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**BRAC University**

**Internship Report**

**On**

**“Strategic Sales Management of AirAsia in Bangladesh”**

**Submitted to:**

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# **“Strategic Sales Management of AirAsia in Bangladesh”**

## Letter Of Transmittal

10 September , 2017

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Subject: Submission of Intern report on “Strategic Sales Management of AirAsia in Bangladesh”

RespectedMiss,

At the very beginning of my report, I would like to express my gratitude to you for your guidance and support that you supported me during the entire course of preparing this report. It would not be possible for me to complete the report without your sincere guidance. I also would like to acknowledge the help provided by Mr. Nehal Ahmed, COO, Total Air Service ltd, GSA, AirAsia Berhad.

It will really be benefited for me if you share your valuable thoughts regarding the report. Please ask me anything regarding the report. I will gladly answer your questions.

Sincerely Yours,

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## **EXECUTIVE SUMMARY:**

TOTAL Air Services Ltd is the only GSA (General Sales Agent) of AirAsia in Bangladesh. AirAsia started its journey in Bangladesh through Total Air Service Ltd from 10<sup>th</sup> July, 2015. Previously, AirAsia came to do business in Bangladesh for two times but failed. Afterwards with the effective leadership of Total Air Services Ltd they started their journey for the third time and doing great in the industry. AirAsia is the world best low cost budget carrier. They already snatched away the “SkyTrax” award for consecutive nine years. Keeping the tag line(Now Everyone Can Fly) in mind AirAsia’s main goal is to provide the Air Service to everyone. Their main competitive advantage is the low fare. After 2001, with the unique leadership of Tony Fernandez it started capturing the market. Tony’s main strategy was to reduce the operation cost so as to reduce the fare. Though the fare is very low compared to other Airlines, it never compromises its services. There is a zero tolerance policy regarding the violation of the policy. In this paper, I have discussed about the products and services provided by AirAsia,their success strategy in competitive market. I also discussed the sales & marketing strategy of AirAsia, Porters Generic Strategy, and Competitive Advantages. Then, I described how AirAsia promoted their product to reach their target customer and 7P effects on AirAsia. Lastly, I presented some recommendations which might help AirAsia to capture a strong position in Bangladesh in future.

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## Introduction

Total Air services ltd(TAS) started its journey in the year 2015. They are the only authorized General Sales Agent(GSA) of AirAsia in Bangladesh. This is for the third time AirAsia is operating its business in Bangladesh. Previously, AirAsia failed to carry on their business in Bangladesh. But with the effective leadership of Total Air Service's management, AirAsia is doing great in the industry. Total Air Service ltd is an established company providing the best services to it's customers compared to other Airlines. They offer a team with extensive experience and knowledge who are dedicated to customers' needs and wants.

As an authorized GSA, Total Air Service have the power to modify, rectify and even change any rules and regulations while operating from Bangladesh. For the effective functioning of the services, each and every employee gets a direct training for 15 days from Malaysia and divide the whole operational process into three parts. They are depicted below.

1. Corporate Sales: There is a team of corporate sales whose main task is to build and retain good relations with the corporate.
2. Agency Sales: There is a team of Agency Sales. As most of the profit is generated from agencies, the number of employees in this sector is more than that of other sectors.
3. Customer Care: Similarly, there is a team of Customer Care. They are always ready to answer the customer's queries with smiling face.

## COMPANY BACKGROUND:

AirAsia is the world's number 1 low cost budget carrier.it has won the "SkyTrax" award for nine consecutive times started from 2009. The motto of AirAsia is " Now Everyone Can Fly". Keeping the tagline in mind it is serving the people with a very low cost and trying to make flying possible to everyone. AirAsia is a Malaysian company and it operates from the Headquarter in KualaLumpur and its main hub is the low-cost carrier terminal (LCCT) at KualaLumpur.

With it's unique service including the low fare, AirAsia became the best 5 most recognized carriers in Asia Pacific in 2008.For a growing and profitable business AirAsia have associated companies like AirAsia X, Thai Air Asia, Indonesia Air Asia, Philippines' Air Asia Inc, AirAsia Zest, AirAsia India and Thai AirAsia X.

## **HISTORY:**

AirAsia was established in 1993 as a sister concern of Malaysian Airline System (MAS) by a government-owned conglomerate DRB-HICOM13 and started operations in 1996. At that time, the government was not concerned much about AirAsia, as a result it faced difficulties in making profits and attracting customers.

In the year 2001, Tony Fernandes took the charge of AirAsia. Then he changed the total scenario and created a low-cost budget carrier. He reduced the operating cost and excluded all the ancillary facilities. In the following year Tony Fernandes got a huge success by making profits and introduced new routes from Kuala Lumpur to onwards.

On the 23rd March, 2006 AirAsia has started its operation from the low-cost carrier terminal (LCCT) which is known to be a budget terminal in Malaysia. The LCCT, was inaugurated by the then Prime Minister Tun Abdullah Ahmad Badawi on March 23, 2006.

