

Case – air asia: flying low-cost with high hopes

Business



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Problem/ Issue Analysis: This case details the history and unlikely success that the aforementioned airline, Air Asia, endeavored in and experienced after Tony Fernandes acquired the then debt-ridden airline. The economic outlook, ' Post- September 11 (2001)', notwithstanding, his belief in the right timing in the airline's entry into the air-transport market proved successful. The central issue in this case is how an airline could transform from a loss-making enterprise into a profit-realizing one despite the high cost of fuel, stiff competition and other expenses.

Also, how could a no-frills, low-cost carrier become a huge success under the prevailing circumstances? Analysis/Evaluation: The stakeholders in this case include Customers – all people who travel with or entail the services of airlines; this in their day-to-day transactions, and enjoy a subsidized travelling experience. Owners – include those with stakes/ shareholding/ interests in this new form of air-travel. Tony Fernandes, being the new owner and other stakeholders, have vested interests in the realization of profit margins. Competitors – include those airlines, such as Malaysia Airlines (MAS) that operate in the normal procedure and are responsible for the separation of different services as guided by the prices paid per available value servic. Government – include the International arena (Asia), the government of Malaysia, the Kuala Lumpur International Airport Authority and local municipalities. Through the aid of Connor McCarthy and with the support of the airliner's executive team, they were able to remodel the airline into becoming the Asian pioneer operator adopting the ' no-frills, low-fare' model.

Employees – include the executive team and other airline employees . The lack of different class services entailed a restructuring of the employees' duties exists in the airline. Global Airline Travel Services New Business Model versus Market Competition The business model adopted by Air Asia after its acquisition, defied the trend at the time. Air travel was viewed as a luxurious mode of travelling because it targeted businesspersons and upper middle class customers. This was costly to the company because it performed poorly in the market.

However, the company improved in its customer base and profits when it introduced a new strategy using No Frills, Low Cost strategy. This saw the implementation of ' a free-seating strategy' and entering into joint ventures, maintenance of a low cost strategy and sub-zero fare campaign. These facts can be seen in Appendixes 1, 2, and Exhibit 2, 3, 9 and 10, 11 and 12. The extensive utility of its multi-lingual website enabled a surge in the numbers of local vacationing travelers. Recommendation Air Asia has improved its business in terms of expansion and attracting more customers since it changed its strategy as seen in Exhibit 1. It has also improved its operating cost as shown in Exhibit 6.

The change in strategy has seen the company get awards as seen in Exhibit 9. Therefore, I recommend that the company continue to use the no frills, low cost. This will see the company attract more customers that will help the company attract more profits. In addition, I would recommend that the company look into its establishment in other market regions to expand its reach from where it is currently. This will see the company make more

successes and realize more potential that it may not realize in its current market occupation.

The company should also enter into joint ventures with other airlines to aid its expansion into other parts of the world. It is my opinion that through habitual ticket promotions during busy seasons encouraged earlier booking and thus the phase, ' Easy to Book, Easy to Pay and Easy to Fly'. This approach not only entailed the airlines' partnership with a telephone booking centre, travel agencies and sales bureaus, but also post-office and local banks partnerships. Barely a year later, was the airline able to realize impressive profits. Booking via Short Messaging Service, increased its outreach and thus solidified its stand as a major player in the aviation arena.