

Theoretical and conceptual framework of airlines commerce

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



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In the yesteryear of few decennaries ago, air hose industry is being command really tightly with tonss of ordinances. For illustration, United State (US) air transit industry is being control tightly by the Civil Aeronautics Board (CAB) on monetary value, path and agenda of flight. After that in 1978, domestic air transit market of US is holding a free competition among air hoses which allowed by the Airline Deregulation Acts of 1978. Through this act, every air hose is allowed to put their ain monetary value, how frequent they are winging and the finish they want to wing to (Thomas, O. G. , 2004) .

After the deregulating of American air hose market, European air conveyance besides experienced deregulating in the center of 1980. The consequence of ordinance is an addition competition of air hoses and to open new entry to new air hoses. The air hose construction has changed due to deregulating. The air hose industry becomes more competitory with Numberss of competition. Changes of pricing scheme, selling scheme and air hoses webs such as hubs and radiuss had made.

There are tonss of alterations from deregulating such as service forms, pricing, computerized of the direction systems and industry construction. Deregulation and air conveyance liberalisation make a turning point of air hoses construction and selling schemes. Travelers are rational and non willing to pay for a degree of service which is non necessary (Pourat, H. , 1994) . Technological development had improved the direction system of air

hose where they are now holding seats stock list system and reserve system had been improved.

During that clip, tons of big regulated air hoses run into failure and left the air hose industry. There are Numbers of new entry air hoses joined the air hose industry every bit good. (Kaplan, D. P. , 1995 cited in Thomas, O. G. , 2004) study that, 19 jet operator once regulated by the Civil Aeronautics Board (CAB) , merely 7 survived until 1995. The most celebrated subsister, Southwest Airlines (created in 1971) remains a comfortable bearer today. Deregulation of air hose market besides brings in another signifier of new concern theoretical account which is the low cost concern theoretical account into the air hoses industry every bit good. This will be farther discussing in the following subdivision.

1. 2 Problem Statement

The new thought of low cost concern theoretical account was foremost brought up by Southwest Airlines in the 1970. It took 15 old ages for the US air hose industry and 20 old ages for the EU air hose industry to take up the challenges of the outgrowth of low cost air hose concern theoretical account.

After the deregulating, in 1978, there are immense Numbers of new entry of low cost air hoses into the air hose industry. Initially these new entry air hoses was making rather success but due to by holding merely low menu would non be able to prolong their concern. They are deficiency of fiscal support to vie in the competitory air hose industry during that clip. There are

new entries of air hoses and air hoses which faced failure and left the industry (Natthida Taweelertkunthon, 2006) .

There is another new coevals of low cost concern theoretical account emerged in the air hose industry in 1990. They startup their concern with a strong fiscal support and with a better and younger aircraft used. This new coevals of low cost air hose has rewritten the concern theoretical account to vie in the US competitory air hose concern environment and besides with the commercial air hoses market. They had besides shifted from their concern scheme from merchandise distinction into low cost. They become more cost advantages through efficiency where their operational efficient aid to convey down the cost.

The outgrowth of low cost air hose manage to “ steal ” client from the commercial air hoses particularly monetary value sensitive client and served with broad scope of services. Even those high terminal clients are non longer willing to pay such a high menu on air conveyance where this bring benefit toward the low cost air hoses. Air conveyance is non a epicurean thing any longer. At this point of clip, traditional air hoses faced challenges from low cost air hoses where they find trouble on prolonging their concern.

In Asia, low cost air hose concern theoretical account is still a new thought and merely started in twelvemonth 2000. However, this new concern theoretical account do faced job of restrictive of two states involved. Problem had been solved through the understanding among Southeast Asia (SEA) states. Air Asia the successful innovator established in the twelvemonth

2001 and took the sky in November 2002. The success of Air Asia with low cost concern theoretical account is the ground of the growing of low cost air hoses quickly in Southeast Asia. There are Numberss of new entries of low cost air hoses such as Tiger Airways, Nok Air and etc.