Other than carriers of the AirAsia, three other carriers utilized the LCCT as well, to be specific Tiger Discuss, Lion Discuss and Cebu Pacific Discuss. In 2006, AirAsia captured the Malaysian domestic routes completely, working beneath the FlyAsianXpress brand. With the introduction of new routes AirAsia started generating profits and attracting new customers by the end of 2007. (Revision History, 2017)

## **OBJECTIVE OF THE STUDY:**

The objectives of this paper are depicted below:

1. To know the success of AirAsia as a low cost budget carrier.
2. To discuss the position of AirAsia in the industry by comparing with other carriers.
3. To highlight the sales strategy of AirAsia in Bangladesh.
4. To recommend some of the strategies for doing profitable business in AirAsia.

## **METHODOLOGY OF THE STUDY:**

I have used two types of data for completing the report. One is Primary data and another is Secondary Data.

- **Primary data:**

I have collected primary data from various source. In this case, I collected data by taking interviews of my COO, CEO and manager of Sales in Total Air Services. Then I also collected some of the information from the executives of Total Air Services.



- **Secondary Data:**

I have collected some of the information from the internet resources of AirAsia website. Moreover, I have collected some of the data from the database of Total Air Services.

## **LIMITATIONS OF THE STUDY:**

One of the main limitation of this paper is that, information sources are not present in the website. Moreover, some of the credential information is not documented in the website of AirAsia.

## **Job Description:**

1. **Market visits:** I need to visit the enlisted agencies. I am responsible for Uttara and Banani region. There are almost 75 agencies under me. I need to visit them on a regular basis. I usually visit thrice a week. I do in-house tasks on rest of the days in a week.
2. **Generating sales:** I need to generate sales from the visits. There is a target set by our management. Anyone needs to sale about 100 tickets per week to meet the target.
3. **Providing EDC support & training:** EDC refers to E-Direct Channel. This sector is under Reservation & Ticketing and a bit challenging task. First of all, I collect necessary documents such as Trade license, Civil Aviation Certificate, Tax Identification Number from the clients then I create a sub-login Id and give the password to the respective clients. After getting the password, that client is ready to issue the tickets. Before issuing tickets they need training and come to our office to take that training. I trained my respective clients.
4. **Keeping the Clients Updated:** I need to inform my respective clients about the recent updates such as packages, fares, dollar conversion rate, abot the commission etc over phone. Sometimes major issues get changed very quickly, if so then I need to inform them emergency. For example, the IATA conversion rate gets changed frequently. I need to inform them as soon as possible as it gets changed because all the profits of the agencies are based on this conversion rate.
5. **Helping Clients to activated BSP Log In:** There is another kind of Login Id called BSP login Id. Only IATA enlisted agencies are allowed to open a BSP login ID. BSP stands for Billing Settlement Plan. One of the main difference between BSP Login ID and EDC Login ID is that, BSP login ID holder agency gets their commission automatically after each 15 days from BSP. On the other hand EDC Login ID holders send their sales report to us and we send them their respective commission on their account. Moreover, ticketing through the BSP Login ID is much easier and it takes less time to issue multiple tickets. Hence, I create the BSP Login ID after collecting all the necessary documents like IATA Certificate, IATA Bank Guarantee Certificate, Trade

License, Civil Aviation certificates etc. After creating the Login ID I send them the username and password and provide them the training on how to issue tickets.

6. **Password resetting& Doing Top Up:** As the Login IDs involves monetary issues, so it is highly secured. If anyone insert wrong password for three consecutive times then the password automatically gets changed and I need to change the password based on their request.  
In case of EDC Login ID, they need to have certain amount of balance on their account. I do the top up to their accounts based on their requested amount.
7. **Making BSP Agreement:** There are 768 agencies enlisted with us where only 76 agencies have BSP Login ID. I need to make new BSP Agreement with the IATA enlisted agencies. Hence, I go through the database and collect the name of the agencies who have substantial amount of IATA Bank guarantee. Then I make phone calls to them if they are interested to open BSP Login ID. If they agree then I request them to collect BSP agreement papers from our office with necessary documents. Once I get the necessary documents including the signed copy of BSP agreement paper, I send the papers to AirAsia's Head Office in Malaysia. It takes minimum 30 days to create a BSP Login ID.
8. **Collecting Documents of Applied IATA Listed Agencies:** Creating BSP Login ID is a very challenging task. Because there are about 46 signatures needed in the agreement paper. If the authority from AirAsia Berhad gets any dissimilarities among the signatures then they send back the agreement papers. If so, then I need to recollect all the documents further. During my three months of carrier with AirAsia I recollect almost hundreds of the agreement papers.
9. **Team Leader:** One of my achievements in AirAsia is that, I have been selected as the team leader of twelve newly recruited Management Trainee Officers. I need to follow up their activities regularly and lead them to acquire success.
10. **Making Phone Calls to Verify EDC User:** I have an internal system through which I can see whether the agencies are using the IDs or not. If I see no activities within last 90 days in the ID, then I make them phone calls to know the problems. I solve the problem personally by visiting to the agencies.
11. **Updating Database:** With the help of two of my team mates I regularly update the database. We need to keep the database updated for various purposes like knowing the bank guarantee.

