

# Sia customer focus strategy management essay



**ASSIGN  
BUSTER**

Singapore Airlines has been a major breakthrough in the aviation world. It has been consistently performing well against their competitors. It is also regarded as the best airline in the world. We examine how SIA has achieved its impressive performance and be able to remain competitive throughout its history. Also, we examine the strategic success through differentiation by means of service excellence and innovation, together with cost leadership issue. We take into account the critical factors as well as organisational factors that provide competitive advantage for Singapore Airlines. We discuss in details about the “ Singapore Girl”, In-flight service, Training, Customer feedback, Team spirit, Tripartite arrangement, Strategic hub, Alliances, Governmental Support, Cost-saving.

#### Introduction:

SIA started its service as Malayan Airways in 1947. Following a mutual agreement between the Malaysian and Singaporean Government over the split of the Malaysia Singapore Airlines, two new airlines were formed namely SIA and Malaysia Airways. The newly formed SIA began its operation in 1972. As Malaysia Airways took over the domestic routes, SIA decided to focus on international network to compete for routes, get the rights to land on different international airports, set up bilateral agreements, purchasing flight slots and establishing landing rights. Moreover, SIA went on to purchase Boeing 747 Jumbo jets and also cargo services were offered too. Following 7 years in service, the aircraft were traded for new and more efficient aircraft. SIA has a policy of keeping young fleet as a strategy for customers to think of better safety. SIA also decided to expand its fleet which included a mix of Boeing and Airbus aircraft. SIA is regarded the best airline in the world

following the numerous awards they have received. To have been acclaimed such a good reputation and been maintaining it for years, it has not been an easy nut to crack down. According to Chan (2000) analysis, he suggests that SIA has been so successful since they implement a dual strategy involving differentiation through excellent in-flight service and innovation, together with cost leadership in its management. However, Porter (1985) argued that differentiation and cost leadership must be mutually exclusive since they require alternate means of investments. Moreover, we examine the critical and organisational factors involved for the strategic success of SIA according to the Chan (2000) case studies.

### 1. Customer Focus Strategy

SIA is a service industry. Its top priority is to enhance customer service and also improve the service and product they offer to meet and satisfy customers' demand instead of adopting cost saving concept usually implemented by the traditional U. S airlines. SIA adopt a customer-focused strategy instead of focusing on competitors or themselves first. Although it involves a high cost, SIA profit margin has not been affected. This clearly shows that if an airline wants to be successful, it has to take the risk to offer better customer service, which in turn involves higher investment but eventually enjoying a higher yield of profit. This is what SIA implemented and so far has been successful in its quest. SIA was also the first airline to concentrate on customer service concept and also enhancing its reputation of providing quality service and it is ingrained in the minds of customers. This indeed helps SIA to be in the pole position for sustainable competitive advantage.

## 2. Marketing Weapon: “ Singapore Girl”

Moreover, in order to develop and implement high quality service standards, SIA uses the “ Singapore Girl” icon as its marketing weapon of great hospitality service to customers. With such a simple and genius idea, SIA has been so successful for the past 25 years with no sign of downfall. This has been greatly awarded and has earned a positive and remarkable reputation such that it is being displayed at the Famed Madame Tussaud’s Museum in London. The “ Singapore Girl” is always featured in the advertising magazines or layouts even if SIA is promoting new destinations, bigger airplanes, or even new meals on-board. This is because the bottom line for SIA is to deliver quality service and that “ Singapore Girl” is the perfect example to demonstrate that service. A pilot, an aircraft engineer or a famous chef will not be suitable to deliver the message of “ quality service” to customers. SIA stewardesses are dressed in a beautiful Malay sarong kebaya, designed by famous fashion house, Pierre Balmain (Chan, 2002a). SIA’s core competencies include marketing skills developed by its top management and the interpersonal skills of its flight attendants according to (Ayob, 2010). Making the flight as enjoyable as possible is the objective of SIA.

## 3. Training

SIA has adopted a strict and selective approach for staff recruitment. It is based on an intensive and comprehensive training where the most suitable and efficient staffs are selected for an on-going 4 month course which is considered the longest training ever as compared to other airlines. Some of

the specific topics covered during the training are safety, provision of service reflecting warmth and friendliness, beautiful tips, discussions of gourmet food, fine wines and the art of conversation. These topics previously mentioned if well assimilated by the selected candidates, will provide a major boost to SIA and also to its customers due to the fact that the attendants will have reasonable knowledge of the things that customers might ask during the flight. As these topics covered up most if not all of the information that normally passengers tend to ask. The training is also conducted during period of economic crisis as it will help the airline to move forward in service quality improvement as other airlines might move back to save cost and also it proves to the staffs that continuous improvement are important for success ( Kauffman). Moreover, SIA believes that employees play an important part in bringing success to the airline. Its flight attendants, together with its pilots come from different ethnic backgrounds and are able to communicate to passengers in different languages depending where they fly to.

