



SURVIVAL OF AIR ASIA IN LOW COST AIRLINE INDUSTRY

SUBMITTED TO :

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CHAPTER 1: INTRODUCTION

1.1 BACKGROUND OF THE COMPANY

Air Asia was established on 12th December 2001 by a determine guy name Tony Fernandes. He begins to involve airline business by creatinga new company named Tune Air with three of his partners. During the 3rd quarter of 2001, his company willing to purchase Air Asia company for the unbelievable price of RM 1 but he must take over 50% of Air Asia's net liabilities around the RM 40m worth of debts together. The company grows slowly from time to time to be one of the successful low cost airlines in the industry. By using a simple yet strong slogan "Now Everyone Can Fly", it makes their brands positioned in most of the customer's mind as the cheap and affordable airline fare. Nowadays, Air Asia has over 20 routes around the globe in its network and it will continue to increase to conquer the low cost airline industry through its innovative solutions, efficient processes and appropriate strategy to business. The biggest achievements they earn are being awarded as the world's best airline company by Skytraxx for four consecutive years which is from 2009 until 2012. This achievement shows that Air Asia must maintain their business and find the new strategy to attract more people to use their service.

1.2 STATEMENT OF PROBLEM

The existence of new low cost airline company such as Malindo Airline, Air Asia, Firefly and Lion Air recently has made the level of competition increasing and becoming more intense. The company needs to choose the right strategy in order to survive in the competition to win the heart of the customer. Or else, they will be end up bankruptcy just like Zoom Airlines, Oasis Hong Kong and Mandala Air.

The low cost airlines industry is facing the real threats such as increase in high labor cost, volatile fuel price, entrance of new airline company and many more. In the meantime, management is struggling in order to balance the operational cost and to achieve the economies of scale (Dubois.S, 2012). The current industry can be categorized as oligopolistic with few players competing in a battle to conquer larger market shares (Jensen R.L, 2009). As a result, all carriers compete on price as the predominant competitive advantages (CPH Economics, 2009).

The issue is how Air Asia chose and planned the right strategies to survive in highly competitive advantage. Is the Air Asia's current strategies is effective and able to assist Air Asia to generate profit in the long run.