

Operating and information system: case study on airasia

Education



WEEK 7 : Operating and Information System: Case Study on AirAsia

AirAsia creates values through the following vision is to be the largest low cost airline in Asia and serving the 3 billion people who are currently underserved with poor connectivity and high fares. Beside that, the AirAsia also creates the mission is to be the best company to work for whereby employees are treated as part of a bigfamily, create a globally recognized ASEAN brand, to attain the lowest cost so that everyone can fly with AirAsia and the last is maintain the highest quality product, embracing technology to reduce cost and enhance service levels.

AirAsia makes the low fare model possible and create values through the implementation of the 6 key strategies. The first of the key strategies is Safety First, AirAsia wan to be partnering with the world's most renowned maintenance providers and complying with the world airline operations. Beside that, the second key strategies is High Aircraft Utilization is mean implementing the regions fastest turnaround time at only 25 minutes, assuring lower costs and higher productivity.

Low Fare and No Frills are also is AirAsia's key strategies, Low Fare and No Frills is mean providing guests with the choice of customizing services without compromising on quality and services. Another key strategies is Streamline Operation, this key strategies is make sure that processes are as simple as possible. Beside that, Lean Distribution System is offering a wide and innovative range of distribution channels to make booking and traveling

easier. The last of the AirAsia's key strategies is Point to Point Network is to applying the point-to-point network keeps operation simple and lower costs.

Business process and operation in the AirAsia is has fostered a dependency on Internet technology for its operational and strategic management, and provides an online ticket booking services to traveler online. In todays globalize economy, information technology has driven fundamental changes in the nature and application of technology in business. The implementation of information technology in its value chain provides powerful strategic and tactical tools for AirAsia, which if properly applied and used, could bring great advantages in promoting and strengthening the competitive advantages.

Moreover, AirAsia has currently adopted information technologies strategically to integrate the operations and coordinate all the business and management functions. The followings are few system implementations that AirAsia has done in its marketing and sales activities as well as operation activity in the value chain. The lowest airlines like Air Asia attending low cost require high efficiency in every part of the business and maintaining simplicity. Therefore every system process must incorporate the best industry practices.

The key components of the LCC business model are High aircraft utilization, No frills, Streamline Operations, Basic Amenities, Point to point network, Lean Distribution System. Aircraft is kept flying as much as possible, the first flight starts as early in the morning commercially possible and the final flight typically ends at midnight. A fast turnaround is critical to ensure time spent

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of the ground is minimal – an airline makes money when the aircraft is flying, not when the aircraft is parked. AirAsia's turnaround time is 25 minutes; compare that against 1 hour for a FSC.

On average, AirAsia's utilization per aircraft is 12 block hours per day, a FSC might do about 8 block hours per day. No frills such as no free food and beverages, free seating, no refund and no loyalty programme. Making the process as simple as possible is the key of a successful LCC. Single type of aircraft, single class seating, Standard Operating Procedures. Secondary airports. Low cost carriers mostly fly to and from airports that are not necessarily the busiest, for example, London - Stanstead rather than London - Heathrow.

These are often referred to as secondary airports. Operating from so called secondary airports is cheaper than from the bigger major airports and they are also a lot less congested and "turnaround times" for aircraft are a lot shorter. Point to point network. LCC shuns the hub-and-spoke system and embraces the simple point-to-point network. Almost all AirAsia flights are short-haul (3 hour flight or less). No arrangements have been made with other airline companies on connecting flights, on possibilities of flight transfers, nor on having the luggage labeled and passed through from one flight to another. Distribution costs are something that FSC most often ignore. Very often, FSC relies on travel agents and from their posh sales office. Furthermore, FSC always blows the budget by complicating their distribution channels by integrating their systems with multiple Global Distribution Systems. LCC will keep their distribution channel as simple as

possible and will cover the whole spectrum of the clientele profile. For example, AirAsia can cater to the most sophisticated European traveler via internet and credit card sales.

And at the same time, AirAsia has an established system to sell our tickets to the most remote and technology deprived locations, such as in Myanmar.

When talking about LCC, some quarters will react with cynical and sometimes preposterous views. If a passenger must stand in a flight due to lack of seats or there will be chickens in the flight. Such misconceptions are not surprising, given the fact that scheduled, low-fare flights are a relatively new phenomenon in the world.

The reason for the success of the new low cost carriers is very simple - move the maximum number of passengers at the minimum of cost. The concept of LCC is based on the idea that people would fly a lot more often if it were more affordable. LCC airline's main mission is to make air travel the most simple, convenient and inexpensive form of transportation in the world. The fare differential between the full service carriers (FSC) and LCC can be as high as 40%-60% cheaper. Air Asia SWOT such as Strengths, Weaknesses, Opportunities and Threats.

Strengths analysis have low cost operations, fewer management level, effective, focused and aggressive management, simple proven business model that consistently delivers that lowest fares, multi-skilled staffs means efficient and incentive workforce, penetrate and stimulate to potential markets. Weaknesses analysis have limited human resources could not handle irregular situation, government interference and regulation on airport

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deals and passenger compensation, brand is vital for market position and developing it is always a challenge, and new entrants to provide the price-sensitive services.

Opportunities analysis also have long haul flight is an trial to get undeveloped market share, differentiation from traditional LCC model by adding customer services or operation as full service airline with low fare, and ongoing industry consolidation has opened up prospects for new routes and airport deals. And the last one Threats analysis have full service airlines start cut costs to compete, high fuel price decreases yield, accident, terrorist attack, and disaster and affect customer confidence, increase in operation cost in producing value-added services, and system disruption due to heavily reliance on online sales.

In AirAsia have Yield Management System (YMS) . This system is to anticipates and reacts to the behavior of customers to maximize the revenue. For some example, for the seat are available at various prices in different points of time. A reservation done at a later date will be charged more than the one done earlier for the same seat. For the Route is adjusting prices for routes or destinations that have a higher demand when compared to others.

During off-peak times while raising prices only marginally for peak times. For the AirAsia's Computer Reservation is an integrated web-enabled reservation and inventory system suite powered by Navitaire's Open Skies technology that includes Internet, call center, and airport departure control functionality.

Computer Reservation System is also satisfy the unique needs of AirAsia

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implementing a low-cost business model to transform the business process to efficiently streamline operations.

Enterprise Resource Planning System(ERP) in AirAsia is an integrated solution powered by Microsoft Business Solutions (MBS) on Microsoft technology platform which is implemented by Avanade consultants in 2005. With the robust ERP technology platform, AirAsia is able to successfully maintain process integrity, reduce financial month-end closing processing time, speeds up reporting and data retrieval process. Customer Relationship Program (CRM) the information management process, the multichannel integration process, the value creation process, the strategy development process and the performance assessment process.

The fundamental to a successful CRM strategy requires seamless customer-centric processes, supported by integrated technology across the enterprise and its supply chain which provide the right information at the right time. To ensure that technology solutions support CRM, CRM tools must be making trade offs in flexibility, customizability, cost, convenience and speed of deployment; certainly it must match to the needs of the business. However, CRM tool is just a supplement to CRM strategy, appropriate strategy and excellent implementation is essential for a successful CRM.