

# Singapore airlines

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



The business strategies of Singapore Airlines In this paper, the business strategies of Singapore Airlines will be analyzed. This analysis will be divided into four categories as following: product-market strategies, consumer value proposition, assets and competencies and functional strategies. After discussing briefly the contents of business strategies adopted by SIA, the pattern of decision making activities in SIA are measured through the value chain analysis and the process of strategic planning. Also, based on the outcomes of macro-and industry environment analyses the SIA's strategies will be evaluated. Lastly, SIA's core competencies are discussed whether each of them fit or not to its own characteristics.

## 1. Introduction

Singapore Airlines (SIA) is known as a global and respected Airline Company with safe journey, innovative technology and excellent service. After splitting from Malaysia-Singapore Airlines in 1972, SIA has been developing dramatically to become a giant in global airline industry with more than \$12 billion in revenue in the financial year 2010. Singapore Airlines' route network reaches out to over 63 destinations in 34 countries around the world (Singapore Airlines, 2010). Today, SIA and its subsidiaries with the symbol "Singapore Girls" became a leader in airline industry by its excellent service. The SIA's strategy is dedicated with their resources on providing excellent service experiences, innovative in-flight entertainment service and using the latest modernized aircraft. Firstly, SIA always improves itself by featuring the most modern fleet in the world.

As the expanding globally strategy, Singapore Airlines was the first to launch the world's longest non-stop flight from Singapore to Los Angeles in 2004 and in 2007, they again were the first in the world to use the world's largest commercial plane A380 (Data Monitor, 2010). Secondly, Singapore Airlines has received much praise and won numerous awards for its customer service and in-flight entertainment system with boasts of selection exclusive and tantalizing dishes, special meals designed by nine internationally renowned chefs and the world's most discerning wine consultants. Besides, with various entertainments options and continuing cabin improvements in all class while still providing excellent service, SIA has created its own standard for premier airlines market. Today, SIA is not just the best in the airline industry, but they are working at the best service industry (Wirtz and Johnston, 2003). It is clear that this still strives as a form the core competencies of contemporary SIA strategies.

By leveraging intangible and tangible resources they are maintaining their leader position in the industry in term of revenue generation and innovation. Therefore, this paper is continuation of the last assignment to describe the current business strategy deployed by SIA to identify contents of business strategy and patterns activities through the value chain analysis and the strategic planning process. Also, this is a basis in order to evaluate the suitability of the strategy and realize the core competencies of SIA.

## 2. Corporate business strategy

### 2. 1. Product market investment strategy

2. 1. 1. Expansion globally by strategic alliances According to Porter (1980), global expansion strategy is conceived as business strategies by seeking the benefits of economies scale, erecting barriers to entry, product differentiation and capital investment. Meanwhile, the expansion globally of SIA is covered all these elements because its functions and offering in business activities. SIA was started alliance form to many airlines in order to enhance their key markets since 1995 (Heracleous, 2006). The nature of these alliance relationships ranged from code sharing arrangements to full-fledged cooperation and complete mergers of ground services and frequent flyer programs. The motivation to alliance strategy depended on the advantages partners to obtain from their co-operation both from an airline service provider and passenger's view (Shamdasani, 1999). SIA's alliance strategy was developed continuously in the competitive environment in the airline industry.

SIA integrated Global Excellence Alliance with Delta Airlines and Swiss Airline in 1989. In 1995, they set up DSS World Sourcing, a joint purchasing agency equally owned by three airlines. By the year 1996, SIA has code – sharing agreement with American Airlines (Singapore – Chicago route) and Austrian Airline (Singapore – Vienna route). Also, SIA operated joint cargo services with Lufthansa, KLM and British Airways. In marketing activities, SIA jointed all cargo service between Singapore and Copenhagen. In 1997, the Asia Pacific region's biggest international alliance is established including SIA to enlarge network of the airline partners cover 200 cities in 47 countries.