**Observation:** One of my observations about the aviation sector in Bangladesh is that, this sector lacks educated people. This sector is not treated properly in our country that is why qualified candidates do not enter the sector or switch their job. The future growth in this sector is very high.

## MISSION & VISION:

AirAsia creates values through the following Vision and Mission:

<b>AirAsia</b>	
<b>Vision</b>	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.
<b>Mission</b>	<ul style="list-style-type: none"><li>• To be the best company to work for whereby employees are treated as part of a big family</li><li>• Create a globally recognized ASEAN brand</li><li>• To attain the lowest cost so that everyone can fly with AirAsia</li><li>• Maintain the highest quality product, embracing technology to reduce cost and enhance service levels</li></ul>

## STRATEGIC SALES MANAGEMENT OF AIR ASIA:

Mainly AirAsia follows two types of sale strategies. They are given below.

1. Market development
2. Market penetration

The market development strategy means expanding the potential market through new geographic segments, demographic segments etc. AirAsia is following this strategy by opening the new routes for airlines in new locations to attract more customers. Currently AirAsia is flying to 120 destinations in 29 countries. (AirAsia.com, 2017). From Bangladesh AirAsia is serving to its customers through connecting flights to those destinations. Moreover, it is planning to open new routes in European Countries.

According to market penetration strategy AirAsia is doing many activities to increase the market share in travel industry. Such as they are doing many promotional activities like giving free rides, decreasing the fare to almost half of base fare, buy one get one promotion etc.

## Some sales management activity of AirAsia in Bangladesh are:

- **Long Term Relationship**

As a part of sales management activity AirAsia is building long term relationship with its customers. We send gifts to our frequent flyer customers. Moreover, we offer “Big shot”id to our frequent flyer customers which enable them to fly with a cheaper cost and high facilities. To attain “Big Shot” point any customer have to fly a minimum distance or hour with AirAsia.

- **Continuous Follow Up**

A team is always ready for answering the regular inquiries of the customers continuously. This team is highly trained directly from Malaysia.

- **Keeping Updated:**

We always keep our loyal customers updated by informing them about our recent packages or promotional offers. This task is done by our Customer Care team.

- **Relation with corporate:**

Maintaining good relation with corporate people is tough because they do not like to travel in a budget carrier often. In this case our effort is much higher than that of others. We send birthday gifts or cakes to top managements of corporate. Moreover, we send different gifts to them in each and every cultural and religious festivals.

- **AirAsia Happy Hour**

As a part of sales promotion we have introduced“AirAsia Happy Hour” to our special customer. This is basically a candle light dinner with the most special customers and our higher officials.

## SALES STRATEGY OF AIRASIA IN BANGLADESH:

In Bangladesh, We follow 3 types of sales strategies:

1. Corporate sales
2. Agency sales
3. Customer care

- **Corporate sales:** Corporate Sales refers to serve different corporate with attractive fare and special service. There is a very effective team in corporate sales. First of all, they identify a potential market segment then they prepare a presentation describing all the features of AirAsia and present in front of them. Now if they are convinced with the features then sign a MOU with AirAsia. As per the condition we provide 10% discount on base fare to our corporate clients. Some corporate clients of Bangladesh are:
  1. United commercial Bank
  2. Commercial Bank of Ceylon
  3. Dutch Bangla Bank
  4. Pubali Bank
  5. Standard Chartered Bank
  6. Robi
  7. United International University
- **Agency Sales:**

Though AirAsia is concerned more about online ticketing throughout the world but in Bangladesh AirAsia does a profitable business from the agencies. Currently, there are 768 agencies enlisted with us. Their main passengers are Manpower group. In case of agency sales, we provide the highest commission to the agencies compared to the other Airlines. We provide BDT. 1000 for one way if the origin or ending point is Dhaka. Similarly, we provide BDT. 2000 for a return ticket. We provide two kinds of login Id (EDC and BSP login ID) to the agencies based on their requirement. Then they can issue tickets from their own system. We continuously follow up their activities. Moreover, we provide different incentive programs to them on meeting up the target sales.

- **Customer Service:**

Customer service is the most important section of AirAsia. It is one of the crucial gateway. Customers frequently call to know about the current fare to their desire destination, queries about luggage's, food, date change issues, visa, infant facilities, SOTO ticket issues, facilities regarding disabled, wheel chair services etc. Along with that customers and agencies has high interest in ongoing packages and discount offers.

## Strategies:

AirAsia follow some unique strategies to operate a low fare budget carrier. The strategies are depicted below.

