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A) INTRODUCTION

i) COMPANY BACKGROUND

Air Asia has been one of the award winning and largest low fare airlines in the Asia expanding rapidly since the year 2001 which is established with the dream of making flying possible for everyone. Air Asia is a Malaysian low-cost airline, where the headquarter is located in Kuala Lumpur and its main hub is the low-cost carrier terminal (LCCT) at Kuala Lumpur International Airport (KLIA) Sepang. Air Asia has faced all the obstacles that came by and has managed to make its name as the World’s Best Low Cost Airline in the annual World Airline Survey by Skytrax for five consecutive years in 2009, 2010, 2011, 2012 and 2013. In addition to that, this has made Air Asia to be ranked among the Top 5 most recognized and favorable airlines in the Asia Pacific 1000 Brands in 2008. Air Asia with its route network that has span throughout in 20 over countries, have continues to still cover the way for low – cost aviation through their brilliant innovation solutions, efficient processes and a passionate approach to their business.

In order to keep the business growing they have associated companies of their own which are AirAsia X, Thai Air Asia, Indonesia Air Asia, Philippines' Air Asia Inc, AirAsia Zest, AirAsia India and Thai AirAsia X, AirAsia which has now set the platforms to a higher range in which still maintains the mission of being the lowest cost air fare airlines so that this holistically endorses their belief, "Now Everyone Can Fly" with Air Asia.
HISTORY

Air Asia was originally established by the Malaysian government as a sister airliner to the national carrier Malaysian Airline System (MAS). It was founded in 1993 by a government-owned conglomerate DRB-HICOM and began operations in later 1996. However, the government was more committed towards MAS operation, which indirectly made AirAsia to face failures year after year towards making profit even though it was set up as a sister airliner to cater domestic routes which are normally not serviced by MAS.

In the year 2001, Tony Fernandes took his leap of faith to make a difference, to change and came up with the idea of developing a Low-Cost Carrier in 2001. The following year 2002, Tony Fernandes made a 360 degree turn around for the company by producing profit and he launched new routes from its hub in Kuala Lumpur, undercutting the former monopoly operator which is MAS.

On the 23rd of March 2006 Air Asia has begun operating and living up to the mission to be the low cost carrier terminal (LCCT) which is known to be a budget terminal in Malaysia. The LCCT, which was opened by the then Prime Minister Tun Abdullah Ahmad Badawi on March 23, 2006 and it, had the capacity initially to handle 10 million passengers annually. The facility was expanded in 2009 to handle 15 million passengers.
Besides airlines of the AirAsia group, including AirAsia, AirAsia X, Indonesia AirAsia, Thai AirAsia and AirAsia Zest, three other airlines used the LCCT as well, namely Tiger Air, Lion Air and Cebu Pacific Air. In August 2006, Air Asia took over Malaysia Airlines Rural Air Service routes in Sabah and Sarawak, operating under the FlyAsianXpress brand.

With the increased frequency and the additional new routes, Air Asia had an amazing increased in the number of passengers by the end of year 2007. Year by year, it was a vibrant seen to be growing airlines and early of the year 2013, Air Asia saw that it was a steep increase in its profit compared to the time it started off.

On 2ND May 2014, the curtain came down on the operations on LCCT as KLIA 2 takes over. The new terminal KLIA 2 was opened as LCCT was unable to handle the budget carrier passenger traffic that had reached 22 million people per year, which way beyond its 15 million people capacity per annum. The KLIA 2 terminal which was built at a cost of RM4 billion, can handle up to 45 million passengers annually, and Air Asia is expected to contribute about 80 per cent of the traffic. Malaysia Airports Holdings Bhd had said that the LCCT would be turned into an air cargo terminal.

This was for the better investment for the future and for the growth of the business so as to keep living up to the slogan - ‘Now Everyone Can Fly’.
iii) **AIR ASIA’S VISION**


Air Asia’s vision is 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.

iv) **AIR ASIA’S MISSION**


- To be the best company to work for whereby employees are treated as part of a big family.
- Create a globally recognized ASEAN brand
- To attain the lowest cost so that everyone can fly with Air Asia
- Maintain the highest quality product, embracing technology to reduce cost and enhance service levels.
v) **AIR ASIA’S VALUES**


- Safety: Adopting a zero tolerance to unsafe practices and strive for zero accidents through proper training, work practices, risk management and adherence to safety regulations at all times.