#### 4. Customer service and In-flight service

In 1972, SIA became the first airline to provide free food and alcoholic drinks on its flights regardless of class, as well as in-flight entertainment at no extra cost. Passengers are served with delicious, gourmet food and the flight attendants pay particular attention to detail. Moreover, SIA has one flight attendant for every 22 seats which is well above the industry average. SIA will even serve instant noodles on request. In 1997, SIA introduced the Electronic Ticketing for flights from Singapore to Kuala Lumpur and Penang. In the same year, it launched innovative in-flight entertainment offering

<https://assignbuster.com/sia-customer-focus-strategy-management-essay/>

passengers viewing and listening options from a wide variety of 20 movies, 20 short features and about 50 CDs. Also, First Class, Raffles Class and PPS Club members were provided internet check-in service when flying out of Singapore in 1996 ( Chan, 2000a, p. 7). SIA is also very good at handling people situation in such a way that if ever SIA promises to deliver the luggage in 10 minutes, then it will stick to that promise (Ramaswamy 2002). Furthermore what SIA wants to achieve is that they want to make the customers aware that they are not just paying to transport them from one country to another, but also that they are enjoying the service offered to them on board and also that they feel comfortable and not like stuck in an enclosed compartment especially on a long-haul flight which is quite annoying. SIA wants to point out that they are competing to be the best airline in the industry but instead they are competing to be the best service organisation instead. To achieve that, SIA benchmark themselves not just against their competitors but to the best in class service companies. With regard to business-level strategy, SIA manage to deliver quality service to customers (achieving differentiation), at a level of costs that approach those of a budget carrier. This achievement challenges Porter's suggestion that differentiation and cost leadership are mutually exclusive. (Heracleous et al., 2009).

## 5. Customer feedbacks

SIA does seek feedback from its passengers in order to improve its quality service. In 1998, a survey on 4000 passengers from all the classes was conducted. It involves information from passengers from different flights namely London, New York, Los Angeles, Sydney, Mumbai and Hong Kong

<https://assignbuster.com/sia-customer-focus-strategy-management-essay/>

(Chan, 2000b). Comfort, privacy and the experience that SIA offered were the main issues involved. So, an immediate action was taken by SIA whereby a team of specialised people started to renovate and implement what was necessary to be done. For example, SIA renovated the custom-built seats to cashmere blankets. SIA pay particular attention to customers' demand as a resource for innovation ideas.

## 6. Cost saving

SIA focuses its cost saving strategy at the management level. Aircraft maintenance, catering and security are run and managed as subsidiaries. This is planned since SIA will have a better control of the costs this way. As a result, SIA has generated a better-cost savings and also increased its profit margin (Asian Business Review, 1996, p. 34). Moreover, SIA relocated and outsourced its database and processing functions to much cheaper Mumbai in India and Beijing in China.

## 7. Strategic flexibility

Hax and Wilde (2001, p. 114-5) believe that in a fast-changing world, "Strategic flexibility can generate higher profits by helping a company stay perfectly tuned to the market and avoid getting trapped in dead-end business models". SIA has been implementing the concept "flexibility" by entering into new markets- opening new routes. Since SIA does not have any domestic routes to serve, it has to look for routes that even originate in 3rd countries flying to another third country. Moreover, to help expand its network of flights, SIA has code-sharing agreements with about 20 airlines, including key partnerships with Delta Airlines and Swissair. SIA, Delta Airlines <https://assignbuster.com/sia-customer-focus-strategy-management-essay/>

and Swissair are also partners of the Global Excellence Alliance, each holding 5% equity stakes in the other two. (Chan, 2000b). Building up alliances as a strategy to remain competitive in the global market is primordial nowadays for airlines to be a success as noted by Johnstone (1996). According to Hanlon (1996), having a strategic hub strengthens the strategic competitive position of an airline. Singapore is a very good example of a strategic hub which contributes to the success of SIA. Moreover, SIA presents themselves as attractive partners with other airlines to build global strategic alliances and networks. In 1998, SIA had a strategic agreement with Lufthansa. This has allowed SIA the opportunity to have a strategic European hub in its international network and vice versa. SIA passengers travelling between Singapore and Frankfurt can now enjoy more flights to choose from due to the agreement made.

## 8. Governmental Support

The Singaporean Government plays an important role in negotiating actively for favourable air agreements and arrangements with other countries. It also helps in the development of Singapore Airlines and Singapore's Changi Airport as well. With the collaboration of the Singapore Government, SIA and Changi Airport, altogether have distinct strategic competitive advantage and has helped SIA in their quest for success in the international aviation world (Business Traveller- Asia Pacific, 1997b, p. 3).

## 9. Team Spirit

SIA adopts a visionary, "can-do" and inspiring approach which motivates its team members. BHAGs are used in SIA strategy to generate team spirit and



that is the reason behind SIA success according to Chan (2000). The team spirit is built within its 6600 crew members through a small group of 13 crew members who are formed and fly together to strengthen their relationship in the workplace and also improve the culture of cost effective service excellence and the peer pressure to deliver SIA promise to customers according to Heracleous et al (2009). Moreover Doganis (2006) noted that the productivity of SIA employees is one of the highest in the global airline industry.

Conclusion: