

# Bargaining power of customers management essay

[Business](#), [Management](#)



## **Introduction**

Tiger Airways Singapore Pte Ltd, a subsidiary under Tiger Airways Holdings Limited, operates as Tiger Airways Singapore, located in Singapore and has a budgeted airline headquarter. It flows from its main base at Singapore Changi Airport and does its operation to many regional destinations. Mainly it covers South-east Asia, but also Australia, China and India also. The date of the incorporation of Tiger Airways Singapore was 12th December 2003 and it started its ticket selling on 31st August 2004 and started commencing services on 25th March 2005. All kinds of operation and international schedule services operates from Singapore Changi Airport and is a subsidiary of Tiger Airways Holdings, a company which is based on Singapore..

## **Company background:**

In current economic competition, Tiger airway offers the lowest cost air travel and in terms of passengers carried it is the largest airline company which is operating out of Singapore. In terms of passengers carried. In 2006, the airline increased its growth to 75% from the previous year by flowing with 1.2 million passengers.. It was the first airline who started operation to from the Budget Terminal in Changi Airport so that they can make their goal to achieve lots of savings of operating cost and the cost structure of it is modeled later than Raynair. Though there is regional competition, but the airline has decided to make reiteration of its current intention that they will keep their focused flying which may take not more than five-hour radius from its Singaporean base. Their design of their business model is totally made in order that the simplicity of it can be maintained simplicity and

approach of it can be disciplined by which they can execute the extra cost by the ability which is given by the model gaining the lowest operating costs for any start-up airline to enable Tiger Airway to improve its profitability.

## **External Environment Analysis**

As globalization intensified, it's essential for Tiger Airway to have sound knowledge on their external environment so as to comprehend potential threats and opportunities and contribute to maintain their sustainability within the aviation industry. PEST analysis, Porter's 5 forces model and SWOT analysis will be utilize to analyse Tiger Airway's external environment.

### **PEST - Political / Legal**

Responding to 9/11 terrorist attack in America, all airports and airlines are mandated to adopt enhanced security measures where added manpower and resources are allocated to screen boarding and alighting passengers. almost all airlines faced significant increase in their operational cost which threatened their sustainability and profit aswell. Tiger airlines is baesd on the business of operated Asia Pacific, operated in and the local destination's political conditions will have positive or negation impact on Tiger Airway. However, political instability will affect Tiger Airways, this can be illustrated in the 2008 parliamentary elections in Thailand, where protestors force temporary closure of Suvarnabhumi International Airport. This resulted in cancellation or delay of flights in and out Thailand and affected Airway has to compensate customer for the ticket and arrange for diverting flights to other airports. Although Tiger Airway is headquartered in Singapore, it's imperative for Tiger Airway to be familiar with the destinations' political situation and

regulations as their operations are largely affected by the destinations political climate. Moreover, Tiger Airway has to plan to increase their revenue streams by operating more services or destination to tackle the increasing operation cost and draft suitable contingency plans in events of airport closure to minimize the overall disruption to their operations.

## **PEST - Economical**

Global economy is encountering a slowdown in the recent years, and some of the countries has faced recessions. Unemployment rates in European countries and America has maintained at a high level and US dollars and Euros has made record lows in the last 5 years, (insert ref and data) and aviation fuel cost has hit record high during the recent years. These factors has increase operational cost for airline company and affected international tourisms into Asia Pacific. Most companies strives to reduce operation cost by reducing travels expenditure, further contributing to reducing air travels. The global downturn has impacted airlines' share prices, and increases the challenges for airline to maintain profitability and to attract investors to continue their investment. On the contrary, affluence level within Asia Pacific has increased with as emerging economies doing relatively well during this global downturn.(insert citation)Inevitably, several airlines have introduced lower airfares or budget airfare to cater to this tourism trend. Tiger Airway primary market is budget air travels, and with more airlines offering lower airfares or entering budget airfare market, Tiger Airway faced increased competition within their native industry. The global economic downturn and escalating aviation fuel has affected Tiger Airway's sustainability and the

increased regional competitions has eroded partial of Tiger Airway's profits. hence Tiger airway faced a daunting task to uphold investors confidence and attract new investors to the company. 1

## **PEST - Sociocultural**

Airline industries cover multiple destinations across countries and continents, transporting passengers from numerous nationalities, languages, religions, cultures and ethnicities. To service to these highly diversified passengers demographics, airline has to possess a good knowledge the basic passengers' profile of the destination. It's essential for airline company to know the cultural taboos of the destination spot in order to continue their operation smoothly within the destination route, for example, air line must refrain from serving non halad food when travelling to Muslim majority countries like Indonesia or Malaysia. in depth training and education has to be cascaded to all service crews, this will minimize any misunderstanding between passenger and crew member and also promote a positive brand name for the airline. there forth, for Tiger Airway to operate in various countries, they will have to research extensively into the general demographics of the passengers and invest into comprehensive training to have their crew members to adopt and excel in serving passengers from different demographics. this indirectly implied that Tiger Airway has to configure their on flight meals and beverage just before the flights to cater to the general demographics, and such configurations will increase the inventory cost.

