

Topic: the two major players in malaysia airline industry.

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



Thesis statement: While both AirAsia and Malaysia Airlines (MAS) are airlines service providers, there are distinctions among them which allow both of them to focus on different strategies to attract passenger of different profile to embark their aircraft carrier.

Introduction

History of the organization

1. 1. 1 The first air service route was conducted between Penang and Singapore during the colonization of British and this had led to the incorporation of Malaysia Airways Limited (MAL) in year 1937 by the British government. With the emergence of Malaysia in year 1963, the airline changed its name to Malaysian-Singapore Airlines then to Malaysia Airline Limited in year 1973 and eventually to Malaysia Airlines in year 1987(History, 2010).

1. 1. 2 AirAsia was set up in 1993 and started up its business on 18 November 1996. The founder of AirAsia was a government-owned conglomerate DRB-Hicom (AirAsia, 2010). AirAsia has incurred a lot of debt and liability at that time and former Time Warner executive Tony Fernandes's company Tune Air Sdn Bhd (AirAsia, 2010) decided to purchase AirAsia based on market share price of RM1 on 2 December 2001.

Mission and objectives

MAS's vision is to become " An Airline of Excellence" (Malaysia Airlines, n. d.). Its mission is to become a consistently profitable growth airline through

the strategy of business transformation plan and its objective is to flying to win customers and convert the airline's IT operations to deliver fantastic internal customer experience.

The mission of AirAsia is to form ASEAN brand of Airline Company that is widely known around the globe and to arrive at the lowest cost so that everyone can afford to fly with AirAsia. It also aims to keep its company on track with the latest industry developments and to incorporate excellence practices into their operations that will benefit their customers.

The brands or products manufactured

Malaysia Airlines

Domestic benefits, international benefits, annual benefit travel insurance

MAS's management team has offered three categories of product plan options: Basic Plan, Value Plan and Premier Plan for all domestic, overseas, and frequent travelers accordingly. These product plan options differ in the sense that when we are moving all the way from Basic Plan to Premier Plan, the amount insured against will be greater. Besides, the MHinsure's covers the compensation for medical and travel accidents, repatriations and travel inconveniences (MHinsure Product Information, n. d.).

Frequent flyer program

MAS has two frequent flyer programs which are Grads for Students (Grads) and Enrich. Grad is a frequent flyer program with benefits designed for

students who travel frequently back home during their semester break. On the other hand, Enrich is specifically designed for regular travelers especially businessmen. With the application of Enrich card, they can gain the privileges of obtaining discount or free flights.

Fare Brand

There are four fare brand offered and it comprise MHlow, MHbasic, MHsmart, MHflex (Value and simplicity with MHValue fares by Malaysia Airlines, n. d.). They provide greater flexibility and reduced airfare for both local traveler and international traveler. In moving along the categories, passengers enjoy greater discount rate, shorter time of advance purchase, and greater baggage allowance up to 25kg.

AirAsia

1. 3. 2. 1 AirAsia Insure Travel Protection (AirAsia, 2010) is exclusively designed to protect and insure the respective traveler during the period of flying with AirAsia. It comprises In-Flight Plan and Comprehensive Plan. In-Flight Plan is an insurance program specifically designed for one-way journey passenger. However, Comprehensive Plan is devised for two-way journey passenger.

Types of products

Both MAS and AirAsia are offering travel insurance, courier and cargo services and their self-produced magazines and souvenirs, as well as international and domestic flight services. MAS offered products such as

classes of cabin seats which is not available in AirAsia aircraft. The classes of cabin seats provided by MAS are first class, business class and economic class whereas AirAsia provide the same classes of seat to all of its passengers. The MASkargo airline facilitates customers with services and amenities such as 6-star Animal Hotel, i-secure, i-port and etc to provide comfortable room for animals as well as high security to transportation of vulnerable goods (Products and Services, n. d.). AirAsia is offering products such as AirAsia credit card. By applying AirAsia Citibank credit card, customers can enjoy amazing deals on free iPhone 3Gs, free travel protection insurance up to RM500, 000 and other privileges depending on whether the customers is holding silver or gold card (Credit card, 2007-2010).