- **Safety First:** AirAsia has a zero tolerance policy to unsafe practices. To avoid any kind of accidents they made a contract with the General Electronics (GE, engine provider of AirAsia). According to the contract, after each and every flight employers from GE checks the Air craft. The average age of any Air Craft of AirAsia is only 10 years.
- **High Utilization Aircraft and Crew**  
To ensure high productivity AirAsia utilizes its Aircraft to a greater extent. According to the Airline business the more anyone fly the Aircraft the more the profit is. In case of AirAsia, the turnover time is only 25 minutes i.e. that specific plane is ready for next flight within 25 minutes of landing. According to the database of AirAsia, after each and every 3 minutes AirAsia have flights worldwide.
- **Low Fare:** AirAsia is the world low cost budget carrier. The fare is very low compared to other Airlines. Moreover, any passenger can customize his/her own travels. For example, if any guest don't not want food on his/her journey then he/she need not to pay for that food. In this case he/she can save the money. As the fare is very low more customers fly with AirAsia which helps AirAsia to utilizes its Aircraft more thus helps to generate profit.
- **Streamline Operation:**

Streamline operation is making sure that every process is very simple. Any guest is able to book a flight very easily directly from the website of AirAsia by five step. The process is given below with a diagram.

Step 1 - Search: In this step, anyone needs to insert the departing and arrival cities with dates including the number the guests/ infants/ child.

Step 2 – Select: In this step, Guests need to elect a departing flight from the list of available flights that matches his/her preferable timing and cost. In this step the summary of the total cost is break down.

Step 3 - Guest & Contact: In this step, guest needs to insert the contact details of hi/her own.

Step 4 – Payment: In this step, the name of the guest will be displayed including flight total fare and date. Now he/she can choose any method of payment like as credit card, visa card etc.

Step 5 – Itinerary: once the payment is done the booking number or PNR is displayed and send to the email provided in the contact details.

- **Lean Distribution System:**

Lean distribution system refers to the wide range of distribution channel. AirAsia is currently flying to 129 destinations which making the travel easier for its customers. Moreover, AirAsia provides point to point network channels to its customers which helps to keep operation simple and profitable.

## **AFFILIATED AIRLINES:**

For the smooth functioning and capture more market segments throughout the world AirAsia have formed some joint ventures and have signed to form other new venture. The affiliated Airlines of AirAsia are listed below.

- **AirAsia China**
- **AirAsia Vietnam:**
- **AirAsia India:**
- **AirAsia Japan:**
- **AirAsia X:**
- **Indonesia AirAsia & Indonesia AirAsia X:**
- **Philippines AirAsia:**
- **Thai AirAsia & Thai AirAsia X:**

## AirAsia Services:

- **On Board:**

AirAsia serve its" customers by offering "Snack Attacks" on board. According to this service Passengers get some selected food items on Board and get his/her specific meal as order before. It does not serve any alcohol or pork in the flight departing from Bangladesh. But they serve alcohol and pork in AirAsia-X flights.

- **Frequent-flyer Program:**

AirAsia is going to start it"s frequent-flyer programe. AirAsia has signed a contact with financial service firm "Tune Money" to launch a Program called "BIG". It is very easy to earn big points while traveling. For each 2 MYR anyone gets 1 point. After accumulating a minimum point any guest can redeem the flights.(BIG Loyalty, 2017)

- **Onboard Luggage:**

Any guest can take upto 7 kg(15.4 pounds) inside the plane as of cabin baggage. He/she can carry two pieces of bags( backpack, purse, laptop) inside the plane. The dimension of cabin baggage must be within the measurement of (56cm x 36cm x 23cm)including handles, wheels and side pockets. (AirAsia, 2017)

In case of checked baggage a single passenger is allowed to carry up to 40 kg. in this case charge is mandatory. Any guest need to pay less in case of pre-booking. But if anyone wants to buy during chek-in or at airport then he/she must pay a higher amount.(about BDT1600/kg).Each checked baggage must be of 319cm in overall dimension (height + width + depth) and weigh must be within 32kg.

- **Controversies:**

AirAsia has no refund policy for all international routes. In 2014 it started refund policy partially for South Korean destination only.

## LOW COST BUSINESS MODEL:

AirAsia follow the following practices to be cost effective and serve it"s customers a very low fare.

- **A Single Passenger Class;** A single passenger class is introduced to maximize the seating capacity inside the Aircraft. Maximum number of seats can be ensured with a single class passenger because it does not need extra space like business class. The seats of the plane do not recline and there are no pockets at the back of the seats. Because the

