



Understanding Marketing Mix in Air Asia Airline Bhd

Author: Onwutalobi, Anthony-Claret

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EXECUTIVE SUMMARY

The term "marketing mix" became popularized after Neil H. Borden published his 1964 article titled, "The Concept of the Marketing Mix". Since then, this terminology has become a common knowledge in the business world and has played a pivotal role in shaping most companies' business processes and models.

However, most people argued that this framework was particularly useful in the early days of the marketing concept when physical products represented a larger portion of the economy. Today, with marketing more integrated into organizations and with a wider variety of products/services and markets, is so astonishing and surprising that this concept is still very appropriate and relevant.

In this article, I will discuss and analyze **AirAsia Airline** within the context of this marketing concept described above. Identifying the target market and highlighting some of the marketing mix employed to attract the chosen market

Finally, I will discuss the threats to the long-term success of the airline with reference to the current marketing mix in order to overcome certain service shortcomings.

ORGANIZATIONAL ANALYSIS

Company Background

AirAsia Malaysia is second national airline. It was the first successful low cost, ticket-less airline in the Southeast Asian region. On 8 December 2001, Tune Air Sdn Bhd officially acquired 99.25 per cent equity (51.68 million shares) in AirAsia from DRB-Hicom, one of Malaysia's giant conglomerates. Tune Air Sdn Bhd is the holding company, while AirAsia remains as the operating company.¹

AirAsia currently operates over 100 point-to-point domestic and international flights from its hubs in Kuala Lumpur International Airport (KLIA) and Senai Airport, Johor Bahru in Malaysia; Bangkok International Airport in Thailand; and Soekarno-Hatta International Airport in Jakarta, Indonesia.

¹ (n.d) AirAsia Corporate profile, <http://www.Airasia.com> date accessed 12/05/06



AirAsia offers a simple “no frills” service at fares that are on average significantly lower than those offered by traditional full-service airlines. Modeled on successful low fare airlines such as the U.S.-based Southwest Airlines and Dublin-based Ryanair, AirAsia was established to create a new aviation product in Malaysia, one that would revolutionize air travel, and grow the local aviation market by providing incredibly low fares so more people can fly.

ENVIRONMENTAL ANALYSIS

SWOT-CC Analysis

Strengths

AirAsia is a vibrant company that is involved in offering a simple “no frills” service at fares that are on average significantly lower than those offered by traditional full-service airlines. Currently, AirAsia flies to 12 destinations in Malaysia, using a fleet of seven Boeing 737-300s,. More interestingly, it will have started flying to secondary airports near Bangkok, Manila, Jakarta, and Hong Kong. Ultimately, the goal is to increase the fleet to 18 by June 2004,² equivalent to the delivery of one aircraft a month beginning in September. With these affiliates and subsidiaries in various countries, AirAsia can adequately operate in foreign environments. This is a strength **since key first major customer are acquired**

Another observable strength of AirAsia would be **Well-rounded and managed business** and their turnover rate; this gives them an added advantage over other Airlines. It not only managed to compete with major carriers like Malaysian Airlines (MAS) and Singapore International Airlines (SIA), but it also became the benchmark for several other low-cost airlines in that market. So great was AirAsia's impact that analysts said the airline, with its minimal fares, was living up to its tag line, which said 'Now Everyone can fly'.³

AirAsia also employs and trains staffs with superior interpersonal skills, and they manage the entire creative process effectively. Due to proper management and creativity, AirAsia has many offering for their services; their **Initial product can evolve into range of offerings** and for the past five years have been creating at least 5 new destination centers. Their offering of ticket-less service gives them an advantage to offer their customers hassle free services.

² (n.d) AirAsia Fat Sheet [Http://www.airasia.com](http://www.airasia.com) date accessed 12/05/06

³ (n.d) Free Seats on AirAsia http://www.icmr.icfai.org/casestudies/catalogue/business_strategy/airasia.html date accessed 15/05/06



They also have a team of **very focus minded management staff**, and a team of experienced professionals with an established record in the Airline services. In addition to the team of professionals, AirAsia has developed a credible record of accomplishment over five years of operation, which gives them the acceptance and trustworthiness.

AirAsia is one of the most successful airlines in the Southeast Asian region and the pioneer of low cost, no frills travel in Malaysia, AirAsia was often in the news for its low fares and fast growing operations. However, within three years of operation, AirAsia changed the dynamics of the Asian airline industry.

Weakness

AirAsia at a glance would appear to be a weakness-free enterprise, but there are underlying weaknesses inherent at AirAsia. One of such includes minimal technical staff workers and **Overdependence** on few key staff.

AirAsia would need an enormous number of technical professionals, especially in the implementation of their internet booking and distributors.

