

Airasia: history in malaysia

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



AirAsia as second famous airline within Malaysia and it was established strategies which operated in low cost carrier in order to making flying possible to everyone. AirAsia was founded by Dato'Sri Dr. Tony Fernandes, Dato'Pahamin Ab. Rajab, Dato'Kamarudin Meranun and Dato' Aziz Bakar in 2001.[1]They bought over the debt riddled AirAsia from HICOM Holding Berhad and currently known as DRB-HICOM Berhad for just RM 1.[2]On 8 December 2001 Tune Air Sdn Bhd acquired 99. 25% share in AirAsia from DRB- Hicom. And now the group's whole business model play around with low cost philosophy, which used high Aircraft utilisation, low fare (no frills), and point-point network. In 2002, AirAsia has cover 65 destination in 20 countries, and with 2 aircraft playing 6 routes in Malaysia. Airasia associate with AirAsia X (established in 2007) – Refer to Articles 1

Today, AirAsia employing approximately 8, 000 worker, and leading LCC (Low Cost Carrier) with connecting people and places across 132 routes.

In 2010, AirAsia affiliates with AirAsia Thailand and AirAsia Indonesia.[3]As at 31 December 2010 it is only ASEAN airline to serving 600 million population from 10 hubs in 3 countries which includes Malaysia- Kuala Lumpur, Kuching, Penang, and Kota Kinabalu, Thailand- Bangkok, Phuket, and Indonesia- Jakarta, Bali, Bandung, and Surabaya. December 2010, AirAsia established a Philippine that followed based low-cost carrier. UNICEF raised RM 438 million in the AirAsia, the intention is effort at Haitian affected by the earthquake. The airline runs the Donate Your Loose

In 2011, AirAsia introduced new 2 hubs which are Thailand- Chiang Mai, and Indonesia- Medan, therefore the total of hubs for AirAsia is 12 hubs.

Refer to link: <http://www.airasia.com/my/en/corporate/irstrategy>. page

Vision statement

4“To be the largest low cost airline in Asia and serving the 3 billion people who are currently underserved with poor connectivity and high fares.”

Mission Statement

5Created a ASEAN well know brand in globally

Objectives

6Provide training and development academy to the AirAsia staff in all departments in order to achieve the good performance in corporation.

Goals

7The main goal is to become as a “ Truly ASEAN” airline.

AirAsia Top Management

8Dato’ Abdel Aziz @ Abdul Aziz Bin Abu Bakar was Director of the Company from 12 December 2001 to 11 October 2004. Since 2005 to 2008 he was appointed Non-Executive Director of the Company and currently is the Non-Executive Chairman of VDSL Network Sdn Bhd.

9Tan Sri Dr. Tony Fernandes as a Group Chief Executive Officer of the AirAsia in December 2001 to June 30, 2012. Since 1 July 2012 he was re-designated as the Non- Independence Non-Executive of Company.

Dato’ Kamarudin Bin Meranun as a Director on 12 December 2001, and now is a Non-Independent Non-Executive Director of AirAsia.

Conor Mc Carthy as a Non-Executive Director of the Company on 21 June 2004, he is heads of the Safety Review Board of the Company.

Aireen Omar is new AirAsia CEO. She joined AirAsia in January 2006 as Director of Corporate Finance, Treasury and Investor Relation and she has been AirAsia for past 6 years.

Independent Directors

Dato' Leong Khee Seong was an Independent Non-Executive Director of the Company on 8 October 2004. He is Chairman of the Audit Committee and a member of the Remuneration Committee of the Board.

Dato' Fam Lee Ee as an Independent Non-Executive Director of the Company on 2004. He is member of Audit Committee, Remuneration and Nomination Committee of the Board.

Dato' Mohamed Khadar Bin Merican as an Independent Non-Executive Director of the Company on 2007. He is member of the Safety Review Board and Audit Committee of the board.

Mohd Omar Bin Mustapha was Independent Non-Executive Director of the Company 2011. He is co-founder Ethos & company in June 2002 and 2011 became a Chairman of the Ethos.