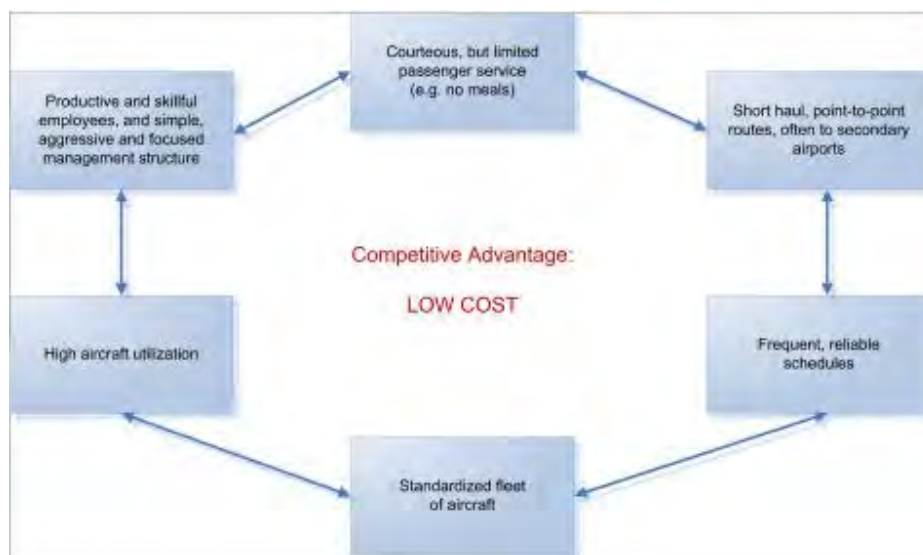


seatback pockets are not easy to keep clean and that might increase the turnover time. The safety instructions are written on the back of the fold down table.

- **A Single Type of Aircraft:** AirAsia always buy and use a single type of Aircrafts from Airbus. The main reason behind this is to reduce training and servicing costs. They try to avoid large planes because of high turnover time and less utilization.
- **Short Flights and Fast Turnaround Times:** Shorter-range flights are easy to maintain and can be kept in the flight for longer time. Moreover it needs less crew to maintain and this strategy allows minimization of costs.
- **"Free" in-flight Catering:** The catering service in AirAsia is not free. Any guest need to pay for the food and drinks. As a result the plane is not full of extra weights that eat up the fuel of the Aircraft. The fuel efficiency of the Aircraft is depend on the weight of the Aircraft. The more the weight is the less the fuel efficient the plane is.
- **Movie Show:** Movies are not shown inside the plane because there is no television screen inside the plane. In this case it is mentioned that the whole television set up inside a plane is about 5 tons. Instead of the tv set up, 24 extra seats can be placed inside a plane. This strategy is also lowering cost by maximizing seating capacity.
- **Flying to Secondary Airports:** AirAsia lands to low cost carrier terminal to avoid Air traffic and spend less on landing fees. Now a days many of the Airlines are also following this strategy to avoid Air Traffic.

## **COMPETITIVE ADVANTAGE:**

AirAsia has the following competitive advantages compared to its competitors in the airline industry



**Fig: Competitive Advantage**

- **High Aircrafts & Utilization:**The rate of Aircraft Utilization of AirAsia is much higher compared to the other low cost budget carriers. The average turnover time of AirAsia is 20 minutes where as the average turnover time of other Airlines are more than one hour.

Currently, there are 301 Aircrafts of AirAsia where as the main competitor of AirAsia is Malindo Air which have only 50 Aircrafts. Besides more 500 Aircrafts are being ordered to AirBus.

- **Frequent, Reliable Schedules:**There are frequent and reliable flight schedules of AirAsia to every destination. From Bangladesh we have one flight daily at 0.25 hour. The most important fact is, AirAsia never delay or miss a single flight from Dhaka for last one year. (Ahmed, 2017)
- **Standardize Fleet of Aircraft:**AisAsia has a standardize fleet of Aircrafts. A standard fleet decreases the operations expenses and maintenance costs. That is why AirAsia is using standardize fleet of Aircrafts.
- **Productive and Skillful employees:**AirAsia has a bunch of productive and skillful employees. The employees are generally multi-taskers. For example a flight attendant also cleans the Aircraft. In this case AirAsia is saving the cost. The number of total employees in AirAsia Berhad is about 5.64 k where as the number of employees in Thai Air Ways is about twenty one thousands plus. (Macroaxis, 2016)

## **SWOT ANALYSIS:**

### ✓ **Strengths**

- **Low Cost Budget Carrier:** AirAsia is the world number one Low cost budget airline. As a result of which people fly frequently by AirAsia. The fare is comparatively lower to every destinations.
- **Customizing the Travel:** Any guest can customize or design their own travel. For example, anyone can choose their seats and choose their meals by spending a little amount.
- **Award Winning & Six Star Rated Airline:** AirAsia achieved the “Skytrax” award for last consecutive 9 years as the best budget airline in the world. And American Civil Aviation Authorities rated six stars out of seven star for AirAsia’s safety & security.
- **Enlisted Agencies:** Currently in Bangladesh, there are 768 agencies enlisted with AirAsia. In Bangladesh, most of the sales come from the agencies. No other Airlines have this number of enlisted agencies.