AirAsia also would need to have high technological equipments, and connections to sustain and serve such a huge network of company subsidiaries and affiliates, as appropriate. Their delays of flight or calling their customer line to confirm booking shows that their system is not yet robust to handle booking efficiently. This might cause a lot of customer change their mind.

Looking at the organization structure of AirAsia Inc, **their Board of Directors is too narrow** and that could cause the shallow decision-making.

AirAsia Sdn Bhd is having weakness also in their absence of strong sales/marketing expertise, which causes lack of awareness amongst prospective customers.

Opportunity

AirAsia stands at the *gate* of profitable opportunities, their recent developments and intended expansions will give them a global exposition. As they venture into internet booking and ticketless services for their marketing processes, they would be open to electronic commerce business solutions for their enterprise, such as SCM, ERP, and EDI etc.



Further more, the use of internet services for their services would open more opportunities for AirAsia in the process of solving network, communication, and information related problems that could be inherent in the organization and their market segment is poised for rapid growth.

AirAsia stands to encounter a lot more opportunities than outlined above, but as they progressively emerge into their various facets of developmental processes, numerous opportunities would be foreseen like.

Export markets offering great potential

Distribution channels seeking new products

Scope to diversify into related market segments

Threats

Even though AirAsia is currently on the peaks of success, they would be careful and not nonchalant to the threats they are bound to encounter.

One of such threats would be security of their networks. The internet is a public domain and as such is vulnerable to attacks from hackers and viruses, AirAsia ought to be conscious of these threats and have proper plans and control to counter any of these.

Another threat to AirAsia is from the local competitors in the various countries they are having affiliates or subsidiaries. AirAsia needs to be in accurate pace with the market demands and policies for these local territories, because economic slowdown could reduce demand. Local Airlines would have easy access to certain information that could aid them; therefore, AirAsia needs to be on constant market audit, market researches and control to keep up with such competition.

Owning to the facts that most organization are struggling for survival, major players may enter targeted market segment. Alternatively, Market segment's growth could attract major competition.

Competitions

AirAsia is an international company, and going global invites a lot of competition. AirAsia has to deal with the competition of local companies in the same field- Airline services. Competition for AirAsia would also



be encountered in the virtual world-the INTERNET. As they indulge into the use of modern technology such as the public domain would invite competition on the global scale.

Another outstanding competitor of AirAsia will be MAS, Malaysian airline. It is owned by the government. They received support and could pose as a threat to AirAsia growth.

Constraints

AirAsia would encounter numerous constraints, as an international enterprise, AirAsia would have to deal with government policies and airport pricing that are inherent in the local markets they serve not excluding their cultural differences and values of the community.

Different localities and countries have different technological standards, and quality control policies, which AirAsia would have to adhere to, by adherence to these policies; certain intended developments may be possible in certain communities but not acceptable in others

IDENTIFICATION OF TARGET MARKET

Target Market –is a set of buyers sharing common needs or characteristics that the company decides to serve. There are three key factors to target market selection⁴:

- ❖ Segment size and growth
- ❖ Segment structural attractiveness
- ❖ Businesses objectives and resources

For AirAsia that started in 2001, it was not too difficult for the Airline to identify its target market. They have earlier survey the market to help them segregate their “would be potential customers”. According to CEO’s of the company, Mr. Fernandez, he knew there are a lot workers or low pay salaries earners who would like to travel often to meet their families especially during special occasions but due to how expensive it was that time, their desire are not fulfilled. By introducing a low fare will give all those people opportunity to travel if not more than once in a year. This enables them to identify their target market. AirAsia is encouraging a new [market] segment to be formed and therefore is creating a larger base for domestic demand."

⁴ Source: Phillip Kotler and Gary Armstrong, *Principles of Marketing*, 9th ed. (Upper Saddle River, NJ: Prentice Hall, 2001), p.245.



WAYS TAKING TO IDENTIFY THEIR TARGET MARKET

For AirAsia, the following are some of element identified that AirAsia used to identify their target market and formed a niche market

Branding: AirAsia went into intensive General advertisements and other high profile activities, which contributed, to the high offering of their company's image. They came with a brand “ Now every one can fly” These points of contact with their target customer help them to mold their image, which in turn created loyalty from their customers.

