

Malaysian domestic airline industry essay sample

[Business](#), [Industries](#)



1. The Malaysian Domestic Airline Industry

In Peninsular Malaysia, the main cities are served by an efficient network of highways and major roads. In most cities and big towns, the road network is relatively good, with the exception being the less-developed rural and interior areas. Here, possibly the only way to get around would be by river transportation. A good and reliable train service runs the length of the Peninsula and covers the West and East Coast. The rail network also links up with Singapore and Thailand. Public transportation in the cities includes buses, taxis and light railway. The domestic air network is comprehensively served by several local airlines.

There are seven domestic airlines that operating within Malaysia, it is Air asia, Malaysia airlines, Pelangi air, Berjaya air, SEAGA Airliness, Sabah air and transmile. But among those domestic airlines there are only two big domestic airlines company that operating widely within Malaysia. It is Malaysia airlines and Air Asia.

We know already that Malaysia airline is the biggest airlines industry in Malaysia. It serves both, domestic and international flight which Breaking the barriers of the new millennium, their fleet of nearly 100 aircrafts serve more than 100 destinations around the world not including their domestic destinations. They serve 32 domestic destinations within Malaysia.

Air Asia is a domestic airlines industry in Malaysia which is own by Tune Air 99. 25 per cent and Mofaz Air for the rest. AirAsia, meanwhile, operates 26 flights weekly to Kota Kinabalu, 28 flights to Kuching, two flights to Labuan, seven flights to Langkawi, and 14 flights each to Penang, Kota Bahru and

<https://assignbuster.com/malaysian-domestic-airline-industry-essay-sample/>

Miri. Except that, they serve other destination also, it is alor setar and tawau. Recently their performance is boost and they will closely to take over the domestic airlines market. They have a very good price strategy to increasing their customer volume and gain more profit. That's why today there is a tight competition between Air Asia and Malaysia airlines to serve the domestic flight market.

2. The market structure of Malaysian domestic airline Industry

The Malaysian domestic airline industry is a services industry for transportation and cargo services. It has its other competitive firm which they have differentiate services when we look at the transportation industry scope. There are variety transportation that people can pick out to take based on their ability and necessity. There are buses, taxis, and light railway. Each of it has its different advantage and disadvantage. There are many bus firms and taxis firms. Bus firms in Malaysia such as LP Jaya Sdn Bhd, Lim Tjong Kooi Bas Kilang, Metro bus Nationwide Sdn Bhd, Transcoach Sdn bhd and still many buses service firms, taxis firms and railway that provide transportation services in Malaysia. And there are so many corgo services in Malaysia such as Gulfship Agencies Sdn Bhd, Jets Express Services Sdn Bhd, K. C. Dat. Sdn. Bhd, Sebah Cargo Handling Agencies Sdn. Bhd and many more.

So if we look at the market structure for domestic airline industry in the transportation industry scope, its in the monopolistic competition market which have many players, product differentiation (bus services, taxis services, railway services and airlines services), have some control or little

control over prices, easy entry and usually its non price competition. It is easy for other new firms to join this market, they can exist in this market if they can differentiate their product that another firm's product.

Because of many players and different product in this industry, they have little control over prices. They will have control over prices when we look at within the domestic airlines industry scope. As we know that it is only seven domestic airlines industry in Malaysia that serve domestic flight. And only two biggest domestic airline industry that make a hit in the Malaysian domestic airline industry. They are in the oligopoly market, which have few players and have control over prices.

The competition in the domestic airline industry tends to the price competition. It's a war price competition. The two domestic airlines, Air Asia and Malaysia airlines is compete in their pricing strategy to attain more customer and increasing their profit.

3. The Competition of Air Asia and Malaysia airlines

It is very perceptible that right now domestic airlines, Malaysia airlines and Air Asia are competing against. Each of them attempts their best strategy to increase their flight volume and increase their profit especially they improve their pricing strategy.

Their Performance

Air Asia does the best pricing strategy, they offering cheeky ads, funky staff attitude, easy online booking, and low fares—as little as \$9 from Kuala

Lumpur to Penang (compared with \$44 on MAS)-Air Asia has had no trouble keeping its planes full. It's operating at a profit, with margins of 15% on the \$36 million in revenues the carrier generated in the first five months of 2002. The government has allowed Air Asia to become a symbol of economic reform and is clearly rattled by the upstart. (Internet source 17) In August Malaysia Airlines announced it would cut domestic fares by half, only a year after raising prices to boost profits.

That's a claim MAS can't make. The Malaysian flag carrier lost \$219 million in the fiscal year that ended March 31 and is going through a radical restructuring, its third in a decade. They believe that their loss is because of the combination of the decline of the international passengers' arrivals after the September 11 and the fare revision August 2001. The impact of the domestic fare increase in August for Peninsular Malaysia was clearly seen from the 12.6% reduction in passengers for this region as opposed to an increase of more than 5% for Peninsular Malaysia-Sabah/ Sarawak and internal Sabah/ Sarawak services. and They noted that the competition with Air Asia did not result in any significant loss in Malaysia Airlines' domestic market share, particularly on the major routes to Penang, Kota Kinabalu and Kuching.

Their Pricing Strategy

The Malaysia airlines introduces their pricing strategy with the national network special fares, MAS is doing the pricing strategy based on the different target market, for example special fare for students, family fare,

senior citizen and group fare and so on. For students MAS give 25% rebate for a certain conditions.

Figure 1: National Network Special fares for students

(Internet source 17)

Malaysia Airlines National Special fare (Internet source 17)

Night Tourist Fare

Special One Way (YOX) And Round Trip(YEE30) Excursion Fare

Family Fare

Student Fare

Senior Citizen Fare

Blind/Disabled Passenger Fare

Security Forces Fares

Special Fare For Mass Media Organizations Based in Malaysia

Group Fare

Special Group Fare

But as we see the pricing strategy for Air Asia is boosting, Air Asia take a pricing strategy which based on the low volume of passengers for each domestic destination with different flight time and giving them special

discounts rate, For example the destination to kota kinabalu from kuala Lumpur, they put a different price for different hours, at 7. 05 am in the morning they give 173. 49 Rm but they give 203. 49 for flight on 18. 05 pm, (Internet source 16) and they give more discount rate also for web passengers. People who booked the flight through the internet, they will have a special rates. They realize already where are their low passengers for their flight that they serve, so they try to maximize its passenger's volume by giving a special rate for the low passenger's flight. When costumer sees the different prices, they will think over to take the cheaper flight. That's their target for this pricing strategy, maximizing passenger's volume.

For the airlines industry, the consumer demand depend on their own price, the other related goods and the other firm product prices and the consumer income or the economic of the country. Their service price is very crucial to determine their demand. The other related goods such as fuel, food, engine, etc are really effect the price of their services, and also its also important thing is the other competitor price. The other competitor price is determining the volume of the airlines demand.