

Competition of Domestic Airlines in Thailand

Sorada Pahuwattanakorn

Faculty of Liberal Arts, Northbangkok University,

sorada.pa@northbkk.ac.th

ABSTRACT:

Upon review of the general condition of domestic airline industry, it appears that low cost airlines have emerged and created the market customer segmentation in airline business. Both premium and economy products are offered to provide various options to the consumer. From competition analysis using five forces model, domestic airline industry has been in highly competition environment. Driving forces from producers or compactors in this industry are at intense level especially on price competition. At the same time burden of entry is raised to the high level as those new comers are required to have large amount of capital investment for hiring employees and buying aircrafts. The bargaining power of the supplier is also high since it takes time for the domestic airline on buy or charter aircrafts of their operation, and to receive airport permission for landing. From the overall picture, the new comer should not enter this business at the moment. From the analysis of strength, weakness, opportunity, and threat, the strength of the domestic airline industry are the most safety mode of travel, the traveling time saving, and more varieties of distribution channels. Its weaknesses include high price compares to other modes of travel, high cost of operation, and the service image problem especially food served on board. Its opportunities include the government effort to make Thailand become a hub of aviation business in Southeast Asia and government's stimulus measures for economic improvement via domestic tourism. However, its threats come from global economic crisis, domestic political problems, and oil price fluctuation.

Therefore, business strategies to eradicate weakness by benefiting from opportunities occurred are an increase in various food menu at reasonable quality, and affordable price, and clear advertisement about the fares. The strategy to benefit from opportunity by using company's strengths is to look for business partner in order to increase distribution. Moreover, to reduce weakness and avoid obstacles, the company should manage cost efficiently to reduce risk from oil price fluctuation. For the government, it should promote and encourage domestic tourism and also focus on public relation to increase the number of tourist from aboard via road show or world expo at international level.

KEYWORDS: Competition of Domestic Airlines

Introduction

Aviation industry nowadays has greatly expanded and competed intensely as well as the fluctuation of uncertainty factors; for instance: foreign currency exchange rates, increasing price of fuel oil, etc.

These uncertainty factors all effect on the business operation. Therefore the businesses must be adjusted and set the strategies for current administration, the administrator need to analyze all the significant external environment and internal data of the business been used as the guideline on planning, policy formulation as well as decision making for the effectively business implementation and can compete in the industries.

In 2013; nevertheless, the worldwide severely confronted with the crisis of an unprecedented high increasing price on fuel oil caused the airlines unexpectedly raised the fuel surcharge. The increasing of fuel surcharge obviously caused the higher airfare. Furthermore, the situation was such severe that several airlines closed down or consolidated business. The increasing fuel oil had an effect on the higher transportation cost, the jet fuel reached the highest price of 180 USD a barrel led to the airlines could not afford the cost burden. The fuel oil trended to considerably decrease in the second half of 2013; however, the aviation industry did not recover as expected.

Due to the fact that the airlines provides the risk insurance in advance, the lower fuel oil price causes more the loss. In addition, another main cause that has an directly impact on Thailand is the domestic political chaos toward the economics atmosphere and the investment of the country, particularly the tourism sector confronted with the critical crisis that was counted as the main proportion and influenced the decreasing number of domestic airlines passengers. By

the year 2011, the increasing number of passengers was at 12.03 %, 10.38% in 2012, but the passengers decreased at 6.41 in 2016 .

Owing to the fuel oil problem and the domestic politics, the domestic airlines business needed to change to survive for the business operation as well as launching the supporting measurement of airlines business by the government. Therefore, the study of competition and strategic implementation for the domestic airlines business would be the solutions ways and used as the data to examine the present situation which were benefit for the airlines business and new airlines that would like to take part in business including being the data for the domestic airlines industrial development planning in the future by the government.

