AirAsia Case Study

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AirAsia Berhad is one of the leading airline companies, is based in Kuala Lumpur, Malaysia, and the company serves more than 165 destinations through its low-cost offerings. It is the subsidiary of Tune Air Sdn Bhd and it was founded by Tony Fernandes at the times he was under debt but the company was profitable owing to business innovations and effective strategic planning (Yashodha, 2012). The company operates local and international flights to more than 25 countries. Some of its affiliate airlines such as Thai AirAsia, Philippines AirAsia, Indonesia AirAsia, and AirAsia India are focused on long routes. The specialty of the company is the low per-unit cost, and it is the pioneer of offering low-cost services in Asia; it has also won several accolades based on its low-cost offerings for the past 11 years. The latest award it earned was in 2019 due to the most competitive prices. For the past several years, Malaysia Airlines enjoyed a high monopoly in the airline market but now AirAsia has taken its place. The success of the company is attributed to the leadership skills of its founder coupled with a range of precise marketing strategies that enabled it to attract several customers and elevated its status from one flight per day to 22 flights per day.

Air Asia is a budget airline that offers flights throughout East and Southeast Asia. It's incomparable to airlines such as Korean Air, Japanese Airlines, etc. the flights are not only cheap but non-stop flights. There are no complimentary drinks or snacks. Everything is for purchase that is very typical for a budget airline. The ultimate belief of the company was to cut the cost that does not add value to the customer journey (Shuk-Ching, & Waring, 2010). In an interview with Business Insider Singapore, Tony Fernandes remembers the epidemic of SARS in 2002 and 2003 when his marketing team declared it to be the end of the company's business. This was the time he asked the marketing team to triple their efforts, and reducing the fare price as much as they could (Lim, Mohamed, Ariffin, & Guan, 2009). According to Fernandes, Malaysians are ready to take the risk when they see low price tags. This can be traced back to the leadership competency of the CEO, who had a deeper understanding of its target market. At that time, the company was able to make enough money that saved them from any disaster.

Air Asia has a 'Fly-Thru' service that is highly admired by its customers due to the ease they offer. The purpose of its existence is to offer easy connectivity to flyers allowing them to fly without any hassle of immigration checkpoints and baggage collection again. Without repeating the process they are able to transit to their final destinations. Besides a customized self-direct facility is offered where customers are enabled to plan their journey via their point-to-point service of AirAsia. Customer service to gain loyalty is also one of the strategies, despite the lowest priced supplier (Jiang, 2013). AirAsia also extends its services beyond the airport since they assist their passengers to find accommodation and travel. It becomes very easy to book flights, hotel rooms, and tours instantly through AirAsia Expedia and AirAsia Go. Other services offered by AirAsia are, Web, varying baggage allowances, Mobile and kiosk check-in, Customizable add-ons like insurance deals, and hot meals, TuneTalk Simcard (Malaysia only), etc. The company aims to provide high quality but low-cost services to its customers. the mission of a company is to allow everyone to fly, by delivering world-class services at very low fares, making flying affordable for everyone. It serves to about 600 million passengers across the Asia Pacific and proves the orthodox philosophy of "quality always comes with a price" to be wrong.

The success of the company lies in attaining a competitive edge through cost leadership. Porter provided a very basic list of strategies:

* Cost leadership (price)
* Product Differentiation (Porter, 2008).
* Focus or market niche - which can/should be combined with a cost or differentiation strategy

These are further developed by Fred Wiersema, who wrote about the three value disciplines: operational excellence (price), customer intimacy and product leadership. From all these strategies, AirAsia chose to create an advantage based on price by offering market competitive prices and establishing a loyal customer base. The company opted for several customer-oriented, cost-effective and innovative strategies to attain its mission. The marketing team was consistent in devising strategies and ways to cut costs alongside maintaining the admirable level of services. They explored efficient ways of reducing the cost of air travel and expand on the segments they served. The innovative low-dare, no-frills concept reduced the per-unit price, for instance, paid meals instead of pre-paid meals and a single standard cabin. Also, the company offered short-haul flights that took less than four hours and allowed for the same-day return flight cutting on several operations of the company.