- Valuing our People: Committing to our people’s development and well-being and treating them with respect, dignity and fairness.

- Customer Focused: We care and treat everyone in the same manner that we want to be treated.

- Integrity: Practicing highest standards of ethical behaviour and demonstrate honesty in all our lines of work in order to command trust and mutual respect.

- Excellence in Performance: Setting goals beyond the best and reinforcing high quality performance standards and achieving excellence through implementing best practices.
B) BODY CONTENT

This part will be content the following parts:

i) Competitors

ii) Perceptual Mapping

iii) SWOT Analysis

iv) Target Consumers

v) The Creative Angle (using the 5 N’s *picked ONLY ONE*)

vi) Objective

vii) The IM’s (Branding, Advertising, Public Relation, Marketing)

i) Competitors

Living in such a globalized and much competitive world to be the best among the best, Air Asia should take in consideration to know their current standing among the competing airline industry for them. The competitors which are found to be the archrival of Air Asia come in two forms. The direct competitors for Air Asia are Firefly and Tiger Airways and the remaining under the indirect competitor which are Singapore Airlines and Malaysian Airlines System (MAS). However, MAS could also be considered as the direct competitor as well since has been a monopoly in the domestic air travel industry in Malaysia. (Malaysian context ONLY)
**ii) Perceptual Mapping**

Based on my analysis on Air Asia competitors, Figure 1 below shows the perceptual mapping for Air Asia. The Y-axis represents the price and the X-axis represents the quality of service.

![Figure 1](image-url)
Figure 1 showed the representation of similarities and differences between the different airlines which are found to be the relevant competitors of Air Asia airline. As shown above, MAS and Singapore Airliners are of high standard airlines in which is aimed for meeting customers’ expectations at of a higher level expectation compared to Air Asia airlines. Therefore both this airlines have positioned themselves as high quality of service, high price. On the other hand, for the positioning of low quality of service, low price has been taken by Air Asia Airlines as the lead followed by Firefly Airlines and then Tiger Airways Airlines.

Focusing on Air Asia airlines, the best position for a new shift to a better success would be still to maintain its position at the low price but moving towards the high quality of service airlines as the new face of Y-axis. The low cost axis is important to be maintained as that is what Air Asia airlines is known for and has been established in the eyes of the consumers.

Therefore, adding a new high quality of service airlines or a more luxury quality in layman’s term with still at a low cost price is what is found to be an ideal placing for Air Asia for it meets Air Asia’s vision is 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.
iii) **SWOT Analysis**

SWOT analysis is an important step in planning and placing its value is often underestimated despite the simplicity in creation. The role of Air Asia’s SWOT analysis is to help identify and understand the key issues that are affecting their airlines business. The SWOT analysis will consist of four components which are: S: Strengths, W: Weaknesses, O: Opportunities and T: Threats.

The **Strengths** column of the SWOT Analysis for Air Asia airlines are:

- Low cost operations.
- Fewer management levels, effective and focused management.
- Simple proven business model that consistently delivers to lowest fares.
- Penetrate and stimulate to potential markets.
The **WEAKNESSES** column of the SWOT Analysis for Air Asia airlines are:

- Service resource is limited by lower costs.
- Limited human resources could not handle irregular situation.
- Government interference and regulation on airport deals and passengers compensation.
- Non-central location of secondary airports.
- Heavy reliance on outsourcing.

The **OPPORTUNITIES** column of the SWOT Analysis for Air Asia airlines are:

- Long haul flight is a trial to get undeveloped market share.
- Differentiation from traditional low cost carrier (LCC) model by adding customer services or operation as full service airline with low fare.
- Ongoing industry consolidation has opened up prospects for new routes and airports deals.
- High fuel prices will minimize unprofitable competitors.

The **THREATS** column of the SWOT Analysis for Air Asia airlines are:

- Full service airlines start to cut costs to compete.
- Entrance of other Low Cost Carrier (LCC) airlines.
- High fuel price decreases yield.
- Accident, terrorist attack, and disaster can affect customer’s confidence.
- Aviation regulation and government policy
• Increase in operation cost in producing value-added services.