Research Purposes

1. To study the competition of domestic airlines business condition
2. To study the strategic implementation of the domestic airlines business market.
3. To analyze the strength, weakness, opportunity, and barrier of the domestic airlines and propose for the development strategy in the

Research Instrument

The questionnaire concerns general information of the informants and also close-ended response questions. The subjects were queried about the satisfaction of the domestic airlines service selection; namely, airlines service, airfare, sales promotion, distribution channel, feature condition, customer assistant, and service procedure and also close-ended response question. The domestic airlines recommendation asking by open-ended response question was for further development recommendation.

premium goods and service with the low cost people can select.

Data Analysis and statistics

The first part of question asking about informants’ general information was analyzed by percentage, the second part asking about airlines service, airfare, sales promotion, distribution channel, feature condition, customer assistant, and service procedure was analyzed by Mean, and the second part concerning domestic airlines service selection comprising airlines service, airfare, sales promotion, feature condition, customer assistant, and service procedure was analyzed by Standard Deviation.

Data Collection

Data collection for airlines business or airlines industrial in Thailand was conducted from government and private agencies ; namely, Thai Airways International Public Company Limited, Tourism Authority of Thailand, airlines agencies, and another related agencies to analyze all data comprising overall information of the market, name list of airlines agencies, business operation problems, number of domestic passengers or customers.

Results

The study of domestic airlines competition condition showed that domestic airlines related directly to tourism industry of Thailand because mainly passengers were tourists who travelled in Thailand. Therefore, the airlines business relied on the growth and strength of tourism industry in Thailand. Thailand previously had only the national airlines but later after the airlines liberalization in 2000, the low cost airlines aroused in 2004 and trended to be more competed; particularly, capital aspect which was the main factor of the airlines business success. Nowadays, there are obviously market and customer segmentation among the low cost airlines causing the

Table 1 Analyze of Five Forces Model for the influential competition barrier of domestic airlines business in Thailand

Competition Barriers	Direct Impacts		
	High	Moderate	Low
1. Barrier to approach to the industry	●		
2. Competitor or Manufacturer Motivation	●		
3. Bargaining Power of Suppliers	●		
4. Bargaining Power of Customer			●
5. Threat of Substitutes			●

สรุปกลยุทธ์ TOWS Matrix Strategies

	Organization Strength (S) S1 Travelling by airplane is high secure S2 Several of ticket distribution channels S3 Travelling time is safe	Organization Weakness (W) W1 Higher price for airfare than other travelling way W2 High cost for taking part in business W3 Image problem W4 Food does not meet demand
Organization Opportunities (O) O1 Foreign government policy O2 Tourism promotion policy O3 Domestic tourism value	S1 S3 O2 O3 : dissemination of high safety airplane travelling and tax deductions is available S2 O1 O2 : Increasing of the airlines alliances for multiply distribution channel	W3 W4 O1 O2 : Bad image solution for customer and in-flight meal by attending both of domestic and foreign government projects
อุปสรรค (T) T1 Economic crisis T2 Politics problem T3 Oil Price Fluctuation	S3 T3 : Airfare fixation or slightly increase S1 T1 T2 : Offering airlines safety information in response to	W1 W2 T1 T2 : Cost decreasing plan to solve irregular situation problem; for instance, effectively

	strengthen customers' reliance	customer assistant allocation, pre-order for oil , and etc.
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Source: Data Analyze

The secondary and primary outcomes from the questionnaire analyzing could be summarized as the strategy for airlines' implementation in order to increase efficiency and business profits as followings;

1. Product aspect

1.1 In-flight meal improvement such as increasing variety of menu, freshness of food, main course could be changed to refreshment and reasonable price with food quality.

1.2 Other Additional services in response to create more customer's satisfaction, such as sport programme radio, other magazines, energy drinks, and etc. In addition, the airlines may offer other free services, such as extra luggage weighting or additional in-flight refreshment service, and etc.

2. Airfare aspect

2.1 The advertisement obviously inform the airfare what fee service and total amount of airfare, so the customer will get authentic information and create satisfaction among the customers.

2.2 Various price setting which is the highest level of strategy for the customer because they can select what service they like and this strategy must be continuously implemented.

3. Distribution channel aspect

3.1 Air ticket buying promotion via airlines website, airlines counter service rapidity increasing, and customers' convenience.