Besides air and cargo cooperative arrangements, SIA enlisted eight partners including Cathay Pacific, China Airlines, DragonAir, Malaysian Airlines, Philippine Airlines, Royal Brunei Airlines, SIA's SilkAir and WorldSpan Global Travel Information Services. Together, SIA, Malaysian Airlines and Cathay Pacific set up in running the frequent flier programs in retaining and rewarding customer loyalty. This helps SIA able to share high cost and administrative overheads in the frequent flier programs.

### 2. 1. 2. Vertical integration

The company integrated vertically is able to satisfy high probability demand by itself and this pointed out that the favorable to vertical integration that turn on supply reliability (Williamson, 1971). SIA has 23 joint ventures in 8 different countries and the scope of the SIA and its position in the airline industry is not only Singapore but other countries by vertical competition. SIA cargo is a result of combination carrier (Singapore Airlines, 2010). This offers different kinds of service included carrying cargo, operating a network schedule and all cargo flights. Moreover, SIA separate its cargo divisions as subsidiary companies including SilkAir, Tradewinds Tour and Travel. Both companies fall under SIA brand name and their overall performance is taken into account when assessing how well the company does annually. This strategic option has allowed SIA become a bigger market player and competitor in the airline industry.

### 2. 1. 3. Invest to grow

SIA was distinguished from other international airline by its local context but global development. Therefore, the mission of investment must continuously grow to adapt with recent circumstances and in the future. SIA managed to deliver premium service to very demanding customers to achieve differentiation. At the corporate level, SIA chose strategy related diversification. According to CEO Chew Choon Seng said that “ we intend to play in all the segments – SIA at the high end, Silk Air on middle ground and Tiger Airways at the low end” (Singapore Airlines, 2010). As an international strategy, SIA joined the Star Alliance and expanded their investing in China and India through strategic alliances with local organizations. Moreover, SIA related diversification to reach cost synergies in order to enable transfer of learning and a corporate rather than a divisional outlook through job rotation. At the same time, the related operation such as catering, aircraft maintenance and airport management have higher profit margins than the airline business because the industry structure is more favorable in these sectors (Heracleous and Wirtz, 2010).

## 2. 2. The customer value proposition

A customer value proposition is the perceived functional, emotional, social or self-expressive benefit that is provided by the organization’s offering (Aaker, 2005). But how can SIA possible with no domestic market and its short history. Interestingly, customers have enjoyed the experience of travelling with this airline has lives the difference. To understanding that, it is necessary to look at the way in which customers are segmented and the

result of value proposition to each customer tier. There are four customer tiers with four characteristics will be presented in figure 1 below:

Tier 1: Business professionals & opinion leaders

Tier 2: Corporations, Companies and Government

Tier 3: Young high potentials

Tier 4: Mass market Figure 1: Singapore Airline Customer's Segmentation

Clarifying the customer value proposition for each tier provided the deep understanding in to what has made SIA successful (Hax, 2009). SIA delivered air travel not as a commodity, as many airlines do but as a complete experience that the customers can feel the satisfaction in every service stage. Particularly, Tiers 1 and 2 constitute the high end travel group with high service standard. When customer check in through the priority positions in the counters, they enter a “ zone” where is an option of services available. Meanwhile, SIA is cleared pampers that customer Tiers 1 to 3 are not compromise on the services to Tier 4 because SIA recognizes that they are offering to every economy class passenger on the same amount of attention such as maintain service standard, serve full and sumptuous meals. For instance, SIA was the first airline that offered free champagne to the economy class passengers. This is an incentive strategy for potential upgrades, also is a way of growth based on customer loyalty.

2. 3. Assets and competencies

The strategic assets or competencies that underlie the strategy provide the sustainable competitive advantage (SCA) (Aaker, 2005). In the following, there are three synergies that drive the SIA business strategy.