5 year highlight financial performance

(RM million, unless otherwise stated)

For the 6 months ended 31 December

For the year

ended 31 December

2007

2008

2009

2010

2011

INCOME STATEMENT

Revenue

1, 094

2, 855

3, 133

3, 948

4, 495

Net total expenses

875

3, 207

2, 220

2, 881

3, 332

EBIT

219

(352)

913

1, 067

1, 163

Share of results of jointly-controlled entities

—

—

—

—

12

Share of results of associates

—

—

—

—

(6)

Profit before taxation

277

(869)

622

1, 099

777

Taxation

149

373

(116)

(38)

(222)

Net profit

426

(496)

506

1, 061

555

BALANCE SHEET

Deposits, cash and bank balances

425

154

746

1, 505

2, 105

Total assets

6, 430

9, 406

11, 398

13, 240

13, 906

Net debt (Total debt – Total Cash)

3, 272

6, 453

6, 862

6, 352

5, 676

Shareholders' equity

2, 099

1, 606

2, 621

3, 641

4, 036

CASH FLOW STATEMENTS

Cash flow from operating activities

256

(416)

784

1, 619

1, 404

Cash flow from investing activities

(1, 581)

(2, 602)

(1, 777)

(1, 868)

(487)

Cash flow from financing activities

1, 141

2, 749

1, 591

1, 006

(300)

Net Cash Flow**(184)****(269)****598****757****617****CONSOLIDATED FINANCIAL PERFORMANCE (%)**

Return on total assets

6. 6

—

4. 4

8. 0

4. 0

Return on shareholders' equity

20. 3

—

19. 3

29. 1

13. 8

R. O. C. E. (EBIT/(Net Debt + Equity))

4. 1

—

9. 6

10. 7

12. 0

EBIT Profit Margin

20. 0

—

29. 1

27. 0

25. 9

Net profit margin

38. 9

—

16. 2

26. 9

12. 3

Sources: <http://www.airasia.com/my/en/corporate/ir5yearfinancialhighlights.page>

SWOT Analysis

Strength

AirAsia used a strategy low operational cost because detail of the product and service is available from AirAsia website, it easy the Company delivers the message to customer such as promote the latest promotion flight ticket, booking, ease payment channel, flight schedule and online shopping. Therefore, AirAsia can avoid cost from printing, distributing promotion brochure and middleman fees as well. The simple business model to delivers low fare by AirAsia is called (LCC- Low Cost Carrier);[10]it is an Asian Clone of the model pioneered by Shouthwest Airline in the USA and Ryanair Holding in Europe. The LCC is a simple business model in which AirAsia with provide low fare, no frills (ticketless, no free F&B, free seating, and no loyalty programmed). Well know brand name airline in Asia Pacific. AirAsia has link with other service sectors like hotels, car rental firms, hospitals and bank, thus, customer can know the brand thorough from mention services firm about the Airline information. AirAsia has strong management team which links with government and airline industry leaders. The top management for AirAsia, executive comes from diverse background which they hold ex-top government official position. AirAsia also adopted with the proven strategies of South west Airline and Ryanair (no frill, landing in secondary airport), Southwest's people strategy (treat well to employee) and Easyjet's branding strategy (lining with provider like hotels)

Weakness

The Company which was faces with the trouble in complaint by customer which regarding flight delay and refunding issues. Thus, AirAsia should may come with a group or department for settles the problem of the delaying flight and overcome the issues for refunding problem. If not completely settle it damage the reputation of the Company. Limited Service offered by AirAsia due to low cost of the flight ticket, for example, AirAsia does not offer the business class and premium class seat for those who able to cover the high cost for flight ticket. In cases, the Company may take consideration with the others but not focus only middle class earners.

Opportunity

The increase the number of population in Asia middle class, because the[11]economic structure has grown to become steady. The[12]population for 2011 is 28. 86 million and GDP USD 278. 7 billion in Malaysia, it given chance AirAsia create the largest market in Asia Pacific. Increase the oil prices may influence the other airline profit margin like (MAS) because they charge high prices for the flight ticket. In contrast, AirAsia leading with low fare price ticket, even though the fuel price increases, there is not much impact on the AirAsia. AirAsia also ongoing with expansion the new routes and airport deals such as at Indonesia (Medan) and Thailand (Chiang Minh).

Threat

AirAsia was relied on the internet business, the threat is the security network, for example line disruption – refer to cases (AirAsia App. Mobile Interruption). Customer will lose confident with provide personal information

and payment via internet due to the lack of the security of network (hacker attack). Accident and uncertainty incident may cause the customer lose the confident and influence the less passenger travel. For example,[13]“Tsunami alert on Penang and Port Dickson lifted (11/4/12)”. In order to gain back the confident of customer, AirAsia should provide special promotion (low price flight ticket offer 2012 and 2013) to attract more customer.