## **PEST - Technological**

Constant technological advancement has contributed to growth of the airline industry as airline and airport adopt sophisticated software and hardware. This allows airline to share real time flight information with consumers and also internet check-in service. These reduced the actual manpower required to answer customer's enquiries and do the check in at airport. Development in technology has also enable aircraft to fly for a longer distance before refueling and the aircraft will also be equipped with more powerful engines capable to deliver more thrust necessary to increase the payload of the aircraft. Modern aircraft is also fitted with in-flight entertainment systems and some airline has even begin offering in-flight internet service. These advancement in technology allow airliner to operate more efficiently and more cost effectively. Technology has allowed Tiger Airway to reach out to more consumers at lower cost through social media site like facebook where interactive marketing campaigns can launched quickly and cost effectively. The online portal allows passenger to perform internet check-in, booking of ticket and purchase of insurance via e-commerce, this online portal in return helps to reduce the staff required to operate at the check in counter at the airport. Also, Tiger airway maintained a single fleet of aircraft, Airbus320, which is fuel efficient and suitable for high frequency operations. The uniform fleet of aircraft also contribute to cost effective maintenance regime and efficient training of ground maintenance staff and air crews. These benefits has translated to cost saving which boosts Tiger Airway's competitive advantage.

## **Porter's 5 Forces Model**

The competitive environment consists of many factors that are directly relevant to a company's strategy. The model describes the competitive environment in terms of five basic competitive forces, which are Bargaining Power of Supplier, Bargaining Power of Customer, Threat of New Entrants, Threat of Substitute Products, and Competitive Rivalry within an Industry. The following describe The Porter's Five-Forces Model when applied on Tiger Airways Pte Ltd.

### **Bargaining power of suppliers (Low to Moderate)**

The airline industry is truly concentrated by the suppliers. Supplier concentration makes it difficult for competitors to exercise leverage over the supplier and obtain lower prices or play one supplier against another. The threat of forward integration is low. It is unlikely that Boeing, for instance, would staff flight attendants, commercial pilots, and a maintenance crew, and operate flights all across the country. Supplier power further diminishes the ability of competitors to earn high profits.

AirportHotelsNovitiateInternational Aero Engines (IAE)

### **Bargaining Power of Customers (Moderate to High)**

Bargaining power of buyers is the second phrase. If there is existence of significant buyer power, in the form of lower prices buyers can accrue all by industry returns. Switching costs is determined by the buyer power, the exact purchase volume, the product standardization, demand elasticity, identity of the brand, and the service quality. When buyers choice an airline carrier they are offered many choices. Nowadays, pricing information is so

much knowledgeable and easier to compare because of internet. Often, a traveler now can easily search for the cheapest fair for the same flight of his/her interest. People who travel in vacation always search about the cheapest and best deals. But one from point of view Airline travel is not cheap as well as it can be the expensive and costly part if it is a family vacation.. Hence, some buyers give much priority on demand elasticity, because if the price drops normally demand increases. However, airlines drop or increase their prices to maintain competition with other carriers and to put a invisible pressure on buyers so that they pay the market price until a price war breaks out.

### **Threat of New Entrants (Moderate to High)**

If new firms enter into the industry and diminish industry returns in order to pass along value to buyers by introducing lower prices to increase the cost of competition and want to try for a business possibility of it in the market its called The threat of new Entrants. Capital requirements, economies of scale, switching costs, and brand value are the major factors by which one can determine the threat of new entry. It is very plentiful having access of capital in the airline industry. Credit extension is done by Bank who have airline carriers, and they get extra facilities and alternative chances in the debt and equity markets for raising funds. Because it's relatively easy for weaker airlines to obtain credit, the industry has become saturated. In the airline industry it is so much important having brand identity. Resources are allocated considerably to marketing efforts by major carriers. Frequent flier programs and other incentives have been successful in enticing travelers to



fly with certain carriers. The frequent flyer incentive can often be strong enough to cause a customer to choose one carrier over another -- even when the other carrier offers a lower fare. In the airline industry a kind of hub system heightens barriers to entry. Travelers are offered more choices by the carriers at the time of tying up less capital through their hubs. As a result, market power is created by the hub for large carriers