The whole analysis has summarized both pluses and minuses in the company. The following strategies can be used to decrease the weaknesses and avoid threats of the company and improve its competitive by upgrading its company to a more successful and well to do Airline Company.

iv) **Target Consumers**

The target audience is the young adults starting from the age of 18 years old right up to 30 years old. It is targeted for both gender female and male accepting all race of the passenger could be. The consumers would be for both lower and middle social class consumers. Both of these classes are consumers who travel moderately for leisure and place a high emphasis on value for money. This is because the current economic climate had caused consumers to be more price sensitive and often search and seek for the best value for money. Besides that, the target consumers would be people who love to travel but at the same time save money as in spend a little but yet seek for new experiences and adventures as a part of their lives.

According to the VALS system, my targeted consumers would be experiencers group of people. They are people who want to live within the social circle that now ‘Everyone Can Fly – with Air Asia’ to gain new experience as mentioned earlier. Other than that, these groups of people are highly motivated with brands that reflect peer acceptance and without any further doubt Air Asia is well accepted brand with the largest low fare airlines in Asia which has been expanding
rapidly since the year 2001 which is established with the dream of making flying possible for everyone.

v) The Creative Angle (using the 5 N’s *picked ONLY ONE*)

Therefore, the creative angle based on the 5N’s would be turning negative into positive. Tony Fernandez slashed all the possible costing from the airline in order to able the company to offer ridiculously cheap flights as this was what Air Asia stands up as the COMPETITIVE ADVANTAGE.

Air Asia believes in the no-frills which is good to go against competitors. Hassle-free, low fare business concept and feels that keeping costs low requires high efficiency in every part of the business through the corporate philosophy of “Now Everyone Can Fly”, Air Asia has sparked a revolution in air travel with more and more people around the region choosing Air Asia as their preferred choice of transport.

With the power of technology, Air Asia took advantage of the power of technology and used it for expanding the business, which began with online booking. Tony Fernandez understood that the new generation is more incline towards technology savvy and hence Air Asia was the first airline in Malaysia to provide a service for consumers to buy their ticket through just a simple call on the phone. While the years pass by, Air Asia built their website platform which was online booking. With online booking in hand, customers can just log in to the website, to book,
pay and look through promotions with ease. Air Asia even sends E-mail to customers who subscribe to their website with the latest promotions in Air Asia.

In addition to that, this cut-cost in advertising and marketing component of IM especially since everything could be accessible online which makes it easier and user friendly. Besides that, this reduces the number of stuffs required as even the boarding passes could be printed only online. Besides, the website itself does the advertising, which means Air Asia is saving cost to Advertise even though at times they do advertise in newspapers such The Star to achieve higher reach and frequency. Therefore I would say, maintaining and updating the official website would take up a little more in costing but the outcome is still way more profitable as there are higher users who prefer online-booking which saves up all the hassles.

Besides that, the more informed Internet customers become the more power they may have over Air Asia, especially if Air Asia is unable to maintain its low cost leadership position. Therefore, Air Asia has The Revenue Management System which is the only system being used by Air Asia. This system had made the airline understands, anticipates, and react to the behavior of customer to maximize income from organization. This takes account into the operating costs and Air Asia has to optimize prices and distribute amount to maximize the expected income. Seats are available at various prices in different points of time. Reservation will be charged once consumer changed the previous booking time to the earlier or late after the days. While for the route, it can be done by adjusting the prices for destinations that have higher demand when
compare with others. Combination of these 2 levels for all flight will be the best effective method.

**vi) Objective**

The objective of the IMC CAMPAIGN is to be the largest low cost airline in Asia. This is to maintain the identity of what Air Asia is known for and established as and as well to full-fill the vision of Air Asia Airlines.

**vii) The IM’s (Branding, Advertising, Public Relation, Marketing)**

The marketing mix is “the combination of elements that influence a customer’s decision whether or not to purchase Air Asia airline fare. They need extended marketing mix to make sure they can achieve the aims.