“ The fact that Southeast Asia has a monolithic population is important, more than 50 million people with a lifting in-between category and a turning leaning for travel. The geographical location of environing islands without feasible and competitory options manners of transit in Southeast Asia will heighten LCCs an tremendous competitory advantage over surface and land manners. ”

(Natthida Taweelertkunthon, 2006)

Low cost concern theoretical account of low cost air hoses is different in between of SEA and US and EU. The application of low cost rule is different. For illustration, in US and EU, they could hold a lower menu on set downing at secondary airdromes. But in SEA, they could n't be able to avoid air traffic congestion at the nucleus airdrome easy. Therefore, SEA low cost air hoses can non be able to salvage and lower menu on landing fees and etc.

Besides that, the competition faced by SEA low cost air hoses is much competitory as comparison to US and EU low cost air hoses. This is because of there are tons of rival in SEA state with low cost air hoses. Therefore, the selling scheme that being implement by the low cost air hoses to remain and being competitory is of import. This research proposal is concentrating on

the selling scheme that implement by low cost air hoses to derive competitory advantages in the competitory environment.

1. 3 Research Question

From the job statement above, it brings to several research inquiries where the research worker demand to roll up information for the intent of this proposal.

What are the selling schemes implementing by Air Asia?

How does selling schemes influence the gross revenues of Air Asia?

What are the aims, benefits and cost of the selling schemes implementing?

Are there any differences in between of traditional and low cost air hoses ' selling schemes?

How Air Asia ' s selling schemes make Air Asia to be competitory among other low cost air hoses?

1. 4 Research Objective

Research aims have been listed down at below to steer the research worker in acquiring and replying the research inquiries which had stated above.

Identify the selling schemes that being usage by Air Asia.

Analyze on the selling schemes that had being used.

Analyze the gross revenues tendency of Air Asia.

Compare the gross revenues tendency and selling schemes that had implemented.

Measure the aims, benefits and cost of the selling schemes implemented.

Compare the selling schemes of traditional and low cost air hose.

Measure the competitory advantages of Air Asia.

1. 5 Theoretical and Conceptual Framework

1. 5. 1 Conceptual Model

1. 5. 2 Theoretical Model

The procedure of this research proposal is shown in the diagram above. First of wholly, the job statement would be discoursing that the outgrowth of low cost air hoses in the air hose industry.

1. 6 Scope and Limitation

1. 6. 1 Scope

In the concern universe, there are plentifulness of schemes that are implementing by different company to remain competitory in the concern environment. The schemes implemented by company are such as selling scheme, fiscal scheme, research and development (R & A ; D) , direction information system (MIS) and etc. in this research proposal, the scheme that is being focus on is marketing scheme of an air hose. It is to research on the ways of an air hose manage their selling scheme good to derive competitory advantage.

Airlines industry is a immense industry which consist of full service air hoses and no frills airlines. This research proposal has limited the research subject into a little range which is concentrating on analysing the selling scheme of no frills air hoses. Besides that, there are Numberss of no frills air hoses in the universe every bit good. Therefore, the research worker has further range the subject down to low cost no frills air hose of Malaysia which is Air Asia.

1. 6. 2 Restriction

In every research proposal, there would hold some restrictions which limit the research worker to roll up better information or consequence for the presentation of proposal. There is restriction which face by the research worker when making research for this research proposal. AirAsia. com (2010) , Air Asia is the merely low cost air hose available based in Malaysia (which non dwell of low cost air hose (FireFly) with subordinates of Malaysia Airline System Berhad) . There do non hold pick to researcher where Air Asia is the lone available pick to be included as the range of the subject.

Besides that, there are limited diaries available about the selling scheme of a low cost air hose. Therefore, it is a restriction for the research worker to roll up diaries for reappraisal the literature. In add-on, the selling scheme of low cost air hoses differs from air hose to air hose. It is hard to finalise the chief selling scheme that is implementing by low cost air hoses.

1. 7 Significance of the Study

This research proposal is of import to YBhg. Dato ' Tony Fernandes, the CEO of Air Asia and the selling director of Air Asia. This is because the research proposal has a sum-up of the effectivity of the selling schemes that being implementing by Air Asia where it makes them to be competitory advantage and a caput above other low cost air hoses. They would hold the chance to hold an mentality on a different angel of position in order to farther better on their current selling scheme by progressing the current strategic planning theoretical account.

Besides that, another targeted reader of this research proposal is the selling directors of other air hoses (such as low cost or full service air hoses) . This is because they could hold the thought of how Air Asia is holding such an first-class selling scheme which brings it to where it is right now as the World ' s Best Low Cost Airline. They could utilize the strategic that Air Asia is implementing as the function theoretical account to market their air hoses to be more competitory as good.

In add-on, this research proposal is utile to pupils who are majoring in marketing strategic direction. This is because it would be a good and appropriate instance survey to read and larn from on the ways of a company could be able to pull off their strategic planning theoretical account so good and derive competitory advantages over other rivals. Student would hold the chance to hold an in-depth apprehension on the ways of a low cost air hose be aftering the selling scheme theoretical account to accommodate the concern theoretical account which to maintain cost low and being successful.

1. 8 Definition of Term

ASK = Available place kilometre

ASK is to mensurate the transporting capacity of air hoses ' rider.

The expression is seat available ten distance flown = transporting capacity per plane

Chapter 2: Literature Reappraisal

Harmonizing to Natthida Taweelertkunthon (2006) , there are two types of low cost bearer which are low cost no frills bearer and low cost low frills bearer. Low cost no frills bearer is those low cost air hoses which do non supply any other excess services like on board repasts. Tiger Airways and Air Asia are the illustration of low cost no frills bearer. On another manus, low cost low frills bearer refers to low cost air hose which provide some excess service like on-board drinks or bites. The menu of air ticket is somewhat higher than low cost no frills bearer. The illustration of low cost low frills bearer are Nok Air, One-Two-Go and Jetstar Asia.

2. 1 Key Features of Low Cost Airline Business Model

Figure 2. 1: LCCs Business Model

Beginning: (Jiang, H. , 2007)

The figure above shows the low cost air hose concern theoretical account which is build up three chief key characteristics which are simple merchandise, low operating cost and placement.

2. 1. 1 Simple Product / No Frills

A low cost air hose would maintain service and merchandise simple to keep cost advantages to offer merchandise which is value for money to the clients. A simple merchandise which besides means no frills or no excess service such as repasts on board provided on board to cut down cost.

Besides that, meal on board could besides be provided with a mean of good quality with excess charges. The seats are narrow to hold a big capacity on plane and maximise place denseness. This is to hold a big volume of gross revenues to cover the cost on the individual journey to the finish. There is an lone one category place on aboard available with no seats arrangement allows (Jiang, H. , 2007) .

2. 1. 2 Low Operating Cost

In add-on, a low operating cost is one of the low cost air hoses ' characteristics. Low cost air hoses will merely set down on secondary airdromes where the landing fee is much lower as comparison to core airdromes. Secondary airdromes besides have the advantage of less traffic congestion where the flight and halt by and take off once more in a shorter clip. They would hold a shorter turnaround clip to avoid paying higher revenue enhancement charges on parking. Besides that, low cost air hose pattern direct gross revenues of air ticket or through on-line reserve and purchasing. A cost film editing scheme would be implementing by low cost air hoses to maintain their cost low and to hold cost advantages (Dietlin, P. , 2004) .

2. 1. 3 Positioning

Last, low cost air hose will market themselves chiefly to non-business riders. For illustrations, leisure riders and monetary value sensitive riders are non-business riders. In recent old ages, low cost air hose starts to aim concern travellers every bit good. This is to turn their market to a more big position. A good and effectual selling scheme of low cost air hose plays an of import function to place their merchandise to the populace and to derive competitory advantage every bit good. Low cost air hose will hold a short draw which fly from point to indicate with high frequency. Furthermore, low cost air hose would probably to go the figure one or two on most paths operated (Jiang, H. , 2007) .

2. 2 Challenges of Low Cost Airlines

In the competitory environment of air hose industry, there are several challenges which will be faced by low cost air hoses. Explanations on the rivals that face by low cost air hoses are explained as below.

2. 2. 1 Overcapacity

First of wholly, the air hose industry of low cost air hose is turning quickly where there is more new entry of low cost air hoses. Harmonizing to Jiang, H. (2007) , the writer said that there are over 30 low cost air hoses launched in the twelvemonth of 2002. A sudden addition of a big sum of new entry brings menace to the bing low cost air hose. The market is overcrowded and overcapacity where all of the low cost air hoses need to vie among air hoses to bring forth gross for their ain.

2. 2. 2 Pressure on Output or Average Menus

With a big sum of new entry it creates a competitory competition environment among air hoses. Harmonizing to Dietlin, P. (2004) , world-wide air hose output will diminish by 1. 1 % per twelvemonth until 2010 and intra-Asia output will diminish much faster than that. New pricing scheme had been introduced by traditional air hose to vie with low cost air hose. For illustration, for some paths, traditional air hose present a low aggressive menu particularly those paths that being fly by low cost air hoses. Besides that, there is a monetary value competition among air hoses. The new entry air hoses are holding lower menus to vie with bing low cost air hoses. This pulls down the mean menus per client where it does non profit any side on a long tally.

2. 2. 3 Trouble on Keeping Cost Advantages

Harmonizing to Dietlin, P. (2004) , Asiatic air hoses are holding a important lower input costs as comparison to American air hoses and European air hoses. This job of lower input cost is chiefly due to labour cost. Dietlin, P. (unpublished, 2004) stated that Airlines in Singapore unit labour costs are USD 0. 77 per ASK and air hoses in American is holding US 2. 92 per ASK which is 279 % more. Asiatic air hoses are seeking to work out the job by engaging labour from low-income states where they could hold low rewards for their labour to increase unit costs.

2. 2. 4 Product Differentiation

With Numberss of low cost air hoses in the market push every individual low cost air hose to distinguish their merchandise to derive as much market

portion as possible. This simple mean more cost will incur. Airlines are coming up with more aggressive and low menus which it would draw down the mean gross of air hoses. Low menu of air ticket is no longer plenty to be distinguishing from other rival. They are seeking to trade name themselves to distinguish from others to derive competency advantages.

2.3 Marketing Strategy that Implemented by Low Cost Airlines

There are several selling schemes that being implement by low cost air hoses to market or place their merchandise to their client. There are some selling schemes that being practising by low cost air hose are stated as below.

2.3.1 Frequent Flyer Program

Frequent circular plan is one of the selling schemes of Southwest Airline but it is non following by most of the low cost air hoses. This plan gives out frequent circular point when clients purchase air ticket each clip. By utilizing the accumulate points, it could be redeem for free ticket or upgrade category place which depend on the company policy (Lederman, M. , 2003) . As a selling tool FFPs have proved extremely successful (Bennett, M. M. , 1996) .

2.3.2 Point-to-Point

Gutstafsson, L. (2005) says that point-to-point could be included as a cost leading scheme every bit good as a selling scheme as good. Point-to-point refers to the air traffic motion system where the flights fly straight to the concluding finish without traveling through the hub. This would be able to

assist air hose to salvage up cost. At the same clip, it could be able to pull client where they do non necessitate to blow clip on pass throughing at the hub. Customer could be able to hold a flight straight to the concluding finish that they wish to be merely with a low menu air ticket.

2. 3. 3 Branding / Image

It is hard for air hoses to distinguish their merchandise from other rival as the basic merchandise of air hoses are the same. Therefore, branding and construct up good image or repute is another option to market their merchandise to the populace. Branding is do marketing on a merchandise externally to the populace. There is another manner unit of ammunition of branding being practising. As an illustration, Air Asia do trade name their merchandise internally to their staff foremost earlier to trade name it externally to the populace (Marketing-interactive. com, 2008). This is to allow the staff of Air Asia knows good on the map and attractive of the merchandise where they could sell it more better externally to the populace.

2. 3. 4 Pricing (Low Fares)

Low cost air hoses are marketing their merchandises with low menu to vie with traditional full service air hoses. Low menu is the chief attraction of low cost air hose as comparison to full service air hose. Low cost air hoses maintain on introduce low menu ticket to client and holding publicity gross revenues on air ticket. Fare of air ticket is acquiring cheap as clip goes. Fare of air ticket is the chief scheme that plays about by low cost air hoses.

Chapter 3: Research Design and Methodology

3. 1 General Nature of Research

The general nature of the research proposal is qualitative methodological analysis. Saunders, M. et. Al (1998) defines qualitative research as an array of interpretive techniques which seek to depict, decode, translate and otherwise come to footings with the significance, non the frequency of certain more or less of course happening phenomena in the societal universe.

