CASE STUDY 1

AIRASIA: FLYING LOW-COST WITH HIGH HOPES

A. Synopsis

Private entrepreneur Tony Fernandes took over the debt-ridden AirAsia airlines from the Malaysian government in December 2001, just months after the 11 September 2001 terrorist attacks. One month later, he relaunched the airline as South-East Asia's first low-cost carrier ("LCC"). By adopting the no-frills concept used by leading LCCs in the West, AirAsia became an instant success. By 2007, not only was the airline ranked as the best LCC in Asia, but it had also managed to increase profitability and expand its routes. Under the tagline "Now Everyone Can Fly", AirAsia has been able to maintain the lowest cost structure among its competitors. Being innovative all the way down to the corporate bone, the LCC has also pioneered several services for its operation, such as Internet check-in, Xpress Boarding and on-time guarantees. It has also kicked off an ambitious plan that many other low-cost, short- haul carriers view as risky: extending services to include long-haul routes through its sister airline, AirAsia X.

On 6 May 2008, AirAsia's major local competitor, Malaysia Airlines ("MAS") initiated an unexpected price war by launching its "Everyday Low Fare" campaign, offering free fares for domestic and short-haul flights on routes that were largely dominated by AirAsia. Amid surging global oil prices and intensifying competition in the Asia-Pacific region, how can AirAsia increase its competitiveness?

B. Learning Objective

1. To give an overview of the airline industry, especially in Asia.

C. Questions

1. Briefly describe the trends in the global airline industry. Give example three different type aircraft business
2. You need to provide a video to describe and support your answer.