislation is also an issue where new airlines can't get a new permit flight route from the government. For example if AirAsia want to add more flight route to other county, this would be a barrier for them due to government permit and it will affect their profit.

Different service product being offered by competitors where AirAsia provided travel packages around Asia besides only selling air ticket. AirAsia also have great connection with tourism companies around the Asia country thus making this harder for new competitor to compete.

Bargaining power of supplier

Bargaining power of buyers is strong and cost of switching airlines is low. AirAsia is not the only the airlines which offer low cost operation in Asia. Other competitor prices are not so much different than AirAsia. This will create customer to choose their most suitable schedule of airlines that fits them the best.

Two major planes supplier which is Airbus and Boeing. Both of them are having the same standard aircraft which mostly AirAsia ordered in a large amounts from Airbus in order to expand their flight routes. This creates a strong relationship and big discount.

Bargaining power of buyer

Buyers nowadays are more informed and IT savvy. They are more sensitive to price change making they have more choices to compare with other airlines which it's easy for customer to change to other airlines that offer the same service.

Customer of Airasia is mostly individual /group travelers which their air tickets purchase is being purchase individual. This makes the bargaining power buyer is strong.

AirAsia also have bad image when it comes to flight delays issue. Customer tends to choose other airlines to make sure they reach their destination on time.

Threat of substitute product

When the price of airlines is expensive, customer will look for a substitute. Price also depends on the booking time and flights date. The longer booking dates are cheaper compare to shorter booking dates. If the ticket is purchase last minute, which cost higher price, customer tends to switch to other airlines such as MAS or Singapore Airlines which offers premium services

Some of the traveling purpose would be a business meeting which is now being taken over by the Internet industry. These meeting can be replaced with calls such as video conferencing which can take place within the office premises to save company traveling cost.

Figure 3. 0 Self created Porter Five Forces diagram.

AirAsia adapted the theory of market segment where penetrate into the low cost carrier and the ability to compete among other competitor in the field business. Those methods are:

The use of E-commerce in the AirAsia system.

They have implement a E-commerce business tool making it one of the kind that allows a AirAsia to sell product, advertise, purchase supplies, bypass and track inventory, cutting down the paperwork and sharing information over the e-portal. This system has improved productivity and higher profitability and yet minimizing the cost of expenses in the company According to Pultorak (2004), when a business strategy mix with IT, the IT platform can be modify to meet business needs and respond to certain user requirement.

Example would be the IT platform online system that AirAsia implemented. Customer reservation system (CRS) is a user friendly web-based system which allows user to make reservation, choosing their own seat at various prices, printing out their own e-ticketing and self check-in online which saves ample times. This also helps to cut down the middleman or travel agents cost. All this was being implemented to archive the lowest cost of an airline can possible achieved

The use of ERP system in the AirAsia system.

It's a use of software that develops a support decisions with planning and controlling the business Its integrated software to make the IT system more effective and efficiently which has been successfully maintain the process of integrity data, reduced month end closing processing time, increase in speed

up of data reporting and data retrieval process The system also helps AirAsia to capture their daily operation transaction as well as the operational cost.

As the result from both of this system, AirAsia has move from the traditional business method and transform it into an E-commerce system which allows them to achieved their goals and objective to be one of the lowest carrier airplanes in the world

This essay describes the strategic management use of implementation of certain tools such as PESTEL, SWOT and Porter Five Forces analysis. Those tools make AirAsia achieve their capability, scope and goals Making use of the IT system and E-commerce has also lead AirAsia to be one of the low cost carriers in the airplane industry. AirAsia chooses strategic management method based on the competition in airlines industry is tough. Other airlines companies are trying to figure out strategic ways to compete among their industry which strategic management has become one of the tools factor to survive in their business industry. None the less airlines need to consider on how to integrate the system as well as the main factors such as external and internal process