Example of the operating and commercial performance of singapore airlines report

Business, Company

Brief Introduction

The history of Singapore Airlines could be traced back under the old days of Malayan Airways. Its first flight was from Kallang Airport, Singapore to Kuala Lumpur, Malaysia on May 1, 1947. Both Singapore and Malaysia merged in the control of the Malayan Airways, changing its name to Malaysia-Singapore Airlines in 1967. A French fashion designer made the traditional Malay clothing as the uniform for the stewardesses, effective a year later. The company was profitable. However, due to differences especially in the direction, priorities, and outlook of the operations, the two governments decided to have separate companies. Malaysia confirmed the end of the Malaysia-Singapore Airlines in 1971. Consequently, the company's assets were split in the forms of the Malaysian Airline System and the Singapore Airlines or SIA in 1972. SIA acquired the headquarters' building, all the Boeing planes, maintenance facilities and hangar, the reservation system, and majority of the international offices. Nonetheless, Singapore gave Malaysia due compensation for the asset divide imbalance (Chua 2010; Martin Roll 2014).

The new Singapore Airlines Company came to be Singapore's flag carrier. Although SIA was in an unlikely position by not having any domestic routes, serving internationally was made possible from the Malaysia-Singapore divide. From this, SIA had also acquired the route network of the previous company. This enabled it to be linked to 20 airports with 18 destinations across Asia, Australia, and Europe. Joseph Y. Pillay was named chairman and Lim Chin Beng was the managing director of the company. Both of them came from the previous business alliance of the two countries involved. Its first year made a profit of S$15. 5 million despite the anticipated losses. In 1981, SIA transferred to the newly established Changi Airport in Singapore. At present, SIA has grown to having 250 destinations across 59 countries. The services extend to a cargo carrier called SilkAir. It is a regional airline started in 1989. SIA also has the Scoot. It is a budget-friendly traveling carrier in medium to long transportation, which was started in 2011. Furthermore, the company has code share partners through the Star Alliance, a global airline network and partnership. Temasek Holdings, a state investment firm, owns 56% of the Singapore Airlines Company (Chua 2010; Martin Roll 2014).

Main Analysis

Before presenting the operational characteristics, financial performance, and competitive situation of Singapore Airlines, let us first discuss the Airline Industry in general. This industry has a dynamic supply and demand behavior and does not solely depend on technology as its driving force. It also takes legal, institutional, and cultural considerations. The first two affect the market structure while the last point influences its characteristics (Cento, 2009).

In the past decades, states owned the carriers. There were only a few airlines as they operated in a regulated market. But through the changes towards the 21st century, deregulation and privatization paved way to a drastic change in the structure of the industry. It affected network development, alliances, relationships between airlines and airports, and pricing behaviors. The United States particularly had changes in the network strategy. Most of the airlines reorganized their structure from a point-to-point system to a hub-and-spoke system. In the European region, on the other hand, the changes were driven through the supply and demand. It manifested in the formation of international alliances. Most importantly, the deregulation gave rise to increased competition (Daley 2010; Doganis 2005; Hanlon 2007; McAffee and Te Velde n. d.).

With this, three Airline Business Models have emerged. The first is the Full-service carrier. It pertains to an airline company that began from a state-owned flag carrier and had undergone the market deregulation process. Passenger, cargo, and maintenance are its core businesses. Other elements also include being a global player, having a developed alliance, utilizing vertical product differentiation, and customer relationship management (Cento 2009).

The second is the low-cost carrier. These are low-fare, no-frills passenger airlines that rely on a simplified business structure. Some of its elements include having a single fleet of aircrafts, aircrafts having more hours of travel, and sales and reservation costs that are minimized. The last business model is the Charter carrier. The flights in these airline companies have flights outside the regular schedules, and arrangements are made with specific customers. They do not directly sell plane tickets. Instead, the travel agencies buy them (Cento, 2009).

The analysis of the operating and commercial performance of the Singapore Airlines would be based on the standard and the dynamics of Airline Business Models. Given the definitions, Singapore Airlines certainly follows the full-service carrier business model.

As a full-service carrier today in the era of deregulation, Singapore Airlines faces numerous competitors across all types of business models. However, SIA manages to outperform its competitors, posting no annual losses, and even earned various recognitions globally, which included ranking 33 and 18 in 2009 and 2014, respectively, in Fortune Magazine's " Most admired companies" category (Chua 2010; Martin Roll 2014).

