

Singapore airlines operations management

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



TABLE OF CONTENT 1. 0WITH REFERENCE TO OPERATIONS MANAGEMENT ONLY, DISCUSS HOW SIA MIGHT DEVELOP IN THE FUTURE IN ORDER TO REMAIN COMPETITIVE. 2 1. 1INTRODUCTION2 1.

2CRITICAL SUCCESS FACTORS OF SINGAPORE AIRLINES3 1. 2.

1Product/Service Differentiation3 1. 2. 2Human Assets4 1. 2.

3Fleet management5 1. 2. 4Strategic Alliances/Partnerships5 1. 2. 5Superior Service5 1.

3COMPETITIVE ADVANTAGE STRATEGIES (PORTER’S)6 1. 4ANSOFF’S

PRODUCT/MARKET GRID8 2. 0REFERENCES/BIBLIOGRAPHY14 1. 0With

reference to Operations Management only, discuss how SIA might develop in the future in order to remain competitive. . 1Introduction The airline industry is an exclusive and fascinating industry.

The reach and impact of the industry to a wider population of the global market, and the glamour associated with it, has captured the interest of the world and has made the industry a well studied one. In 1994, the British Airways Chairman, Sir Colin Marshall called the aviation industry, “ the flywheel for the engine of the worlds industry” (Chan, 2000a). The figures of the industry are massive, and justify these comments. According to the Corporate Location Journal 1994 (p.

5), the industry was worth over \$ 1, 000 billion (directly, indirectly and induced), employs 22 million people and transports and services over 1. 25 billion passengers a year. A quarter of the world’s manufactured exports by value reach their markets by air. The industry is also at the heart of the

travel and tourism, the world's largest industry, employing one in nine workers. 1.

2Critical Success Factors of Singapore Airlines Critical Success Factor's (CSF) are those essential areas of activities that must be preformed well if the mission, objectives or goals of a business are to be achieved. The concept of CSF's was developed by D. Ronald Daniel of McKinsey and Company " Management Information Crisis," Harvard Business Review, Sept. -Oct. , 1961 who defined CSF's as " The limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization. They are the few key areas where things must go right for the business to flourish".

(Source: http://www.mindtools.com/pages/article/newLDR_80.htm). Given the importance of these Critical Success Factors, Singapore Airlines would have to maintain their CSF's in the future in order to remain ahead of the competition in the ultra-competitive environment of the global aviation industry.

Below are the identified CSF's of Singapore Airlines: 1. 2. 1Product/Service Differentiation The Singapore Girl has become the airline industry icon of service which has led to SIA being the aviation industry's strategic benchmark. The Singapore Girl is the essence of their Product/Service Differentiation strategy, and can be named as one of the most important CSF's for SIA. SIA is strategically positioned in the premium service, quality and value market segment of the international airline industry. Service is the

raison d'être of SIA, and at the heart of its service reputation is the Singapore Girl (Chan, 2000b).

A distinct competitive advantage has been gained by SIA through the use of the Singapore Girl as its brand image. It had been introduced more than 25 years back, and today more than just being a passing phase it has become even more popular and entrenched in the minds of the world airline industry. Indeed it is an extraordinary and singular success story for an airline product/service differentiation strategy. No other airline can boast of such a product/service differentiation strategy that has lasted for more than 25 years, and still shows no signs of letting up (Chan, 2000b). It has to be noted that Singapore Airlines has backed up the brand promise of the Singapore Girl by carrying out its world class service consistently by providing exceptional value and premium service to its passengers.

1. 2. 2 Human Assets SIA firmly believes that its employees are the primary drivers of the success that it enjoyed in the marketplace. Through a deft mixture of organizational culture, instruction, and custom, SIA was able to meld the human assets into a formidable source of competitive advantage. A large number of its employees came from Singapore and Malaysia.

(Ramaswamay, 2001) SIA makes sure that it has exceptional talent throughout the company with a finely tuned recruitment and training strategy. SIA's commitment to employee training and development was reflected in the fact that it spent roughly 14 times as much per employee as the average Singaporean company. Furthermore the cabin crew, who are chosen through a rigorous training process, are considered to be brand

ambassadors of SIA who should reflect the high standards of service its customers come to expect (Ramaswamay, 2001). 1.

2. 3Fleet management SIA is the only airline with an average fleet age of only 5 years when compared with the industry whose fleets are normally in the 14+ range. SIA took this part of its fleet management seriously. The reason behind the comparatively young fleet was that these aircrafts were more fuel effective and less labor intensive than the older generations of aircrafts.