- **Internationally Recognized:** AirAsia is an internationally well recognized brand. People all over the world know about the brand.
  - **Number of Destinations:** AirAsia Covers 120 destinations in 23 countries all over the world. It has 900 flights daily all over the world.
  - **Lowest Turnout Time:** AirAsia has the lowest turnout time compared to its competitors. Its turnout time is 25 minutes and takeoff/landing after each and every 3 minutes interval.
  - **Best Engine & Frame:** AirAsia buy the engine from world's best GE (General Electronics) & the frame from the world's best Airbus Company.
  - **Reserve Fuel:** AirAsia buy bulk amount of fuel and reserve it to minimize the cost.
  - **Number of Aircrafts:** There are already 301 Aircrafts of AirAsia which is still a dream to many of it's competitors.
  - **Extra Facilities:** Though AirAsia is a low cost carrier, it still provides some extra facilities (Hot Seats, Quite Zone & Lounge facilities for its passengers).
  - **Free Luggage:** 30 kg checked baggage & 7 kg cabin baggage is free from Dhaka to Kuala Lumpur route for all the guests.
- ✓ **Weakness**
- **No Void & Refund Policy:** There is no void and refund policy. Once anyone issue a ticket he/she must fly.
  - **No Direct Flights:** Direct flight is only available for passengers of Kualalampur. However, connecting flights are there to several destinations from Bangladesh.
  - **Dynamic Pricing:** Dynamic pricing interrupts our motto that "Everyone Can Fly". Due to dynamic pricing strategy there are different fares in the same plane.
  - **High Transit Time:** Transit time is very high for certain destinations. Sometimes it exceeds more than 17 to 18 hours.
  - **No Business Class:** Business Class is not available from Dhaka to Kuala Lumpur route.
- ✓ **Opportunities**
- **Low Fare:** Low fare is the greatest opportunity of AirAsia. We can provide the lowest fare by minimizing our costs.
  - **"Customize your flight":** People can customize their own flight. This can be a great opportunities in near future for travel lovers in the world.
  - **Middle Class:** The number of middle class is increasing in our country. They want to visit various tourist places. Now it can be a great opportunity for us if we can reach this market egment.
  - **Domestic Flights:** Our management is planning to start the domestic flights in Bangladesh. It can be a great opportunity as it already took half of the market internationally.
  - **Students:** Students who are taking foreign degrees can be our potential customers as the number is increasing gradually.

## ✓ Threats

- **High Fare:** Sometimes, Fare is very high for some of the destinations (Bali, Langkawi and Penang) comparing to our competitors.
- **Agency Preference:** Agencies are preferring other airlines as they have void and refund policy.
- **Rules & Regulations:** Rules & Regulations of AirAsia is very strict. Moreover, Airport tax rate is high in Bangladesh. Any guest need to pay more than 5 thousands in the Airport as passenger tax.
- **Immigration Authorities:** Immigration authorities are very strict in Kualalampur International Airpor-2. Sometimes they send back the tourist passengers if they can't answer properly to them.

## INDUSTRY ANALYSIS:

In the aviation industry there are two kinds of carriers. First one is legacy carrier where flying means luxury, the fare is very high, and have business class with high facilities. Second one is budget carrier where flying means the necessary, fare is comparatively low and have only economy class. The first successful budget Airline in the history is Southwest Airline. This was an American company established in 1971. It did a great business till 1973. The popularity of budget career spread to Europe as well where many of the Airlines started the low cost practices. Among them Ryanair International started its journey in 1991 as a low cost budget carrier. This Airline also got huge popularity. Then Easyjet was formed in the year 1995. This Airline also did a profitable business in Europe.

The popularity of Budget-Carrier also got increased in Australia. AirAsia Malaysia is operating their flights in Australia along with other budget carriers.

The business of legacy carrier is getting threaten by the operation of Budget carrier in many of the region of the world. Because price is the main criteria to choose a carrier while travelling. Compared to the legacy carrier, budget carrier offers very low fare to the travelers. Though the ancillary service in the budget carrier is less compared to the legacy carrier, still it serves the core need of travelling to the travelers. So now a days many of the customers are preferring the budget carrier instead of legacy carrier.

Many carriers are facing problem in competing with the budget carrier. As a result, they are also trying to form low-cost carrier along with the legacy carrier.

Among all the budget carriers in the world, AirAsia is the pioneer of all the budget carrier in Asia. This is a well-recognized brand in Asia.

## Porters Generic Strategy:

Porter's Five Force model is described below to discuss the micro environmental factors affecting low cost carrier.



FIG: Porter's Five Force

- **Bargaining Power of Customers:**

The bargaining power of customer is high because there are lots of budget carrier in the industry. Moreover, customers need to pay any extra amount to switch from one budget carrier to another. In addition, customers can know the fares of different carriers with the help of internet and can do a comparison among the carriers. Thus the customers can easily switch from one carrier to another.

- **Threats of Substitutes:**

The threat of substitute services is different transportation medium as bus, train, launch etc. However, as the land route takes longer time to reach different destinations that is why Air route is still favorable to most of the travelers.

- **Bargaining Power of the Suppliers:**

The bargaining power of the suppliers is very high because there are only two company who supplies aircrafts i.e. Boeing and Airbus. AirAsia takes the aircrafts from Airbus; the best company in the world.

- **Threat of New Entrants:**

Threat of the new entrance is generally high, in spite of the fact that, aircraft industry needs an exceptionally high requirement of capital and a lot of funds are required to set up a new Airline company. The threat is high because most of the legacy carrier are planning to start new budget carriers. Moreover, the deregulation of the Airline industry in Asia has brought about in more new entrances. For example, two new Airlines (Firefly and Silverfly) has entered in the industry in the past three years, and competing with the existing budget carrier: Air Asia.