### 2. 3. 1. Brand reputation

Singapore Airline is one of the strongest brands from Asia. The strong brand driven by brand equity is the result of professional brand strategy throughout a diversification and global organization. Moreover, the iconic Singapore Girl is the positive way in marketing that come to mind easily. At the beginning, Singaporean Girl was as a face of SIA. The cabin crew is costumed in special designed version of the traditional Malay “ sarong kebaya” as the uniform which later became one of the most recognized signatures of the airline. (Heracleous, Wirtz, and Pangarkar, 2006). The Singapore Girl encapsulates Asian values and hospitality, and could be described as the traditional women in Asia being gentle, graceful and courteous. That associated to the characteristic’s SIA (Chan, 2000). The Singaporean Girl strategy turned out to be a very powerful idea and has become a successful brand icon. This has allowed Singapore Airlines to be highly selective in the recruiting process for talent which has added further to the strength of the brand icon and the brand reputation around it.

### 2. 3. 2. Cost – effective service excellence

There is not enough if the SIA brand name is not associated with service excellence based on a deep customer focus. In order to achieve service excellence cost – effective, SIA has two main assets – planes and people



(Heracleous and Wirtz, 2010). SIA always ensures that the plane is young because the mechanical failures are rare, fewer takeoffs are delayed, more arrivals are on time and fewer flights are canceled. New planes are more fuel efficient and less repair and maintenance. However, SIA understood that service is mostly about people, so service employees are the key motivation delivery excellent service and increasing productivity. SIA invested many training programs. The employees learn how to take care customers and learn how to communicate by eye levels to them rather than just talking down. The emphasis in service is not only desired customers but also reduced the cost by minimizing customer turnover. Moreover, these created an indirect exchange of skills for skills, services for services and employee skills will adapt to create value with customers (Vargo and Lusch, 2004).

## 2. 4. Functional strategies and programs

The functional strategy is where the business functions, operations or finance or marketing, formulate their long-term plans which support the aims being pursued by the business strategy (Hayes and Wheelwright, 1984).

### 2. 4. 1. Marketing strategy

SIA developed the marketing initiative with the Singapore Tourism Board (STB) and tourism agencies. In 2001, SIA sponsored events in Singapore such as Singapore Airline International Cup and the Singapore International Jazz Festival (Singapore Airlines, 2001). Moreover, at the heart of SIA's service reputation was the Singaporean Girl and the iconic Singaporean Girl was became the centerpiece of SIA's marketing strategy. She was the

central feature of advertisements, where she was portrayed in a number of settings (Cheong, 2004). It was an effective tool in communication of SIA's image to customer mind. Also, SIA's communication has been as consistent in brand strategy.

The message “ Singapore Airline – A great way to fly” have been consistently selected in print media and TV commercials of very high production value. In that way, the iconic Singaporean Girl was features in all communication messages in the different settings and themes. Furthermore, the SIA's effort focused on customers and relationships in their marketing strategy. The centre of service was customer orientation and relation. Customers are connected to SIA through in-flight surveys and customer focus groups. Also, SIA are followed every contact they can make with their customer and keep track to co-create value with them.

#### 2. 4. 2. Distribution mechanisms

The internet was very helpful for the airline industry in their distribution channel (Cheong, 2004). From the early days, SIA's customers can gather information, price and book air travel through the internet, travel agents who connected to customer reservation system (CRS) and customers also connected directly to CRS through Internet sites or airline specific booking sites. Based on the concept of the market with and amongst that goods are merely a vehicle for service provisions and become platforms for operant resources in application to create value (Vargo and Lusch, 2004), SIA clear that goods are used to fulfill all the hierarchies of customers and the quality service have to offer to combine of all tangible resource. There was not

enough to have best seats, planes, food services and other tangibles, it is the totally support of service to those tangibles and intangible factors.

#### 2. 4. 3. Human resource

As mentioned above, SIA human resource is the important asset in service firms. Firstly, service employees are the key input for the service supplying e because of the characteristic of service firm, where employees are expected to be efficient and dynamic in operational tasks, also friendly and helpful in dealing with customers. Secondly, leadership and top management play a key role in SIA's Human Resource strategy in delivering its business strategy of cost effective service excellence. Therefore, there are five elements inherent in SIA's Human Resource strategy included (Heracleous, Wirtz and Pangarkar, 2008): Stringent selection and recruitment processes.