The company also launched its long-hauled air services at the time when a number of low-cost airlines were hesitant to do so. A mix of business, corporate, and marketing strategies were consistently aiming at slowly attaining the aims and the objectives of the corporation; dynamic with the changing internal and external business environment. When several Low-cost carriers were reluctant to launch long-hauled air services, Air Asia decided to go for it. All of these business strategies coupled with the marketing strategy were aimed at attaining the goals of AirAsia, gradually.

The company took some bold market decisions, initially, it targeted only the domestic market and gradually it started to expand itself to the neighboring countries and across all the continents. All the marketing schemes were aimed at getting a higher number of customers, the company did not employ very targeted schemes but something that could occupy the majority of customers. the tagline, “Now Everyone can fly” shares the basic philosophy of its business. The ultimate strategy was to find ways of getting the most effective routes that could result in cost-saving combined with customer satisfaction. The company kept on adding different features and more value-added services to increase its sales. Moreover, it did not stick itself with all the principles of Low-cost carriers. Also, to the low-cost services, it offers the services of travel insurance. Based on the customer loyalty program, it offers free tickets. All of these services have been very dynamic and parallel with its budgets and exceptional performance.

The company has demonstrated quite a strong performance when one considers the prevalent market conditions and the company's overall position at the time of relaunch. Its publication strategies propelled its brand in the media, where it now enjoys substantive coverage. Moreover, ticket fares have remained low regardless of the oil price hikes. Even so, the company manages to sponsor major football leagues and formula one teams such as the AT&T Williams and the Manchester United and subsequently gains widespread promotion. Several collaborations and partnerships at the multi-national level enabled the company to rapidly expand its size and establish various joint ventures in Australia, Thailand, and Indonesia, among others.

Other products of the company include Xpress boarding services, internet check-in services, Citibank-Air Asia Credit Card, and mileage programs which go hand-in-hand with its main operations of selling airline tickets. This allows the company to earn greater margins from relatively developed markets; a strategy based on extending consumer base to cover all segments of the society, to expand profits. Consequently, the company enjoyed significant success in the past and is expected to continue progressing in this path as a result of the immense advantages it enjoys over other competition.

Such tactful marketing strategies have propelled the company forward and leave its competitors behind not just in revenue generation but customer satisfaction as well. Many marketing managers today have taken these techniques as a yardstick to evaluate a product or service's performance. In particular, the socio-economic and political conditions prevalent in a country are now taken as a major factor in developing a marketing strategy, thus paving the way for an individualized strategy that varies from country to country. Marketing strategies should give due consideration to environmental sustainability as a major decisive factor in developing policies to achieve similar success.

According to the customer reviews, AirAsia is deserving of all the praise for doing everything just right, be it pricing, service, food or technical assistance. Air Asia has some of the most affordable price ranges for international travel based on strong marketing segmentation. The international marketing mix of the company comprises either standardization or adaptation. The marketing activities are also targeted at both domestic and international potential customers. To some extent, it is a small airline that plays shoulder to shoulder to industry giants. one find the cheapest tickets through their online website, since tickets are sensitive to flyer needs. One can avail even more offers and discounts if they book tickets through travel websites (Ahmad, 2010).

Customer safety has been the high focus of the company and it also advertises this to their customers. Low cost doesn't mean low safety and full-service airlines don't guarantee incident-free travel. Air Asia had only 1 full-body loss and no other significant accidents to question their safety. They are flying to 130 destinations worldwide, including Honolulu, the USA with 100s of places every day. There is always a small risk that something will go wrong-budget or otherwise, this risk every traveler has to take. When the company initiated its operations, the CEO was familiar with the Malaysians' philosophy who is ready to take the risk when it comes to very low prices.

 The company has undergone significant changes and development since it is in the industry. Based on the evolving need of the business environment, the company is incorporating technology in business operations (Rahadian et al, 2015). It is employing Google Cloud’s machine learning and AI that will transform the company into a travel technology company. The company is digitalizing its processes and operations and makes use of data to uncap new business opportunities. The company is also creating digital platforms to meet the travel needs of customers. The AirAsia BIG Loyalty app is aimed at adding value to the lives of customers. AirAsia has earned the position of the biggest carrier in Asia. Every day there are hundreds of flights taking off and landing in every city operated by AirAsia. If Air Asia continues to focus on the customer services more than just focusing on its budget, and if it continues to use technology the way it is doing, the company has high potential to roar higher. All the services provided by the company to ensure a nice trip for the customer along with the low price can help the company excel in this highly saturated airline industry in the next years as well.

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