A deeper penetration of the ways of Air Asia pull offing their selling scheme would be able to derive from making qualitative research. A research which is base on the significance which express through words is qualitative research (Saunders, M. et. Al, 1998) .

3. 2 Research Doctrine

Interpretative or phenomenology is the research doctrine that selected by research worker on this research proposal. This doctrine is suited for research which is on qualitative methodological analysis. Interpretive would assist to derive new penetration about the world and deeper apprehension on the inquiry of how and why. Research worker is more flexible to accommodate with alterations during the research procedure. It is more appropriate to analyze on a little sample for interpretative doctrine. There are menaces by utilizing this doctrine. First of wholly, it will be clip devouring when roll uping qualitative informations. In add-on, analysing of qualitative informations would be hard particularly for rawness research worker to analyse and bring forth new theory.

3. 2 Research Method and Research Design

3. 2. 1 Research Method

The research method that is being use by the research worker in this research proposal is interview research method. Harmonizing to Saunders, M. et. Al (1998) , there are several types of interview such as structured interview, semi-structured interview and unstructured interview.

The pick of interview selected is semi-structured interview which would hold a list of subjects to be cover during the subdivision of interview. Semi-structured interview would be able to cover in deepness and exploratory survey. It would profit to derive new penetration on the peculiar subject every bit good (Saunders, M. et. Al, 1998) .

3. 2. 2 Research Design

3. 2. 2. 1 General Research Design

General research design is known as research scheme. The three chief research schemes are experiment, instance survey and study. The research scheme that would be usage in the research proposal is instance survey scheme. Case survey would hold a item and intensive cognition on the individual instance survey that is being studied. Case survey is really utile in carry oning exploratory of the theory and disputing with come up with a new theory. Besides that, instance survey would supply a really rich apprehension on the instance that is being studied (Saunders, M. et. Al, 1998) .

3. 2. 2 Research Approach

Besides that, the research attack that being used is inductive attacks.

Inductive attack is constructing theory which is more for instance survey research scheme. This attack would acquire the research to affect in the instance survey every bit good. The general thought of the job would be understand good when inductive attack is being usage. This approaches would more likely to utilize up interview informations. It would be able to explicate theory by utilizing the consequence of informations analysis but at the same clip it would besides stop up with the same theory as the bing theory (Saunders, M. et. Al, 1998) .

3. 3 Beginnings of Datas

3. 3. 1 Primary Research

There are several primary researches available such as observation, interview and questionnaire. The primary research which is being usage in this research proposal is through interview. A semi-structured and in-depth interview would be conduct in order to hold an exploratory survey on Air Asia ' s selling scheme to derive new penetration. An open-ended interview questionnaire would be design and usage to interview the possible interviewee to roll up qualitative informations. A face-to-face interview would be held where it let research worker to hold more control and beef up open-ended inquiry (Mona, C. , et. Al, 2001) .

3. 3. 2 Secondary Research

In this research proposal, the secondary research used is through on-line database to roll up utile diaries which are associating to the subject. The

chief online database is being usage is DSpace @ MIT which is an on-line database of the Massachusetts Institute of Technology. The information that found through this on-line database is extremely dependable where there is tons of PhD or maestro ' s unpublished thesis available on the database.

Besides on-line database as secondary research, web sites are being used every bit good. Official web site of Air Asia is being used as the secondary research tool to acquire information sing on Air Asia. Newsletters of Air Asia ' s would often update the research worker on current intelligence about Air Asia. Besides that, Air Asia ' s web log is one of the secondary research tools where it provides new updates of Air Asia from clip to clip when latest intelligence of Air Asia could be known from at that place every bit good.

3. 5 Data Analysis Procedures

There is several methods informations analysis on qualitative research. The method of informations analysis selected for this research proposal is the grounded theory informations analysis. This information analysis method uses the inductive research where it collects informations from the beginning of interview. Through interview, informations would be able to roll up and at the point of clip, the information is being grouped consequently into several chief construct (Gutstafsson, L. , 2005) .

After the grouping of informations into different constructs is done, the informations could foster classs into different back uping theory construction. By making so, it enable research worker to hold a better mentality of the informations displayed in the construction. Therefore, research worker could

construe and analyse the informations easy. A new theory would be able to bring forth by utilizing the consequence of informations analysis (Gutstafsson, L. , 2005) .