Logo and tag-lines

The appearance of the corporate logo is designed to be moon kite, with a sheared swept-back look. The word “ MALAYSIA” is italicised to lean parallel with the logo to emphasize on speed as well as direction. The letters MAS bear red clippings in the font style to symbolize the initials of the statutory name of the airline, Malaysian Airline System (MAS). The introduction of blue to the original red to the moon kite logo has national meaning. The red and blue divide equally in the middle has a sense of equilibrium. Moreover, the tag-line emphasizes that “ MH is more than just an airline code; in fact MH is Malaysian Hospitality (Malaysia Airlines, n. d).”

Airasia logo is Airasia in italicized form with the characters shaded by red color background whereas its tag-line is “ Now Everyone can fly” (AirAsia, 2010). The red color logo is a strong message to the world about environmental problem.

Current business development

Type of business

Topic Sentence: Both AirAsia and MAS are public corporations that engage in trading and services industries.

2. 1. 1: MAS is a Malaysia-based whereas AirAsia is a Thai-based corporation that is engaging in air transportation and in their related services. MAS is a semi-government organization that focuses on providing high-class service whereas AirAsia focuses on promoting its low cost, budget airline. They are engaging in operation such as cargo and courier service, goods retailing as well as passenger carrier.

Strategies

Topic Sentences: In order to be competitive in the industry, AirAsia has practised cost leadership strategies whilst MAS has involved in business transformation plan.

2. 2. 1: AirAsia tends to focus on short route and service savings to a certain destination in order to reduce operating cost. Besides, it also provides no frills cabin service and outsources most of its service. The no-frills include no

drinks, no food, no newspapers and no paper tickets provided. The higher seating capacity and frequent aircraft utilization also save cost of the company (The Low Cost Airline: AirAsia, n. d.).

2. 2. 2: Business transformation program is a competitive strategy used by MAS to fight over the big threat such as intense competition, rising cost of fuel in airline industry. It was launched with intention to improve revenue, network, and productivity and to reduce cost. For example, MAS is transforming from ' premium fare with a fixed package of service' to economical fares with standard package and fees for optional services (Five Star Value Carrier: Business Transformation Plan, 2008).

2. 3 Investor relations

Topic Sentences: AirAsia and MAS are public listed companies trading on the main board of the Kuala Lumpur Stock Exchange.

2. 3. 1: The stock of AirAsia and MAS are ordinary shares offered to be transacted in primary market and secondary market. The stock code for MAS at the stock exchange is 3786 and its current stock price is RM2. 15 whereas for AirAsia (stock code: 5099), it is RM2. 52 (Equity, 2010).

2. 3. 2: AirAsia recorded revenue of RM941 million year over year with a 26% growth while MAS incurred an operating loss of RM 286 million in the second quarter of the year 2010. Despite of the loses, MAS is unleashing Kota Kinabalu International Airport (KKIA) as the second hub by introducing new routes from KKIA to Japan (MAS financial results, Jun 2010).

Public relations

Topic Sentence: AirAsia and MAS perform public relations by fulfilling their corporate social responsibility as a contribution to society.

2. 4. 1: AirAsia has supported Mercy Malaysia's relief mission to help those refugees in Padang, Indonesia who have gone through the severe earthquake disaster. It provided seat and cargo space to the rescue team in order to assist them in their rescue activities (AirAsia, 2009a).

2. 4. 2: MAS provide students with academic tours to their office building and tourist spots in Kuala Lumpur and Putrajaya because they are concerned about the academic progress of students in Malaysia. This project "PINTAR" was aimed to motivate students to learn besides introducing them to its airline college known as Malaysia Airlines Academy ("Malaysia Airlines Organises 'PINTAR' Visit for Students", n. d.).

3. 0 Marketing strategies.

3. 1 Marketing of products

Topic Sentence: They market their products by using different strategies in order to gain competitive advantages in the markets (Boone & Kurtz, 2010, p. 207).