Furthermore the young fleet has been emphasized because of its strong signaling value. Newness implicitly signaled the potential customer that he/she could expect top-of-the-line technology, comfortable seating, and a safe trip, all of which were critical aspects around which the differentiation strategy is built around (Ramaswamay, 2001). 1. 2. 4Strategic

Alliances/Partnerships By the mid 1990's the airline business had become decidedly global, with major international airlines including SIA trying to capture more of the global market.

Thus, to fortify their global position it becomes necessary for SIA to enter into strategic alliances, code sharing and joint ventures with other leading international airlines. 1. 2. 5Superior Service The superior service provided by SIA begins on the ground itself.

It has built a network of wholly owned subsidiaries and joint ventures to provide operational support in areas such as catering, terminal management, and aircraft maintenance. The Singapore Airlines Terminal

Service (SATS) offers a variety of terminal management services including catering, passenger and baggage handling, and ramp operations. It had an impressive client list that included British Airways, Qantas, Lufthansa, and Japan Airlines and served more than 70% of all airlines flying into Singapore (Ramaswamay, 2001). The Changai International Airport provided the terminal management services for SIA, providing them the pride of the place.

The airport itself was rated among the best in the world by many organizations and often got top honors for people handling efficiency and cleanliness. Furthermore, the SIA Engineering Company provided aircraft maintenance and engine overhaul services to SIA. The fact that many other airlines got SIA Engineering to service their fleets is a testament to their efficiency and effectiveness. 1.

3Competitive Advantage Strategies (Porter's) B R O A D COMPETITIVE EDGE
N A R R R O W LOW COSTDIFFERENTIATION COMPETITIVE ADVANTAGE

Source: Above is the Competitive Advantage Grid and it can be seen that SIA resides in the differentiation grid at present, in keeping with its strategy of positioning itself in the premium service, quality and value market segment, which can only be achieved with a differentiation strategy. My recommendation for SIA in the future is to differentiate further and move onto the position of ' SIA Future' as shown in the above grid. Given below is how this can be achieved and how SIA can move into that position in the future: •Introduction of Gourmet In-Flight Cuisine: In-Flight food on airlines has long been a talking point of passengers because of its poor quality. With the introduction of this new in-flight dining experience, it would be a selling

point for SIA, and be factor in a prospective traveler choosing SIA over a rival airline.

The in-flight dining experience would be an industry benchmark, and allow SIA to further differentiate itself from its rivals. •In-Flight Cabin Revamp: Intense competition has led to rivals replicating the service of SIA at the same or lower cost, thus leading to SIA not enjoying the brand presence of before. An In-flight cabin revamp with the latest technology, which would set benchmarks in terms of comfort and exclusivity in the First Class section, should be implemented. A seat which goes 180 degrees to make a flat bed could be an option in this section.

Furthermore, leg room and space in the Business and Economy Class sections should be above industry standards, and become an industrial benchmark. •Exclusive Frequent Flier Program: The current association with Cathay Pacific and Malaysian Airlines should be scrapped, and an exclusive frequent flier program for SIA passengers should be developed. This would give a sense of exclusivity and be a form of customer retention for SIA as well. Furthermore SIA would become further differentiated from its competitors, instead of being identified along with them. . 4Ansoff's Product/Market Grid This is a model that has proven to be very useful in business unit strategy process, to determine business growth opportunities.

This grid has two dimensions; Products and Markets, from which four growth strategies can be formed; Market Penetration, Market Development, Product Development and Diversification. Below is the Ansoff's Product/Market Grid:

Source: Market Penetration: This strategy, where current products are

pushed to current markets, should not be practiced by SIA. The industry is at a stage where loyal customers (current market) keep using the airline because of their experiences of the service of the airline. Thus any pushing strategies like advertising campaigns and sales promotions would have a limited impact. Market Development: This strategy targets current products at new markets.

SIA is at a stage where it needs to compete as a global airline, and thus need access to global markets. The only way this can be done feasibly, is having strategic alliances, code sharing or joint ventures with other airlines. The largest ever alliance, with six partner airlines is the ' Star Alliance'. If SIA enters into this alliance, its global presence would increase dramatically and would facilitate equity swaps, code sharing, pooling of frequent flier programs and mutual access to the airport lounges of UAL, Lufthansa, SAS, Air Canada, Thai Airways and Varig (Brazil) airlines. Product Development: This strategy targets new products to an existing market. The rising cost of living and the implosion on " Budget Airlines' in Europe has shown a new type of market which can be exploited.

With the rising cost consciousness among its existing market, SIA could develop a Budget Airline itself, which would service short haul routes at very low prices, providing only the basics of services. Diversification: This strategy looks at new products targeting new markets. SIA has no need for this at the moment, and this strategy should not be practiced. 2.

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