### **Threat of Substitute Products (Low to Moderate)**

The availability of the substitutes is the fourth factor which affects the competition of the industry. Most interesting thing is that on the industry the substitute's price and the propensity of the buyer to substitute which affects. Automobiles and trains are these kinds of substitutes for airline travel. The cheap transportation solution from one state to another is Driving, and for such a trip interests among buyers are mostly in automobile travel. Traveler travelling to Singapore neighboring countries like Malaysia may choose coach as mode of transport. However, one can easily save one's money and time both as well if one travel by airline to enjoy longer adventures. And also, often travelling one state to another is cheaper and time saver if the travel is made by airline rather than waiting in train or automobile. As a result, nowadays buyers show their interest to choose air travel instead of automobile to reach their destination. In air travel industry, Time , money, personal choice, comfort all are included to The threat of substitutes..

### **Competitive Rivalry within an Industry (Moderate to High)**

Competitive rivalry is the last factor within an industry. The cost of competition is so high or the buyers want to receive more benefits from

lower prices the whole competitive industry intensely generally earn low returns. The major factors like industry growth, fixed costs, brand identity, barriers to exit etc mostly affect among the competitive rivalry. Like many industries it has seen that airline industry is so much competitive as well. The growth of this industry is moderate, and nowadays the carriers of it are struggling to take away share from each other. Barriers to exit is very substantial in any industry like airline industry . There is no earning from the grounded planes in returns and to dispose this assets is so much difficult. But most often, for introduced laws of bankruptcy, the companies who are struggling in financial distress such as SIA can remain competitors for a very long time.

## **SWOT analysis of Tiger Airways:**

### **Strengths**

The major strength of Tiger airway are given below: Low-Cost Airline by providing no frills flights. It flows to Fast expanding. 37 destinations in 14 countries Tiger airway give service to its customers Safe and reliable flights Tiger airway was awarded Changi Airline Award in 2010 \* alt Was ranked Top 3 Airlines of 2011 \* bFirst low cost airline in Singapore - Is recognised as the low-cost leader in the market . Tiger airway is the Second Largest airline in Singapore. cLow-cost and affordable tickets price is the main strength of it. Low cost of maintenance - Fleet made up entirely of Airbus A320-20 .

## **Weakness**

Financial resulted impacted by the increase of fuel prices and under-utilisation of fleet in Australia (Tiger Airways Australia)The interior part of Tiger airway isnot comfortable at allLimited baggage volumeSlow processing time for ticket amendmentPoor service standardsUnreasonable extra chargesDo not offer free food/drinksLimited range of food / drinks to purchaseBooking arrangements are inflexible and restrictedDoes not have own Pilot Training Facility - Has to directly recruit and is affected by availability of crew, as seen in the pilot shortage in 2010\*Pilot Training not up to standard - leading to increased safety incidences for Tiger Airways Australia . d

## **Opportunities**

New airport completed in 2015Five Year Pilot training contract with ST Aerospace Academy. Guaranteed pool of pilots . eUsage of Social Media

## **Ex:**

<https://www.facebook.com/tigerairways><https://twitter.com/#!/TigerAirwaysSG>

<http://www.youtube.com/user/tigerairwaysonline>

Obtaining larger share of SEair and in turn gain more market share . Improved flight punctuality as compared to largest rival, Jetstar in Australia . g

## **Threats**

Jetstar Airways was awarded as the Best Low Cost Airways 2011Global warming is increasing day by day which is a major threatNoticeable

<https://assignbuster.com/bargaining-power-of-customers-management-essay/>

competitors (Jetstar, AirAsia, Scoot) has jumped up in air travel business.

Ongoing Increase in aviation fuel prices  
Financial difficulties which will cause investors and customers to lose faith on the company.

## **Internal Environment Analysis**

Tiger Airway needs to acquire competitive advantages within the industry by focusing on the major value generating activities and ensure such activities are managed in an effective and integrating manner. as such, Tiger Airway needs to perform Value chain analysis to identify and sustain their core competencies.

## **Value Chain Analysis**

Value chain analysis consists of a chain of activities and every single factor, which associate with each other in delivering a part of a total value to customer and providing a part of profitability to companies. Managing the relationship with one another of each element is the main aim of it in the chain by which one can easily measure the amount about how many they delivered and the amount of profit. The primary activities such as materials to the business of conveying them (inbound logistics), to work on them (Operations), to deliver them (outbound logistics, marketing them (marketing and sales) and to service them (service).