3.2 Quality every distribution channel improvement and reach the same standard and search for new distribution, such as shopping center nearby the tourism spots, bus terminals, and so on.

4. Market promotion aspect

4.1 Various business alliance enlargement, such as every bank credit card can be affordable, shopping malls nearby the tourism spots, tourism attractions, as well as local transportation system, and so on.

5. Customer assistant/personnel aspect

5.1 Customer assistants' service rotation arrangement to be reasonable, the customer assistants are in the area seen vividly by the

customer, so they will not feel lack of caring from the customer assistant.

6. Service process aspect

6.1 Business management to be more rapidly and safety to eradicate the tardiness occurring from the airlines, and aircraft inspection and maintenance being ready for service.

6.2 Check-in system development, baggage loading, and procedure reducing through the customer assistant or using self-service in order to save more time.

7. Physical environment aspect

7.1 The aisle on airplane is narrow, so queue arrangement is important. The passengers who sit at the back zone will board the plane first and follow by the front zone seat passengers with the overlap boarding time

Discussion

After external environmental consideration by using Five Forces Model of the airlines was found that barrier getting to the industry were pressure from supplier or competitor in the industry, and suppliers' bargaining power were at high level pressure. However, customers' bargaining power and substitute goods barrier were at moderate level pressure. In addition, business competition mainly was the price that appealed the customers and the competition was severer. According to the analyze, it showed that if new business came, the existed business needed to make the differences; standing on one self's strategy, searching for new route met customers' demand which were advantage for the airlines' economic status must be stable oil price fluctuation dealing with the oil price fluctuation. Joint venture between airlines and foreign firms could be happened for the capital but the foreign firms could totally held shares not more than 49%. This shares holding's regulation was benefit to the air liberalization, the airlines business was easier to run.

According to the theory analyze, market component could be presented each of strategy aspects obtaining from the questionnaire; in-flight meal should be improved for the service aspect such as variety of menu, food freshness, menu changing from main course to refreshment, reasonable price, and so on. The airlines' price must be clearly informed what fee included, the total amount of price. For the market promotion the airlines should search for variety of business alliance, such as credit card or shopping mall nearby tourism spots, etc. Moreover, the distribution channel should be promoted to buy via the website, the airlines counter service also should be done more quickly. The aisle on airplane is narrow, so queue arrangement is important. The passengers who sit at the back zone will board the plane first and follow by the front zone seat passengers with the overlap boarding time. In addition, Customer assistants' service rotation arrangement to be reasonable, the customer assistants are in the area seen vividly by the customer, so they will not feel lack of caring from the customer assistant. Lastly, airlines management should be more rapidly and safety to eradicate the tardiness occurring from the airlines, and aircraft inspection and maintenance being ready for service.

For the strength and weakness of domestic airlines business were found that the airlines business's strength were the high safety travelling, various channels for the ticket distribution, and decrease travelling time. However, the domestic airlines business's weakness were higher price than other transportation, high cost for business, bad image for service, and in-flight meal did not meet demand of the customers. For the domestic airlines business opportunity were being the aviation center in

Southeast Asian continent by the need of Thai government, economic stimulation measurement through the domestic tourism by the government sector and domestic tourism value that trended to get better. Finally, barrier sector, there were economic crisis taking place all over the world, domestic politic problem, oil price fluctuation. Therefore, the strategy for weakness eradication relying on the existed opportunity; namely, variety of food with reasonable price, vivid advertiser for the ticket price. The strategy applying the benefits from the advantage opportunity were increasing of business alliance, various channel of ticket distribution, and the strategy of weakness eradication and avoidance of barrier; namely, effective capital management to decrease the oil price risk. The government sector anyhow should promote and stimulate the domestic tourism and disseminate the foreigners to travel in Thailand via the road show or world expo events in foreign countries.

Further Study

Further study should be analyze, evaluation of possible project for new airport of the airlines and connect to the local business in order to be the guideline of route expanding, sustainably run business, and support the local.

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