- **Degree of Rivalry:**

The degree of rivalry among the competitors in the industry is moderately high since the exit costs is high. In this industry , fare is the premise of competition and marketers get it that cost war is dangerous for them and they certainly attempt to avoid price war and attempt to act „non-aggressive“ to their competitors.

## **FINDINGS OF THE STUDY:**

AirAsia is the number one aviation service company in the world. The brand name is heavily recognized to the travelers. They strongly follow the 7<sup>ps</sup> i.e. Product, Price, Place, Promotion, People, Physical Evidence, Process. All of them are discussed below.

➤ **Product:**

The products of AirAsia are unique with different features.

- **Ticket** – There are direct tickets. People can directly reach to their destination. Passengers can go to Kualalampur only as a direct flight. There are fly thru tickets i.e. connecting flights. If anyone issue a fly thru ticket then he/she will receive his/her baggage from last destination. There are 30 fly thru destinations from Bangladesh. There are soto tickets. Soto means sould outside and Ticketing Outside.
- **Baggage:** Baggage is one of the main products of AirAsia. They earn a huge profit by selling baggage to different destination. 30 kg baggage is free for only kualalampur, other than that anyone needs to pay a charge to carry the baggage.

- **Seat** – There are different kinds of seats along with the standard seats. There are 24 Hot Seats in the Aircraft departing from Dhaka. There is extra leg space in front of the hot seats. Passengers can enter and disembark first if they select hot seats. The facilities of Premium Flex & Premium Flatbed are not present in A320 model of AirAsia. This facilities can be availed flying with only A330 model of AirAsia.
- **Food:** there are 52 categories of meal on board. If any passenger wants to order food then he/she must order it before 3 hours of the departure.

➤ **Pricing:**

AirAsia is following dynamic pricing strategy. According to this strategy, they set a minimum price for the seats of the lower tier. As soon as the seats of the lower tier is filled up the fare for next tier automatically increase.

➤ **Promotion:**

AirAsia do lots of promotional activities. In Bangladesh, we do promotional activities through digital media mainly. Such as we do promotional activities through facebook, we make funny adds and promote it in youtube. Moreover, we continue our promotional activities through Radio to reach to the travel lovers.

➤ **Place:**

Air Asia wants to operate their business throughout the world with the help of internet. Their Head office is located in Kualalampur. They are not that much interested to set up their country offices in different countries as their main aim is to operate the business through online.

➤ **People:**

AirAsia's employee are multi-tasking. They are recruited based on the condition that, employee should have the multi-tasking capability. Because working for a budget carrier needs to handle several tasks at a time

➤ **Physical Evidence:** AirAsia is well known for their symbol on their plane and moreover interior the aircraft. Air Asia is so detailed around their symbol being seen, that it is set nearly all over in the airplane and in the business centers.

➤ **Process:**Each and every process starting from ticketing to the end of the flight in AirAsia is very easy and simple.

## RECOMMENDATIONS:

Though AirAsia is a well-recognized brand all over the world, here is some of the recommendations those might help AirAsia to do a profitable business in Bangladesh.

- ✚ There is no hub of AirAsia in Bangladesh. They should come up with a hub in Bangladesh because of the huge number of passengers including Manpower, Tourists are flying to diddernt destinations.
- ✚ There is no domestic flight of AirAsia in Bangladesh. They should operate domestic flights as the people of the Bangladesh is price sensitive.
- ✚ There is no direct flight except kualalampur. They should open some direct flights from Bangladesh specially India and China to catch a huge market segment.
- ✚ Free Meal offer can be started for all destinations.
- ✚ Baggage and meal is not free to all other destinations except Kualalampur. They are recommended to make the baggage and meal free for all routes.
- ✚ Corporate clients do not often want to fly with AirAsia as there is no business class from Dhaka. They should operate a bigger flight to attract the corporate market segment of Bangladesh.
- ✚ New flight to Saudi Arabia from Dhaka can be started to do seasonal business during the holy Hajj.



## CONCLUSION:

After all the discussion, it can be said that, being a budget carrier AirAsia is doing great all of the world. As the fare is very low comparatively other budget carrier, people are travelling frequently through AirAsia. Along with the low fare, AirAsia is serving it's customers as a family member instead of ordinary passenger. From the web feedback site it can be seen that, the hospitality of the Airhostess is very friendly. People like the onboard services of AirAsia. All these factors helping AirAsia to build a strong market position in the market.

Their service in Bangladesh is also famous to the Bangladesh travelers. Hence, most of the travelers are manpower. The customer segment of Bangladesh always look for low fare in case of travelling by Air. As a result, AirAsia is doing great in Bangladesh. From the database it is seen that, most of the travelers travels to Malaysia from Bangladesh. This is why AirAsia is giving free meal to the passengers of Malaysia.

It is clearly seen that, the demand for AirAsia in Bangladesh is very high. Now if they start two flights daily from Dhaka instead of one, then they will earn a substantial amount from Bangladesh because of the high demand.