According to Michael Porter (1985, cited in Heracleous and Wirtz 2014, p. 151), these were impossible processes to execute because they were so contradictory that the company would be stuck in the middle and not achieve anything. Also, he pointed out that even if it was achievable, such integrated strategy would only be successful temporarily as competitors would copy. Other studies, however, proved that this was doable at least in theory (Heracleous and Wirtz 2014; Shaw 2011; Wensveen 2011).

Certainly, SIA was able to achieve the dual strategy in practice. Through this, the world has come to know SIA in the person of the Singaporean Girl who imbibes the quality of service. Their cost-effectiveness promise, on the other hand, was enabled through the five elements of a Human Resource strategy. The first is the rigorous selection process. The second is training. The third is building teams of service delivery. The fourth is empowering the staff and quality control, and the fifth is motivation through rewards and recognition (Witz, Heracleous, and Pangarkar 2008; Heracleous, Wirtz, and Johnston 2004). Notice that no other carrier was able to copy what SIA has done. Only SIA has such a unique mark that it clearly has broken through business principles.

Although SIA remained one of the best in the industry, it recently faces market behavioral changes that are reinforced through the assertiveness of low-cost airlines such as AirAsia. In the region alone, there are around 50 low-cost airline companies that are forcing the ticket prices down. Even the low-cost carriers feel the intense competition, as overcrowded airports are not helping (Grant 2014; Grant 2013; Fickling 2012).

Moreover, frugal business travelers are considering other options from the growing Middle Eastern airlines that can also offer in-cabin luxury. With this, SIA has been experiencing a 12%-decline in passenger count since 2008. Air China was able to take over the title of the World’s Most Valuable Airline in 2009 through stock value. As of November 2014, Bloomberg (2014) has reported a net income decline from S$378. 9 million to S$359. 5 million for SIA. Apparently, its costs have also been increasing, further contributing to the decline (Grant 2014; Fickling 2012; Bloomberg 2014; Graham, Papatheodorou and Forsyth 2008).

Moreover, the other investments, alliances, and subsidiaries of SIA have also been dragging. Tiger Airways, where SIA has a 49%-share and is deemed a co-founder, for example, reported operating losses such that it had to replace its CEO. Not surprisingly, SIA would be having a difficult time with Tiger Airways since it is not a fully owned subsidiary. As a result, SIA would not be able to invest and train Tiger Airways in line with its strategy as opposed to the other companies where SIA is a major shareholder. SIA would have greater confidence with those companies than with Tiger Airways. In addition, even SIA’s subsidiary SilkAir is facing intense competition against Gulf Carriers in the likes of Emirates, Etihad, and Qatar (Grant, 2014; CAPA, 2014).

Conclusion

The driving forces in the Airline Industry consist of legal, institutional, and cultural factors. Singapore Airlines was able to build a brand that is culturally influenced. Thus, it has established a brand that helped with its familiarity at the same time enabled it to command its price. However, due to a legal factor, particularly with deregulation, the market and operational environment of SIA has become more complex through the rise of competition. Among the competitors, it is the low-cost carriers that are greatly affecting the performance of SIA. Its massive number attracts people into the lower price option. The business travelers whom SIA has been catering to have become frugal as well. In a way, through this, a new culture is emerging.

This new culture of low-cost flight is certainly not in favor of SIA. It threatens the company's success streak. Together with the rapid increase in the number of Gulf carrier competitors, market saturation in the region is also occurring. In this regard, SIA must utilize opportunities in expanding partnerships, exploring premium economy products, and exploring other untapped segments of the market such as long-haul low-cost operations. This would be especially suitable to SIA's low-tier subsidiary, Scoot.

In order to leverage on these, SIA must address its weakness and wield its strength. Its weakness includes the lack of confidence in one of its subsidiary, Tiger Airways. Regardless of the percentage of ownership, owning a company means having the responsibility of taking care of it, no matter how big or small it is. This is because whatever happens to that neglected company would have an effect on the bigger company that it is a part of. In addition, if SIA would nurture Tiger Airways and bring it up to par with its standards, then it would become capable of going head-to-head against other low-cost carriers with excellence.

With this, we turn to the strength of SIA, which it should bank on. SIA is an established brand that gives off a unique and quality experience. This is something most carriers in question cannot compete against. Moreover, it has its own market to serve. All it has to do is maintain its customer relationship, which extends to inviting the rest of the customer's circle into the SIA experience.

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