

Air environment and its financial and human resources

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



The terminology mass customization at first grows in the manufacturing industry as a replacement for the famous mass production that reaches a victory when Henry Ford applies it in Ford manufacturing system.

The mass customization method is the result of various customers' demands, which need products/services tailored in specific fashion. From clothes to automobiles and sport club's members to telecommunication services, people are demanding that their products and services exactly fit their specific needs. The reasons are those people are different, therefore, giving the importance to serve them in different manners as well.

Concerning the issue, B. Joseph Pine, when interviewed by Theresa Forsman, a Business Week reporter said that "...do not give businesses the benefit of poor service. Leave, and let them know why you are leaving. Be very demanding" (Forsman, 2000).

The remarks imply that customers can ask manufacturer to provide services that fit the customers' needs. At some cases like airline industry and automobile, the customization does not mean that every seat in an aircraft has different design to deal with the diversity but there is at least segmentation in the design that may lead to service customization according to segmentation.

Under such circumstances, the customers and manufacturer/service providers are connected since customers can ask manufacturers to design a product and service according to their needs. It further influences the way

the manufacturers/service providers consider customers in which customers also become parts of shareholders for a company.

This notion leads to bigger picture that is to create customer value. Google defines customer value as the difference between the benefits that a customer is receiving from the acquired products and services and the effort and cost that the customer has to invest to get the product.

Concerning the relationship between customers and service providers, this paper will elaborate about the existence of a new entrant in airline industry in Asia that is considered to perform aggressive marketing by becoming the well-known low cost carrier (LCC) in the region.

The company, Air Asia, also become multinational companies by acquiring some stakes in some Asian countries' domestic airline companies. Later we found how the Air Asia, which always low price that is sometimes does not make sense, can survive and grow in fierce market of Asia by analyzing their financial ratio.

I. Background of Air Asia

The history of Air Asia began when Tune Air Sdn Bhd acquired 99.25 percents of AirAsia from DHB-Hicom, a Malaysia' conglomerate on December 8, 2001. In this acquisition, Tune Air acts as a holding company while Air Asia is the operating company. The changing of strategic objectives has put Air Asia to be Malaysia's second largest airline and has created well-known

brand as the Asia's first low fare and ticket less airline, which is well known as low cost carrier (LCC).

Within the span of 5 years, Air Asia quickly grows both in the domestic market in Malaysia and in the Asia region. To date, the airline has provided over 100 point-to-point domestic and international flight and has company's bases in five hubs in three countries; they are Kuala Lumpur International Airport (KLIA) and Senai Airport, Johor Bahru in Malaysia; Bangkok International Airport in Thailand; and Soekarno-Hatta International Airport in Jakarta, Indonesia (Air Asia, 2006a).

Like other low cost carrier, AirAsia offers a “ no frills” service at fares that are lower than traditional full-service airlines provide. For some limited seats, Air Asia sometimes only charge only \$3 (excluding taxes) for a one-way flight from Indonesia to Malaysia while usually traditional airlines charges about \$100 on average.

The business model of Air Asia is somewhat similar to other LCCs, especially two well-known LCCs in the world such as U. S.-based Southwest Airlines and Dublin-based Ryanair (Air Asia, 2006a).

Then provision of low fares and “ no frills” services underlie the company's philosophy to make flying affordable for everyone and to make travel easy, convenient, and fun for its guest. This philosophy further creates tagline ‘ now everyone can fly’.

II. Industry Overview within the global economy

III. 1 Air Asia within the global economy

Low-cost carriers like Air Asia significantly plays significant role in supporting the global economy. This is due to the characteristics of global economy is the increasing trade between countries and to support the inter-country trades, there should be transportation. In this way, Air Asia helps business to start building relationship with their counterparts in Asia region by providing affordable flying.

In addition, Air Asia also helps to improve air traveling business that was dying after the 9/11 tragedy in which Air Asia continue expanding their routes and as consequences, they also order some new aircrafts from Aircraft manufacturers like Airbus.

This is in line with the trend in air travel industry that is based on two factors. First, airlines are preferred to buying new airplanes to taking used ones due to the fact that new airplanes provides carriers with more efficient operational costs.

Second, carriers are preferred to deploying small airplanes such as Boeing 737s and Airbus A320s that have 120 to 200 seats. The impact of these two factors is that travelers can obtain low-fare air travel.

Interestingly, these jets depending on the model size share common cockpits and provide low-cost maintenances that endow airlines with low operating costs. Most of these carriers including Air Asia follow the low-cost model

pioneered by Southwest that records passenger-load factors exceed 70% by conducting discount-airline model with small airplanes.