1. **Branding**

The branding for Air Asia would be maintained as the identity and the recognition of its airline is strong enough as it is known to be the low cost airlines in Asia. Branding consist of three components which are the brand story, brand strategy and the brand consistency.
The Brand Story would be entailing on how Tony Fernandez taking his leap of faith against all the odds with one determination which is to make a difference, a change and he came up with this brilliant idea of developing a Low – Cost Carrier and ever since then that vision has been lived up to. Air Asia has also come with a tagline which has empowered people by making it possible to fly anytime across the vast distance at the best rate with Air Asia airlines. In return, millions of life had been changed with a bundle of happiness to the new experiences Air Asia offers with its low – cost affair airlines.

The Brand Strategy for Air Asia Airlines is to be maintained as the low –cost air fare, for Air Asia is one of the businesses airlines that have successfully adopted cost leadership through operational effectiveness and efficiency enabling Air Asia to become the Asia’s leading low-fare airline. By using a simple but strong slogan “Now Everyone Can Fly”, Air Asia has successfully positioned itself in its customers’ mind. These points of contact with their target customer help them to mold their image, which in turn created loyalty from their customers.

The Brand Consistency on the hand is to also be maintained with the present Air Asia Airlines Logo in inclusive of the dimension, the size, the font and the color red and white throughout the IMC Campaign. For instance, the color red could be the font and white as the background or white as the font and red color as the background as shown as visual below.
This is because Air Asia has created a very strong brand identity and therefore it should be maintained in order not to confuse the consumers and remain with the loyalty which has been earned.

2. Advertising

In the advertising component of Air Asia is using the blend of information and persuasive kind of advertising objectives as their efforts to promote their products. Air Asia also uses the informative advertising method to promote their latest promotion especially the promotion of their latest flight tickets promotion of their latest destination. This piece of information is found to be an important form for their advertising for Air Asia is vital for them to keep their customers up-dated and well informed on the current on-going issue and deal offers of Air Asia.

Air Asia uses both the ATL (Above – The – Line) and the BTL (Below- The - Line). However the ATL type of advertising can be seen to be the most transparent one especially on the print media of the newspapers such The Star. The originality of the color scheme is maintained
throughout the advertisement which is red and white. A clear brand identity is being maintained throughout the advertisement as their branding.
Here is an example of a newspaper ad from The Star in the year 2013: See Figure 2

Shows the latest update of Air Asia deals for January to March 2013

**Figure 2**

- Shows the low-cost fare rate that Air Asia offers
- Maintained on the color scheme which are red and white. The font type is also maintained. This shows brand identity.
- Shows the Air Asia has online app available for users as well
Besides that, the ATL is also done in the online advertising site which is on the official website of Air Asia (http://www.airasia.com/my/en/home.page?cid=1). All the latest deals and offers are put up there as well for it is more user-friendly, easily to be accessed as well it lives up to the new generation of Internet Savvy. From this ATL type of advertising, Air Asia has a high reach and high frequency.

Therefore the advertising would be giving importance to these four areas which are

1) Competition
2) Objective
3) Money
4) Placement

So the direct competitor of Air Asia airlines would be Firefly as the Firefly airlines as well caters for the low-cost carrier airline. This can be seen based on the perceptual mapping in Figure 1 (page 8) with the explanation on (page 9).

The objective of the advertising to achieve high reach with high frequency with the aim to full fill the vision on Air Asia which is 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. Therefore, by using the ATL type of advertising will maximum the reach and frequency to their consumers.
Money and placement on the other hand, goes along together with the objective. According to the VALS category, Air Asia’s target consumer would be for the experiencer group. Therefore since Air Asia is well to do, enhance more money could be spent on the ATL type of advertising in order to show that Air Asia is social accepted brand of airline among the society. This would create a deeper sense of acceptance to the social circle of ‘experiencing’.