3. 1. 1: They use market segmentation strategy to split out the market they want to serve. For example, Air Asia segments the market with different income groups and serves the low income group. However, MAS serves the

high income group initially, but because of the emerging of AirAsia, it also moves into serving the low income group of customers.

3. 1. 2: In order to serve the market they have targeted, they positioned themselves differently to gain a different brand image in the mindset of customers. AirAsia is using price or quality positioning strategy. On the other hand, Malaysia Airlines tend to use product class positioning at first, but it changes to a mix positioning strategy of price or quality and product class.

3. 2 Competition with rivalries

Topic Sentence: They compete with their competitors with 4P strategies which are frequently applied in marketing (Boone & Kurtz, 2010, p. 305).

3. 2. 1 They use different price strategies that reflect their positioning strategy and price objective to compete in the market. AirAsia uses everyday low price strategy and trying to compete in Blue Ocean. However, MAS uses prestige pricing strategy at first and later which it change to mixed pricing strategies including meeting competitors pricing strategies.

3. 2. 2 They use different product strategies, so that they can provide different kinds of services to compete. Air Asia provides non-frills services in order to keep the cost as low as possible. While MAS provides excellent and luxury services at first, after which it also come out with low price product to compete with its competitors.

3. 2. 3 They use different promotion strategies to fight against their competitor's promotion strategies. Both come out with a variety of special

promotions to attract customers. For example, MAS come out RM 1 for ticket to compete with free seat of Air Asia and sometime the fare of MAS is even lower than Air Asia (AirAsia, 2009b).

3. 3 Advertising methods

Topic Sentence: Advertising methods have played an important role in attracting attention and performing the functions of informing, persuading and reminding the customers (Boone and Kurtz, 2010, p. 401).

3. 3. 1 Both MAS and AirAsia are involving in different advertising channels like television, newspaper, MATTA fair, sponsorship, internet, and radio to perform their corporate social responsibility in order to grab the public attention.

4. 0 Conclusion

4. 1 Challenges/Crises

Topic Sentence: The unpredictable changing environment and fierce competition are challenging the MAS and AirAsia Company's stability.

4. 1. 1 The increase in fuel price globally has challenged their ability to control the operating cost. Both companies' performance was also seriously affected.

4. 1. 2 The management of resources has to be managed effectively and efficiently to remain agile in the market. AirAsia need to control the punctuality index and customer services which has been caused by the

behavior of over save cost (AirAsia, n. d.). In contrast, MAS has to control its behavior of being uneconomical (Johnsonooi, 2005).

4. 2 Recent Development

Topic Sentence: Recently, both of them have developed so well to proceed to their vision, mission and objective.

4. 2. 1 They have made a lot of improvement on customer services standard to please their customers. AirAsia has adopted complex information system such as state-of-the-art booking system to process various booking (AirAsia, 2010a., AirAsia, 2010b). At the same time, MAS has also invested few hundred millions on passenger service system to shorten and provide faster services to passengers (Malaysia Airlines, n. d.).

4. 2. 2 They have expanded their service world-wide in order to provide more choices to customer. Air Asia has joined VietJet Airline from Vietnam, and Jetstar Airline from Australia to expand their routes. However, it also involves in other business, like hotel sector, online purchases (AirAsia megastore) and so on. MAS is also expanding their routes to more places and involving in online shopping (Malaysia Airlines, n. d.).

4. 2. 3 They have performed corporate social responsibility to contribute to the society. Air Asia has supported MERCY Malaysia's relief mission in Padang, Indonesia (AirAsia, 2009a) whereas MAS has put effort to reduce the carbon dioxide emission to promote a greener environment (Toward a green future, n. d.).

4. 3 Future Plan

Topic Sentence: They are continuing their effort to achieve their vision and promise.

4. 3. 1 Both companies do not reveal any specific future plan about 2011. But by referring to previous ongoing plans, we tend to know fairly well how and where these two companies will move in their future plan. MAS will continue their steps of business transformation plans two in this case, such as maintaining 5 stars quality of services and low cost, attracting more customers, building up the network and capacity through service providing. In the future, Air Asia will provide more low cost journey and increase the regularity of fly. It will also continuously keep the cost as low as possible and enable more people to fly!

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