Philanthropy: Donating money, services, and/or time can build trust and a positive image for your business. Philanthropy contributes both toward your branding efforts and toward your company's internal well-being. AirAsia embark on this to build and attract more customers. In early 2005, AirAsia Sdn Berhad (AirAsia) announced that it would give away 10,000 free seats on its flights to select Southeast Asian destinations. The airline said that was its way of celebrating the completion of three years of successful flying and of saying thank you to the people for their support. "AirAsia's accomplishments and success today is a reflection of the public's trust and faith in the company," said Tony Fernandes (Fernandes), CEO of AirAsia. (Refer Exhibit I for AirAsia's Free Seats Offer)⁵. With this incentive and philanthropy, more and more customers are attracted to their business

New Product/services Pipeline:

New products in development represent your future sales. AirAsia has extended its services to different part of the world. AirAsia was initially a local company but it has become international with its extension of its services to different part of the world to meet up with their market. AirAsia get feedback from their customers or potential target market, and they designed new services to meet their needs, this practice is ensuring a demand for their products in the future.

Reduced Price Sales:

This was one of the basics of securing a target market for AirAsia. They reduced their price to suit their class of customers. AirAsia saw a need for a lot of low pay salary citizens who could not afford the money

⁵ (n.d) Free Seats on AirAsia http://www.icmr.icfai.org/casestudies/catalogue/business_strategy/airasia.html date accessed 15/05/06



to travel home. With the introduction of their services of low fares, most people can travel home and most people that can only afford to travel once could travel up to three times with their cheaper fares. This Limited time sales encourage customers to act. You likely have customers intending to buy but have not "gotten around to it". Holding a reduced price sale will give them incentive to purchase.

Group Discounts and Offers.

Discounts or other offers to a specific group can help exposure your business to new customers, resulting in a sales surge. AirAsia is a ticketless Airline that allows customers to purchase their ticket online with at a discounted rate. They also have a scheme of group discount and this help to get more target market, especially internet based customers.

Foreign workers and Contractors strategy

AirAsia also target most foreign workers from Indonesia, Singapore, Thailand, China, Macau who may not afford the expensive flight home and offer them the cheap fare which attracted most of them as would go home very often without paying much.

MARKETING MIX ANALYSIS

In order to achieve your marketing objectives you need to have a strategy that includes different elements - the various parts of the marketing mix. Calling it, a mix is to make sure one get the balance right between the different elements. Marketing mix is a combination of marketing tools that are used to satisfy customers and company objectives. Consumers often call the marketing mix "the offering." Your offer is controlled by the following variables that are often referred to as the four Ps in marketing:

- Product
- Price
- Place (Distribution)
- Promotion



As mentioned earlier, I will be discussing this concept in the context of AirAsia. Meanwhile, working on the marketing mix, it is very important for a company who has a practice that caters to a niche market to make sure that their product is geared towards the need of that market. Again, that the price is within the budget of that market, and the distribution of your product or service is where it will be seen by that market, and gear your promotion to solve the problems that they are encountering. Base on this, I will work around the marketing mix employed by AirAsia to reach its target market. Having stated the criterion for choosing the niche market, it very crucial that the marketing mix which is used by the company to attract the chosen target market is discussed

PRODUCT /SERVICES

The term "product" refers to tangible, physical products as well as services. It also means defining the characteristics of your product or service to meet the customers' needs

Guest Convenience

AirAsia believes in providing convenient service to make traveling easier and more affordable for its guests. Guests can make bookings through a combination of ways. In August 2003, AirAsia became the first airline in the world to introduce SMS booking where guests can now book their seats, check flight schedules and obtain latest updates on AirAsia promotions from the convenience of their mobile phones.



AirAsia also recently introduced GO Holiday, the airline's online programme where guests can book holiday packages online in real time.

Frequent flights

AirAsia's high frequency service ensures guest convenience is met. The airline practices a quick turnaround of 25 minutes, which is the fastest in the region, resulting in high aircraft utilization, lower costs and greater airline and staff productivity.

Nationwide call centre

Launched in April 2002, AirAsia's Nationwide call centre in Kelana Square is now fully equipped with 180 telephone lines providing convenient telephone booking services to guests. The call centre now takes an average of 6,000 calls daily.

Ticketless service

Launched on 18 April 2002, this concept complements AirAsia's internet booking and call centre service by providing a low cost alternative to issuing printed tickets. Guests no longer need to go through the hassle of collecting tickets!

Easy payment channels

In line with its "Easy to Book, Easy to Pay & Easy to Fly" approach, on 1 March 2002 AirAsia became Malaysia's first airline to enable their guests to pay for their telephone bookings by credit card or by cash at any Alliance Bank branches

PRICE

Price refers to the value or worth of a product that attracts the buyer to exchange money or something of value for it.

Low fare, no frills

AirAsia's fares are significantly lower than those of other operators. This service targets the guests who will do without the frills of meals, frequent flyer miles or airport lounges in exchange for fares up to 80% lower than those currently offered with equivalent convenience. No complimentary drinks or meals are offered. Instead, AirAsia recently introduce 'Snack Attack', a range of delicious snacks and drinks



available on board at very affordable prices and prepared exclusively for AirAsia's guests. Guests now have the choice of purchasing food and drinks on board.