3. Public Relation

Looking into the context of Public Relation (PR), Grunig- Hunt’s ‘4 Models’ would be taken into account when PR is being put into practice. The Grunig-Hunt’s ‘4 Models’ consist of these four components which are:

a) Press Agentry
b) Public Information
c) Two Way Asymmetrical
d) Two Way Symmetrical

The press agentry is one of PR’s main goal and objective in order to get the media exposure and coverage into the mainstream media if possible. Social media has becomes one of PR’s huge playground – especially in these recent years after the advancement of the globalized era. PR has used the social media channels such Facebook to obtain the larger reach and frequency to that people. With this platform people can share and create conversation on the official fan page of Air Asia on Facebook.
Here are the samples taken directly from the official website of Air Asia Facebook fan page: See Figure 3, Figure 4, Figure 5, Figure 6.

Show how active the number online-users are there globally and Air Asia’s official fan page have 2,596, 183 up to date on the 14/8/2014, Thursday.
Figure 3 is shows the official page of Air Asia on Facebook with the totally amount 2,596,183 up to date on the 14/8/2014, Thursday. This clearly shows that how active people are these days being an online-user. Therefore using the social is good media to reach out to people.

Figure 4 on the other hand, shows that social media has also been actively involved in other social media as well such as the line application which is applicable on any smartphone platform. As, from this Air Asia has gone all out to be more user-friendly and made easier in order to reach out to as many people they could.
Updating the official launch which was recently held on 11th August 2014

Figure 5
Figure 5 shows that social media has also become a hub in updating the creating an awareness of the development of Air Asia so that the people could also be a part and be well informed of the positive development of the airlines.

Figure 6 shows Air Asia official Facebook fan page is promoting as well encouraging promoting conversations between the airlines and the customers. This would definitely make the experience group category to feel welcomed as well being accepted as a apart of the social society of Air Asia.
The public information is PR’s secondary ‘daily operations’ objective which is to be involved as the main information processor or ‘journalist’ of the community. Here are some samples for Air Asia’s public information: See Figure 7

The last component to PR is the 2 way Asymmetrical and Symmetrical. Two-way asymmetrical model is a persuasion and manipulation which aimed to influence the public to act in the way organization’s desire. Two-way symmetrical model is attempted to achieve a win-win situation which build mutual understanding between the organization and its public.
Figure 8 shows the asymmetrical model of Air Asia using the propaganda to describe this model. Propaganda intends to alter the public perception on certain thing. It is use as a communication to achieve the organization’s desire and expectation. Therefore, Tony Fernandez has set propaganda indirectly in his print ads as you can see this phrase in the ad which says ZestAir now flies with AirAsia, The World’s Best Low-Cost Airline. This propaganda was put there in order to manipulate the mind sets of the consumer to agree with Air Asia’s point of view and hence, the support for the product or services of Air Asia is achieved as people as influenced by it which why Air Asia is brand identity is known to be the largest low fare airlines in the Asia.
Two-way symmetrical model is emphasizes on dialogue, complete and accurate two-way communication. The main purpose is to promote mutual understanding between organizations and publics therefore the results of communication is benefits to both sides. Besides that, it also means being the middle person between the organization and the consumer. This means making time to listen to the concern issues and to look into it. This can be seen in both the visual which is being represented as Figure 9 as shown below:
Figure 9

Shows Air Asia representative responding towards the customers problems in the earlier chat box.
4) **Marketing**

Last but not least is the marketing component to the IM’s and marketing component comes with the 7P’s which are:

i. **Price**

ii. **Promotion**

iii. **Place**

iv. **Product**

v. **People**

vi. **Physical Evidence**

vii. **Process**

As for **pricing**, Air Asia is using the anchor pricing strategy. Anchor pricing creates the foundation for the rest of the pricing in Air Asia. Anchor prices are usually at a very low price, thus it attracts consumers to start thinking about the possibilities of flying with Air Asia as the tagline of the low-cost airline says ‘Everyone can fly now with Air Asia’.

As for **promotion**, Air Asia is using the accessibility promotion in which the consumer is allowed to gain the products promotion with minimal interference by receiving emails. As for promotions, Air Asia have promotions for cheaper flights depending on every week or every month. They send out e-mails to notify customers to subscribe to their services and to update
them about the on-going promotions of cheaper flights. Other than that, Air Asia also does advertisements, Internet marketing (example Facebook) and billboard advertising.

As for place, Air Asia is based only in Malaysia, and some parts of the world. Air Asia is also concentrating in their online booking market. With this growing rapidly, their next achievement is to extend their services throughout the world with more Air Asia flights included. From this rapid growth has created a good reputation for the reach of consumers is high.