## **Inbound logistics:**

Tiger Airways have two aircrafts, A320 aircraft with 180 seats and A319 aircraft with 144 seats. Tiger Airways is also doing their best to make their

planes fly according to schedules according to industry standard of no more than 15 minutes from the schedule departure time and reach destination on.

### **Operations:**

Packaging, assembly, equipment maintenance, testing, printing, and finally to transform the goods into main products and facilities operations (David 2001). Tiger Airways' group passenger increased 22.5% to 6 millions. They have also launched 12 new routes despite suspended 6 under performing routes. Besides these, there are also a few programs introduced. The programs are Board me first which is priority boarding service, flexible ticket option - switch my flight, membership program, Stripes, for members to have priority access to weekly discounts and Web check-in (passengers without luggage). Tiger Airways also obtained financial support from European Export Credit Agencies (ECA) for cost savings to the 7 additional 180-seat Airbus A320

### **Outbound logistics:**

Distributing product physically to buyers, processing product after ordered, making schedule, all these called outbound logistics. Tiger Airways provides two aircrafts to be on operation. A320 aircraft with speed 863km/h, cruise altitude of 35,000ft and able to take a maximum weight of 77,000kg. A319 aircraft with speed 833km/h, cruise altitude of 39,800ft and able to take a maximum of weight 70,000kg. Tiger Airways was also the first airline to operate from the Budget Terminal in Changi Airport for operating cost savings. Tiger Airways stand firm with its intention of focusing flying within five hours radius from its base.

## **Marketing and Sales:**

Activities of making quote, doing advertise, doing promotion. relation with channels, make price all theses by which a buyer can buy the product(Satya Sekhar 2010). Tiger Airways was very dynamic in their marketing and sales activities. The marketing and sales team introduced e-deals sign up for members to access deals prior to public release as well as web sales banners for companies to advertise on the webpage (Tiger Airways. com n. d.). They have also advertised through social media such as facebook and tweeter. Tiger Airways partner with travel agents for flight reservation through online system and free bus from Johor Bahru to Singapore Changi Airport.

## **Service:**

Repairing , making installation, adjusting the products, supply of the parts and associates like these by which one can provide service or maintain the product value. Tiger Airways developed their exclusive online magazines, Tiger Tales (Tiger Tales 2010). Free bus was also provided across border from Johor Bahru Kotaraya II bus terminal to Singapore Changi Airport 1 day before or after the departure and arrival dates respectively (Free Coupon - JB to Singapore Changi Airport n. d.). As part of communication with their guest, Customer Support Portal was developed as a channel for customers to communicate their concerns online. .

## **Human Resource Management:**

Activities involve all employee and employment related pursuits of organisations, including staffing, training, employee and labour relations and compensation (John and Fortenberry 2010). Tiger Airways job opening are

posted onto the Tiger Airways Career Page. The cabin crew team consist of a diverse mix of nationalities. For example, Australian, Chinese, Filipinos, Hong Kongers, Japanese, Koreans, Malaysians, Singaporean, Thai. On each flight, Tiger Airway deployed 2 cockpit crews and 4 cabin crews on aircraft A320 and 2 cockpit crews and 3 cabin crews on aircraft A319.

### **Technology Development:**

Activities involve discovery and implementation of technologies that benefit organisations (John and Fortenberry 2010). Three essential IT system has been implemented in order to achieve Tiger Airways' growth plan. System such as internet booking and reservations systems as well as upgrade of airlines existing corporate website. Innovative payment gateway was also developed to trade in multiple currencies. Tiger achieved these changes of system with DAV Management (Dav Management Limited - Case Study n. d.), specialists in programme, to deliver complex technology-led business change programmes.

### **Executive Summary**

Tiger Airway, a carrier which offers cheap costly budgeted air travels within Asia and nearby countries, and it faces significant threat of maintaining its sustainability with increasing day by day competition of various carriers who also offers much cheap and budgeted air travels within the region and increasing fuel cost. By this report the challenges that affect Tiger Airway will be highlighted after assessing the performance of Tiger airway and analyzing the factors both internally and externally that influence the performance of Tiger Airways. From this analysis, it has recommended to maintain develop

strategies and alternative strategies adopting the address of main challenges is faced nowadays and to made good strategy for the well growth in future and to maintain sustainability growth for Tiger airway. Then in this report there is discussion on the planning of how to make implementation for the strategies which is recommended and various suggestion on how to evaluate parameters to gauge the effectiveness of the strategies and how to control mechanisms to make sure about the the efficiencies of the strategies recommended.