DISTRIBUTION / PLACE

Distribution is about getting the products to the customer, looking at location and where a service is delivered – or whether they need to collect it or will you deliver it yourself

Currently, AirAsia flies to 12 destinations in Malaysia, using a fleet of seven Boeing 737-300s. By the end of the next fiscal year, it will have added four or five new domestic destinations, and increased the frequency of flights to existing ones. More interestingly, it will have started flying to secondary airports near Bangkok, Manila, Jakarta, and Hong Kong. Ultimately, the goal is to increase the fleet to 18 by June 2004, equivalent to the delivery of one aircraft a month beginning in September. Already, AirAsia is looking to make Kota Kinabalu airport its base for flights to the Philippines and Hong Kong, and Senai airport in Johor Bahru for flights to Thailand and Indonesia.

Internet booking

Another is infrastructure. One criterion for an efficient low-cost airline is direct booking via the internet - this does away with commissions and credits to travel agents and the cost of processing tickets. While Raja Azmi claims well over half of AirAsia bookings are done via the internet (the rest are through sales offices, "The internet, as a booking tool for international travel, remains an exotic curiosity for a sophisticated few. As Asia's first online airline, AirAsia offers a new convenience in buying seats by logging on to its website <http://www.airasia.com/>. No more phone calls, no more queuing. Launched on 10 May 2002, <http://www.airasia.com/> is now available in 7 languages - English, Bahasa Malaysia, Mandarin, Tamil, Bahasa Indonesia, Thai and Tagalog.

Reservations and sales offices

These are available at airports and town centers for the convenience of walk-in customers.

Authorized travel agents

AirAsia also introduced a direct B2B engine to its agents. The internet-based real time inventory-booking engine is the first in Asia. The agents make immediate payment via a virtual AirAsia credit card, developed through one of its strategic partners, Alliance Bank.



Improving customer service - AirAsia is constantly looking for ways to improve its services and increase savings for its guests. AirAsia is the first airline in Asia to have a multi-lingual website with seven languages available on <http://www.airasia.com/>, which are English, Bahasa Malaysia, Chinese, Tamil, Thai, Bahasa Indonesia and Tagalog

PROMOTION

In the context of the marketing mix, promotion represents the various aspects of marketing communication, that is, the communication of information about the product with the goal of generating a positive customer response. Marketing Communication decisions

More recently, AirAsia struck an advertising deal with Time, which will have the local mobile phone operator's logo painted on one of AirAsia's planes. Moreover, there will be more of these, as well as advertisements on pull-down trays.

Again it is obvious that AirAsia started offering fares that were unheard of in Malaysia, people were lining up for hours, This brought a lot of public to AirAsia and they got more publicity out of that,"

RECOMMENDATION

AirAsia has relatively good strategy and marketing mix since they offer their services in relation to their mission statement. However, there are few things I will recommend which will help them to generate more income.

Services:

Their quality of service is not too fantastic, from the research carried and feedback from the users, most users complained that AirAsia does not follow the scheduling hours of flight⁶, which implies that customers are delayed for a period before traveling. This shabby offering could damage their image and services as customers may seek for alternatives. If AirAsia should work on this, most unsatisfied customer could return and customer will begin to speak of their satisfaction, which will improve their brand image and generate more revenues at the end.

Price:

It is true that AirAsia pricing forms part of their product. It will be fine for AirAsia to maintain their lower fare-pricing model not to increase it in order to avoid losing the target market they have fought to identify.

⁶ (n.d) Passengers opinion about AirAsia http://www.airequality.com/forum/thai-air_asia.html date accessed 15/05/06



Place/ distribution

AirAsia has been thriving heavily lately. They have opened up branches in different place in order to reach their target market. More destination and branches should be opened to enable more and more customers to join the troupe and to serve the need of their target market

Promotion:

More promotional activities should be engaged to attract more customers and to create awareness of their presence and what services they offer. It should be their task to develop many advertising models to achieve this. This is another way of selling their brand to the world.

CONCLUSION

AirAsia business model has been analyzed in conjunction with the marketing mix that is employed to identify its target Market. They build their brand name with their tagline 'now everyone can fly', AirAsia's philosophy of low fares is aimed to make flying affordable for everyone. AirAsia also aims at making travel easy, convenient and fun for its guests. Their philosophy is vital in shaping AirAsia marketing mix. Their services and their pricing work together to identify their target market, however, their promotional activities and their distributional channel is aggressive developed, planned, and executed to target both foreigners and locals alike. Moreover, more advertising model should be developed and AirAsia need to identify more suitable areas for distribution as more and more loss potential target could be captured which will at end generate huge revenue for AirAsia.

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