As for product, Air Asia is based on DeBono Six Thinking Hats process.

Air Asia has a clear brand name which is the largest low-cost airlines in Asia. The brand name and identity has been kept consistent as the lowest cost fare throughout all campaigns.

Air Asia is clear with its benefits which the tagline says ‘Everyone can fly’ with Air Asia’s aim which is to be be looked and identified as the lowest cost airlines.
Air Asia’s brand color is red and white. Both the choices of color do reflect the right emotions. Red means determination, passion and desire meanwhile white mean’s perfection and positivity.

Yes, there is more room for creativity in terms on advertising it to the consumers. More creative advertisements with catchy taglines could be created.

Yes, the process of portraying Air Asia as the low –cost airlines is clear. They give out cheap air flights so that everyone can fly.

The are other low-cost airlines as well being the competitor, therefore each promotional price should be thought twice before determining it.
As for people, Air Asia is well known for choosing the correct people for the correct job, they are so specific about the job description than other low-cost airlines. They will only hire people that they think is suitable and by the person’s capabilities. For example, working for a low budget airline need’s people that can handle many flights that happen daily, but of course they are not underpaid. With choosing people that is capable for the job, the person that had been employed will not fail the company.

As for physical evidence, Air Asia is well known for their logo on the aircraft and also inside the aircraft, from seats to air stewards / air stewardess. Air Asia is so detailed about their logo being seen, that it is placed almost everywhere in the aircraft and also business centers.

As for process, Air Asia with good management team so that Air Asia can manage their customer service very well. In fact, customer’s complaints are usually dealt within 1- 24 hours. This shows how serious they are when it comes to taking care of their customers.
C) CONCLUSION

i) Recommendations

ii) Conclusion

i) Recommendations

Though Air Asia has established itself to a distinctive brand identity, here are some recommendations which could be used in the future of Air Asia to maintain as well to upgrade its platform of the largest low fare airlines in the Asia. Here are few of my recommendations:

1) Open more Asian market

Low cost airlines are anticipated to have greater potential in Asia as there are many Asian cities with a population above one million people each as well as a rising middle class population. It is time for AirAsia to exploit the potentials of affordable air travel by Asia’s growing middle class. Besides starting services to the Pearl River Delta in south China in 2004, AirAsia can expend its services to the coastal cities in China too.

Besides the growth of Asian middle class, the liberalization of aviation sector of India is another reason for Air Asia to open more Asian market. The Indian government has liberalized the aviation sector long dominated by the national carriers. Now, only a few low cost airlines, e.g. Air Deccan, Airone Feeder Airline Pvt Ltd, Crescent Air, have launched their services there. Moreover, the national carriers, Indian Airlines or Air India, despite their domination of the
Indian skies, do not seem to be much interested in operating low-cost services. Therefore, it is a good chance for AirAsia to open the Indian market.

2) Join venture with Virgin Group

Air Asia should put more effort to set up a pan-Asian low cost airline with Virgin Blue, which is a low cost carrier of Virgin Group serving Australia and New Zealand mainly. Virgin Blue has suggested it may extend services to south-east Asia. Therefore, setting up a join venture with Virgin Blue can help Air Asia to grow in Asia even further, and help Virgin Blue to extend services to south-east Asia.

3) Consumer Satisfaction

Air Asia will be the best airline company as having the cheapest price tickets and letting everyone can fly around the world. To make the company become better and better, Air Asia can also recommended providing more choices of food and drinks in order to reach the satisfaction of passengers. In addition, Air Asia can think of giving extra luggage allowance to 25 Kg to the passengers.
ii) **Conclusion**

Air Asia’s actual main strength is based in its innovative ways to keep the cost low which was hard to imitate. This has allowed Air Asia to be positioned and be the market leader in the low cost carrier.

Besides that, the combination of red and white colors in the Air Asia’s logo acted as a tool to color the product – within the airline industry in this region Asia by creating a self image as other airlines did not have the same combination of colors as Air Asia – red and white.

In a nutshell, Air Asia had successfully prove to be a award winning and largest low fare airlines in the Asia.