

Airline industry analysis

Business



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Introduction Air travel remains a large and growing industry. It facilitates economic growth, world trade, international investment and tourism and is therefore central to the globalization taking place in many other industries (Airline Industry, 2000). In Globalization era, Airplane industries are really important to move people to another place. It's really reliable and secure.

Compare with five decades ago. Airplane was frightening and costly. People try to find new technological innovation in airplane industry to devoted passenger more cheaply and safely.

It proved that each generation of new plane such as Boeing and airbus has been more reliable carried the passenger.

In Malaysia, there are two well-known Airline company. They are Malaysia Airline and Airasia. They divide by the service that they provide. For example, Air Asia Provides no-frill airline and low-cost.

On the other hand, Malaysia Airline emphasis in luxurious travel and provide good service to their customer. Airline industry in Malaysia is really important to expand their tourism. Political Environment It is an industry that provides air transport service for passenger and also for cargo and mail.

We can divide this industry into two categories based on the destination; there are local or domestic flight and international flight. For airline industry political stability means everything for them especially for international flight. International flight is air transport service between two countries or more.

The most common political issue that may influence the industry is relationship between the countries. For airline industry in Malaysia, to flying outside Malaysia is difficult. Bilateral agreement can effect the price decision making, because this issue is one of the obstacles in the way of truly pan-Asia budget carriers.

Landing charges at so-called “ gateway airports” and navigation charges are often prohibitively expensive, and in key destinations like Bangkok, Beijing, Hong Kong and Singapore there are no cheaper, secondary airports. The budget airline industry in south-east Asia has been underdeveloped because the aviation market is tightly regulated by bilateral air rights agreements (Oppapers, 2008) beside that bilateral air right agreement means the safety of the plane, while flight a plane should report to the nearest tower in every country they pass.

The pilot should send the tower all info about the plane, the destination, condition and many more, so we conclude that political in this case relationship among countries is very important in this business.

The other reason why political forces is very important is: not every country can make the spare part for plane, like Boeing this plane’s spare part only produce in America. For long destination flight Air Asia use Boeing plane, because it has more capacities and more fuel and better jet machine.

This condition also happen in Malaysian Airlines most of their plane is Boeing type, so to get the spare part Malaysian government must build a good relationship with united states, because spare part is really important for maintaining and fix the plane. There is not issue that happen to Indonesia a <https://assignbuster.com/airline-industry-analysis/>

couple years ago, Indonesia was have a bad relationship with America, so America boycott the spare part and ammo and missile for F-16 (military plane) which is only made in there, so at that time Indonesia can't use almost all F-16 that they have and it very dangerous which directly affecting the stability of safety of the country.

Economic Environment Malaysian Airline industries will review unprofitable routes and freeze recruitment as part of wide-ranging measures to cut costs and the major problem that the entire airline industries economic decline is rising fuel price. June 6 2008 will be remembered as the year that marks the largest number of fatalities in the airline industry as to-date 24 of them have gone bust, and there is no sign of this number declining (Saraswathi, 2008).

Rising fuel price remains as the major disaster to the industry, iron fist management on flag carriers and ancient type of rules and regulations that are preventing airlines from restructuring across borders are not helping either. Malaysian airline industry companies disclosed at the just-concluded International Air Transport Association's (IATA) 64th annual general meeting that they would cut capacity, impose fuel surcharge and fee on extra suitcases, embark on non-fuel cost-cutting measures and increase fares (Bernama. com, 2008).

Since fuel price had increase, airline industry companies' profit margins have been dampened by soaring oil prices, global economic uncertainties and weaker travel demand. Malaysia earns seven percent of GDP from tourism and stands to lose around \$1 billion.

Airline bookings were down 40 percent by the end of April (International Herald Tribune). Fuel price affect cost of living, especially prices of food as well housing due to the mortgage crisis, have also increased. Therefore, the travelers are concerning about fare airline ticket that will be increase.

Some routes might be affected by the cost-cutting but airline industries are monitoring the overseas routes also. In opposite way, the innovation of getting new way's is opening new routes. Definitely, this is one of the best ways to survive airline industry companies.

The new campaign for the entire Malaysian airline industries are trying to advertise the new city in Asia-Pacific continent to save cost of fuel because of shorter way. The airline also plans to reduce the budget of entire divisions by 10 percent and stop spending on office refurbishment until further notice.

However, they will try to save the current routes by making changes in pricing, sales, schedules and the type of aircraft used to maintain the economics of Malaysian airline industry. Socio-cultural of airline industry Nowadays, even the youth, middle age citizen or senior citizen are willing to spend higher usage of air services for leisure travel with their family, partner or alone. For example, based on the International Visitor Profile of Australia in 2007, it had show there were 159, 414 Malaysia visitors to Australia and it had increase 6% from 2006.

Visitors travel for holidays have increased since 1987 until 2007 and it rapidly increase from 20, 000 visitors to 160, 000 visitors. (Tourism Australia, 2008) It had shown that people were willing to spend on leisure travel more than the past. Visitors between babies born age to 55 years old above also

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involve. On the other hand, there is the widely interval between poor and rich. Previously, only high class and middle class people have a chance to buy a fare ticket. In recent years, Air Asia had introduced low fares to everyone and hope each people also can enjoy travel by plane.

However, MAS had provided different seat class such as first class, economy class and business class for travelers comfortably. Besides, a number of trends in lifestyle which had bring impacts on Malaysia Airline Industry. Nowadays, people are more concern safety and healthy now. They expectation have a safety travel during their flies. Citing Air Asia had fully complied with the conditions of the International Aviation Safety and is control by the internationally reputed Malaysian Department of Civil Aviation.