Extensive investment in training and re-training. Successful service delivery teams. Empowerment of front line staff to control quality. Motivate staff through reward and recognition. These elements were a drawback for SIA in long term of recruiting and training as following two objectives: Improving courses of training: improving courses of training is very meaningful to SIA because it does not only help SIA to shorten time for every training course but also saving cost and improve the quality of the programs. Classify the employee base on their existing ability. This requires SIA to classify the level of employees. However, SIA will avoid wasting time and cost in to the training and recruiting programs because it helps SIA to have relevant programs of training for every employee.

### 3. The value chain analysis

As defined as a chain of activities for a company operation in a special industry, a value chain analysis can provide the obvious view of the pattern of the firm's activities and behaviors (Porter, 1985). Moreover, analyzing the value chain can help to identify the company's resources which contribute to formulate the business strategies (Porter, 1990).

By considering carefully each single activity and integrating all of them, primary activities and support activities have been contributing to the success of SIA and continuously building up its cost-effective service excellence and its unique brand in the airline industry for over four decades.

#### 3. 1. SIA infrastructure

The firm infrastructure is about general management, finance, and assets (Wheleen and Hunger, 2010). Having one of the modernist fleet in the world allows SIA continue its mission with providing excellent service. SIA has five aircraft families consists of both Boeing and Airbus which also is committed to be maintain as the most young fleet in airline industry (Singapore Airlines, 2010). Moreover, SIA infrastructure is supported by its strong financial resource which allows SIA to pursuit its strategy. The strong financial position is improved by SIA effective cost management as which not only builds its core competency. It not only helps SIA to purchase equipment and airplanes, it also helps SIA to take the advantage of economic of scale from its supplier during recession period. Besides, in terms of management, SIA is operating independent despite being a Singapore Government linked company.

### 3. 2. Human resource management (HRM)

HRM is an essential part of corporate strategy, especially in the service industry HRM can be seen as significant part of marketing strategies as well (Bearwell, Holden and Claydon, 2004). By considering the recruitment, training and development, HRM can contribute to the effectively of company (Wheleen and Hunger, 2010).

#### 3. 2. 1. Recruitment

In SIA, entry qualifications for cabin crew applicants are both academic (at least polytechnic diploma) as well as physical attributes. The recruitment process is extensive, involving 3 rounds of interviews, a “ uniform test”, a “ water confidence” test, psychometric tests and a tea party. Over 16, 000 applications are received every year, and the company hires around 500-600 new cabin crew, to cover attribution rates of around 10%. This includes both voluntary and directed attrition. After the Singapore Girls start flying, they are carefully monitored for the first 6 months, through a monthly report by the in-flight supervisor. At the end of the probationary period, 75% get confirmed, around 20% get an extension of probation, and 5% leave.

#### 3. 2. 2. Training and development

SIA spends almost 14 times more per employee on a Singapore average scale. The famous “ Singapore Girl” undergoes training for 15 weeks, longer than any other airline and almost twice as long as the industry average of two months. This training includes not only functional skills such as food and beverage serving and safety training, but also soft skills of personal

interaction, personal poise, grooming and deportment, and emotional skills of dealing with the consequences of serving very demanding passengers. Moreover, all performances of staff in SIA are managed by Performance Service Index. This index is the indicator of the success rate of the SIA service which is measured by taking 1800 customers' feedback in 30 factors like quality of food, check in procedure.

Also, Outstanding Service on the Ground (OSG) Feedback Competition tested staff is used to evaluate staff performance. Additionally, Outlook in-house magazine is a channel where all SIA staff can be recognized for good ideas; inform problems (Quelch, et al., 1996). Specially, in 1992 SIA opened an S\$800 million training complex where 230 professionals conducted specially designed courses for all SIA staff and handling training agents around the world (Quelch, et al., 1996).