Lastly, from the overall discussion it can be said that, AirAsia is doing great in the aviation industry by following their unique strategies of decreasing operating cost and providing best service within this low fare.

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## Appendix:

The screenshot displays the AirAsia website's flight search interface. At the top, there is a navigation bar with 'Check-in', 'Travel Information', and 'Login/Signup' options. The main search area includes fields for 'Origin', 'Destination', 'Depart date', and 'Return date', along with a 'Search' button. A promotional banner for 'DARE TO DREAM' features a person skydiving and offers a flight from Dhaka to Langkawi, Bali, and Singapore for USD 221. Below the search area, there are several promotional banners: 'BIG' (Don't miss out on free AirAsia flights!), 'Forgot something?' (Manage My Booking), 'Widest network, lowest fares!' (listing routes like Kuala Lumpur to Siem Reap for BDT 17), and 'Check out our featured routes' (listing routes like Kuala Lumpur to Visakhapatnam for BDT 49). The bottom section highlights services like 'Pre-book your airport retreat', 'Value Pack', 'XPRESS TRACK', and 'Click, Fly & Collect' (30% OFF).

Fig: Simple Operation.



**Fig: AirAsia China**



**Fig: AirAsia Vietnam**



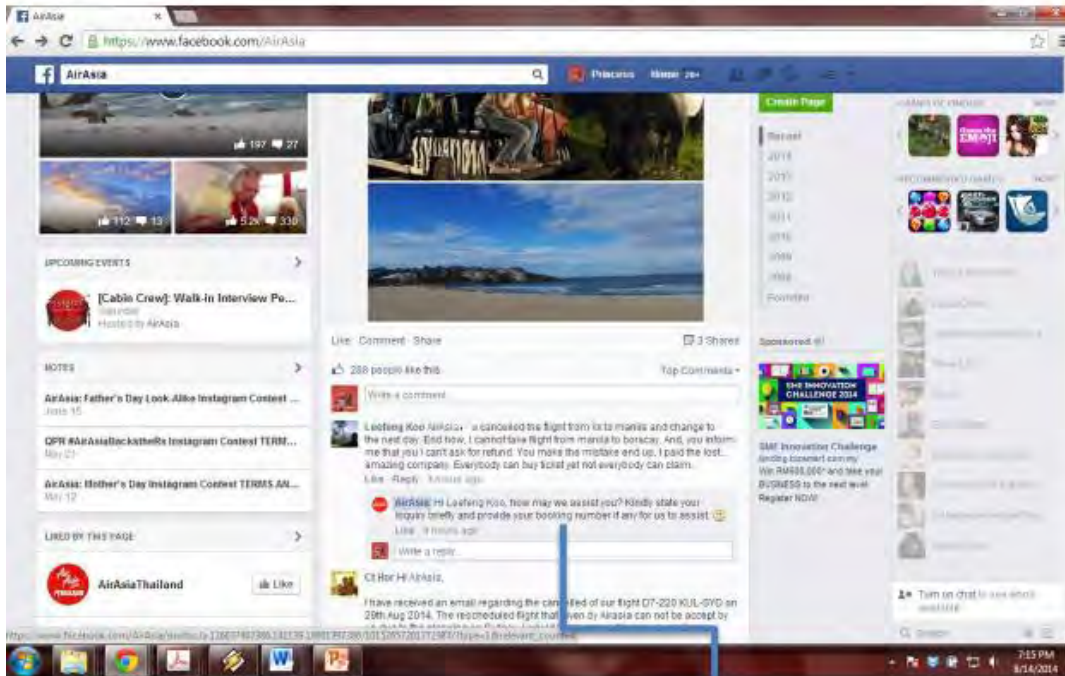


Fig: AirAsia India

WE'RE A  
**WORLD  
CHAMPION**

A large, stylized award logo for Skytrax Awards 2017. The logo is circular with a red border and contains the text "WORLD'S BEST LOW-COST AIRLINE", "WORLD AIRLINE WINNER", "SKYTRAX AWARDS 2017", and "9 YEARS RUNNING". Below the logo, a group of ten AirAsia staff members in various uniforms (pilots, cabin crew, ground crew) are standing and smiling. The AirAsia logo is in the bottom right corner.

With your support, we dared to dream.  
Thank you for making us a world champion for  
a record 9th year in a row.



Shows Air Asia representative responding towards the customers problems in the earlier chat box

**20% OFF ALL SEATS ALL FLIGHTS**

**TRAVEL NOW!**

Fly from Kuala Lumpur

- Johor Bahru → Kalibo → Luang Prabang
- Melbourne → Pattaya → Sydney → Seoul
- Shantou → Shanghai → Yogyakarta

**BOOK NOW**

Book now till 12 Feb 2017 | Travel from 7 Feb - 31 Jul 2017 | T&C apply.

Be a member **Sign up now** OR **Sign up with Facebook**

Fig: Advertising through Digital Medias.



**Fig: Ticketing Process**