

Singapore airlines environment analysis marketing essay

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



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Introduction

Singapore Airlines Limited (SIA) emerged in 1972 and is the national airline of Singapore operating major routes globally. SIA has built up a strong reputation in the aviation industry for its innovation and safety and consistent profitability despite rising and volatile fuel prices, stress in global financial markets, heightened security issues, and increased market competition. SIA has grown from a regional airline into one of the world's leading carriers and as the first operational customers of the “super jumbo” Airbus A380. It manages its regional flights with its wholly owned subsidiary, SilkAir and has a stake in the low-cost airline market through Tiger Airways. SIA has a dedicated freighter fleet, Singapore Airlines Cargo, and has also diversified into airline related businesses.[1]

Environmental factors affecting Singapore Airlines

Technology

Technological breakthroughs can create new industries which might prove a threat to existing organizations whose products or services might be rendered redundant, and those firms which might be affected in this way should be alert to the possibility. Equally, new technology could provide a useful input, in both manufacturing and service industries, but in turn its purchase will require funding and possibly employee training before it can be used.

Singapore Airlines is a strong believer in the use of IT and is currently examining various new IT developments such as electronic ticketing, selling tickets through the internet, smart cards for self-service check-in, automated check-in, and more sophisticated yield management software.[2]

Singapore Airlines is the first and only airline to install a productivity suite for the benefits of its passengers who can now continue to work after boarding the plane without having to power-up their laptops. In addition to providing the world's widest First Class and Business Class seats and a technologically advanced seats in Economy Class, which make the competitive advantage for Singapore Airlines.[3]

All these new IT initiatives have the primary aim of providing the best possible service to Singapore Airlines customers.

Economic

Economic conditions affect how easy or how difficult it is to be successful and profitable at any time because they affect both capital availability and cost, and demand. The demand for air travel is characterised by very high income elasticity. Therefore, as the world economy grows, so the demand for air travel can be expected to increase too.

Singapore Airlines has been plagued by several macro level and economic factors such as rising oil prices, frequent concerns about the eruption of bird flu, the Asian tsunami, and rising terrorism concerns have further impacted profitability adversely. In 2006, the global airlines industry suffered a net loss of \$500 million or 0. 1% of revenues, accumulating net losses of \$42 billion between 2001 and 2006.[4]

These include interest rates, taxation charges, economic growth, inflation and exchange rates. Singapore Airlines offer to buy a 24% stake in China Eastern Airline for HK\$7. 2 billion appeared in trouble after a major shareholder criticized the deal as unfair.[5]

Political

This refers to government policy such as the degree of intervention in the economy. What goods and services does the government want to provide. To what extend does it believe to finance firm such as Singapore Airlines has withdrawn its bid for a stake in Air India, dealing a heavy blow to the Indian government's privatization programme. This is a political barrier for Singapore Airlines.[6]

The terrorist attacks of September 11 in the US had massive ramifications for profitability in the airline industry globally with many companies continuing to experience losses and the threat of closure. Not only was domestic travelling by planes reduced but also international travelling experienced a decline.

At this stage load factors were generally disappointing for most airline companies yet the performance of Singapore Airlines has been demonstrated to be better than its rivals in the ensuing period after the attacks. Therefore it is unsurprising to note better revenues and higher profit margins being reported by Singapore Airlines.[7]

Social

Singapore is an immigrant country and have a very diversify culture with close to 35% of its population is non-citizen residing in the country, (25% of is foreigner and 10% are permanent resident). Despite this high non-citizen to citizen ratio, the country are still promoting foreign talent and believing that the country will be in a shortage of labour if the immigrant policy were to stop. The population consist of more than 75% Chinese, follow by Malay and Indian; main religion is Buddhism, Islam, Christian, Taoism and Hinduism. Despite the rich Asian culture the country have, Singapore is also one of the most westernizes country within Asia.[8]

Singapore Airlines is recognized globally as a brand emphasizing professional and customer orientated service and this aspect is also one of the most important competitive advantages for the company. It is obvious that

Singapore Airlines has exploited a differentiation marketing strategy based on building up a strong brand image reflecting high quality customer service airline and one which seeks to create added value to the flying experience of customers in terms of luxury and comfort.[9]

For international flights Singapore Airlines chooses secondary catalogues for larger cities avoiding high costs linked with airport tariffs for primary airports.

Singapore Airlines response to the environmental factors

In recent months, there has been more news about budget offshoots Tiger Airways and Scoot and regional airlines SilkAir as the Singapore Airlines group shifts focus to regional and short haul routes.[10]Singapore Airlines has announced that it will order 25 more widebody aircraft from Airbus, comprising five double deck A380s and 20 A350-900s. The aircraft will be operated on the carrier's long range and regional services, offering maximum comfort and efficiency for high density and medium capacity routes.

The latest A380 order will be the third to be placed by the airline, bringing the total number of A380s ordered by SIA to 24. The airline, which was the launch operator for the A380, now has 19 aircraft in service, flying to 10 destinations in Europe, the US and the Asia-Pacific region from its Singapore base. In the mid-size category, the new A350 XWB order will see the airline double its backlog for the all-new aircraft to 40. The A350-900s will be used by the airline on both medium and long haul routes.[11]

Singapore Airlines has served notice that it will begin introducing new seating and cabin products, starting with new Boeing 777-300ER deliveries.

Singapore Airlines has appointed two world-renowned design firms – BMW Group subsidiary DesignworksUSA, and UK and Singapore-based James Park Associates (JPA) – to help develop the next generation of in-flight cabin products that will be introduced from the second half of next year (2013). The appointment of the international design consultants is in line with Singapore Airlines's intention to remain at the forefront of airline product innovation, with the world's best in-flight products in all classes of travel. New in-flight entertainment & connectivity offerings and enhanced cabin lighting will also be progressively introduced to ensure that SIA builds upon its leadership position and longstanding status as one of the world's most innovative airlines.

Singapore Airlines operates more than 100 widebody aircraft and has had a longstanding policy of maintaining a young and modern fleet, which currently averages just over six years in age. With more than 60 new aircraft on firm order with Airbus and Boeing, capital expenditure is expected to amount to nearly \$12 billion over the next five years.[12]

Conclusion

Singapore Airlines fleet is one of the youngest in the worlds, standing at an average age of 6 years old; it is way ahead of worldwide average of 14 to 15 years old. Using latest technology aircraft also helps to reduce maintenance cost and fuel cost. The company also spends SG\$ 570 million in 2006 to

upgrade its cabin, providing customer with latest in-flight entertainment system and more comfortable seat.

The company had also invested in a SG\$1 million simulator that mimics condition at high altitude for food and drinks experimenting. The company also spends SG\$80 million building new training centre in 1999 enable to recruit more people and efficient training. In overall, the company have good condition of facilities and equipment for the business due to commitment on quality and strong financial background.[13]