AirAsia Berhad Success Factors

There are few of the key success factors which AirAsia in order to achieve the tagline “ Now everyone can fly” AirAsia Berhad started the business with low fare, no frills which to become the absolute cost advantage compared to other airline. Customer with choose customization services by customer desired services. AirAsia operate with the low distribution cost, which they offer internet booking and print ticket by itself from internet (Refer to Appendices Picture 1), the purpose is it cans convenience the customer save the time and cost from transportation to buy the ticket in certain areas. When the operating cost is reduced the price of the ticket offer may low accordingly. The travel distance is short, because AirAsia mainly focused on domestic routes which just take two hours on flight, this take advantage for people who rush on time, especially business purpose. Furthermore, the Company also used the streamline operation because to ensure process as simple and efficiency to proceed (Refer to Appendices- Customer booking online process method). Customer can enjoy the attractive ticket offer by AirAsia, for instance, the latest promotion that just announced by AirAsia for 2013- “ the lowest all-in-fare starting from RM24”. (Refer to Appendices Picture 2). Compare with land transportation private car or bus, they charge

must more higher than air transportation, for example, from K. L. to Alor Start, the bus charge around[14]RM 40 – RM80 just for one way.

AirAsia Berhad Marketing Strategic

Marketing strategy[15]involves selecting and analyzing target markets and creating and maintaining an appropriate marketing mix to satisfy the needs of customers. The marketing strategy is part of the process set out in marketing plan in order to achieve the maximize profits in an organization.

Target market of AirAsia

16Definition of target market is a specific group of customer that which companies aim its product and services. Based on the CEO of the Company, Mr. Fernandez realized most of the people unable to afford the flight ticket or travel to meet their families during special occasion, therefore, he introducing the low fare strategy to meet the expectation of the lower and middle class earners where success he said “ Now everyone can fly”. AirAsia is one of the low cost airline encourage the new market segment to creating the high demand for domestic market. AirAsia identified the target market based on branding, new product/service pipeline; reduce price sale, and foreign worker and contractor strategy.

Marketing Mix Analysis

In the service sector, usually they used the main 4p's to determine marketing mix and it was combination of marketing tools in order to satisfy target group. The 4p's comprises product/service, promotion, pricing, and placement.

Product/Services

AirAsia offered (product) tangible and (services) intangible good to increase the demand of customer. For the tangible products such like complementary meals, pillow and blanket, AirAsia credit card. For the intangible goods that includes AirAsia Insured (also called Tune Insurance), AirAsia megastore (online shopping), ticketless services, easy payment channels and customer call center services as well. The Company also began the RedTix. com services which sell the latest hottest, review and book tickets to an international sporting event, musicals, concerts, and other performances. (Refer to link- <http://redtix.airasia.com/Faq/Default.aspx>) for further information.

Promotion

Communication tools is important to deliver the right message to customer, thus, AirAsia will promote their latest promotion through different tools, such as Internet, newspaper, magazine, and merchandise. The latest promotion coming up is[17]“ AirAsia Free Seats Promotion in 2013”.

Price

Price is one of the marketing mixes for services because it can use indicate quality in advance of the purchase experience. AirAsia using the randomized price strategy which the Company has varies of the price change from day to day; hour to hour based.

Distribution channel

Distribution channel is how the customer getting the products or service? AirAsia utilized several low cost efficient methods, such as online booking,

where the customer can direct booking and buy flight ticket via the internet. The advantage of this method can away from middleman to deliver the product and service. AirAsia is first online booking airline which convenience customer buying seats through website- [http://www. airasia. com/](http://www.airasia.com/). On another hand, AirAsia also have call centre, sales office and airport sales counter, authorized travel agents, and mobile booking via “ [mobile. airasia. com](http://mobile.airasia.com)” that other airline still not implement.

AirAsia Future Plan

Business Expansion

18AirAsia announcement that purchase together with its partner PT Fersindo Nusaperkasa to acquire PT Metro Batavia in Indonesia and total purchase amount about RM254 million. Batavia only focuses on 2 main markets which are Asia and Missle East and is a full service carrier (FSC) airline. The reason AirAsia acquire Batavia airline is because Batavia airline operating 35 aircraft and hold about 18% markets share in Indonesia. AirAsia decide renovate Batavia’s business model to LCC in next 3 year. In future, AirAsia will success to expand more new routes and airport deals.

Technology innovation

AirAsia has the problem with security network, therefore, AirAsia can add more additional machine such as self-service check in kiosk with printers. It is take advantages in which reduce the company operation costs and convenience the customer.

Build Brand Awareness

AirAsia can build the brand awareness through using corporate social responsibility such as sponsor the sporting event. The second method is doing more promotion and advertises in foreign countries. It can increase the brand awareness from other countries, especially in Japan and Korean.