

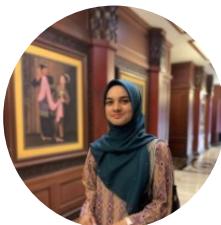


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**AIRASIA: FLYING LOW-COST WITH HIGH HOPES**



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# 1.0 Introduction

The airline industry includes a wide range of businesses, called airlines, which offer air transport services for paying customers or business partners. These air transport services are provided for both human travellers and cargo, and most commonly offered via jets, although some airlines also use helicopters. Airlines may offer scheduled and chartered services and the airline industry forms a key part of the wider travel industry, providing customers with the ability to purchase seats on flights and travel to different parts of the world. The airline industry offers a variety of career paths, including pilots, flight attendants and ground crew. There are 7 biggest airlines companies in the world in the world today are:

1. American Airlines
2. Delta
3. United
4. Emirates
5. Southwest
6. China Southern Airlines
7. Ryanair

High rates of economic development in Asia are spurring the expansion of commercial industries serving Asia. It started in 1982-1992 where it recorded as the world's largest increase in aircraft purchasing. In 1992, we could see the enhancement of airline traffic in several countries as shown in Figure 1.0 below.

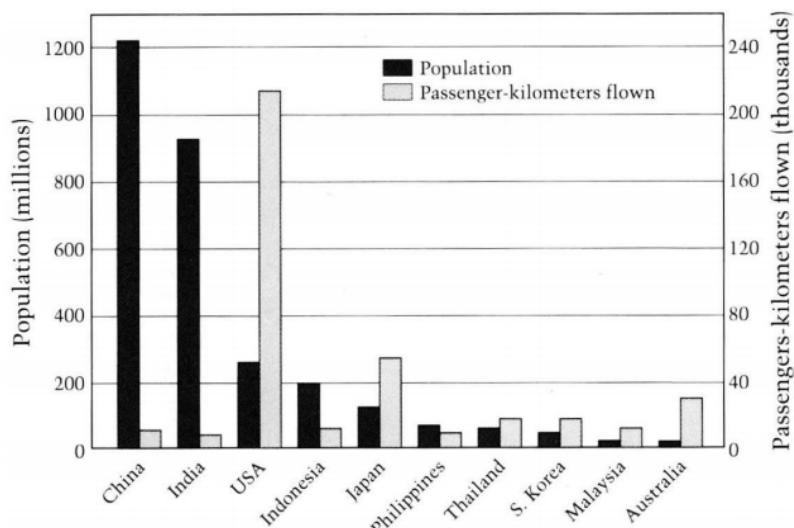


Figure 1.0 Estimated Asia-Pacific population and airline traffic (1992)

The airline industry encompasses an extensive variety of business called airlines, where it offers air transport services around the world. These services include both human travellers and cargo. Year after year, we could see there are a bunch of airline companies along this current industry growth such as AirAsia, MAS (Malaysia Airlines), Malindo Air etc. Since then, AirAsia has become one of the famous airline companies either domestically or abroad under its tagline "Everyone Can Fly", however MAS (Malaysia Airlines) will never let their competitor beat them, so they come out with "Everyday Low Fare" campaign that offers low price compare to AirAsia. Other than that, Malaysia Airlines Bhd offers fares that match or beat those offered by low-cost carriers (LCCs) for seats at the back. According to Peter Bellew, the company's group managing director and chief executive officer, "The airline is still a FSC, with extras like in-flight food, baggage allowances, assigned seats, and credit-card processing. Passengers in business class are provided with high levels of service in advance, but they have to pay a fee, while those interested in low value for money products are sitting at the back of the aircraft "Since taking over from Christoph Mueller on July 1, at his first press conference.

There are three types of airlines business models which are **Full-service carrier(FSC)** , **Low-cost carrier (LCC)** and **Charter carrier (CC)**. A **full service carrier (FSC)** would usually have three classes of service which are economy, business and first class. It operates with a business model that includes offering a range of pre-flight and on-board services with the price off the ticket. The ticket price includes baggage, metals, drink, etc, whether we avail them or not. The seats generally have more recline than a low-cost carrier as well as more leg room. Full-service airlines offer passengers the choice of economy or business class travel and on some flight premium economy and first class. The airlines in this category are much better because if something goes wrong, there is customer service that will generally help and compensate for inconvenience. Compared to low-cost carriers that become more expensive when adding on all the hidden extras such as checked-in baggage charges, in-flight entertainment, food and drink.

Meanwhile, a **low-cost carrier (LCC)** is an airline without most of the traditional services provided in the fare, resulting in lower fares and fewer comfort. The common theme among all low-cost carriers is the reduction of cost and reduced overall price fares compared to legacy carriers. Low-cost carriers operate the same types of aircraft as the full-service

carriers and are subject to the same strict rules on maintenance. Furthermore, low-cost carriers usually have economy class only. To conclude for revenue lost in decreased ticket prices, the airline may charge for extras such as food, priority boarding, seat allocating and baggage. However, the cabin bags are free of charge whereas some budget airlines only allow 1 small personal item.

Lastly, **a charter carrier (CC)** is the rental of an entire aircraft rather than individual aircraft seats. Charter airlines are like jets. A scheduled flight means that seats for this flight are available through a variety of service offerings around the global economy. Flights that are scheduled may have connecting flights. A charter flight, on the other hand, purchases flights from the airline. Package vacations are what they're called, but nowadays you can just as easily book a seat on a charter flight. There are 4 types of services of business models:

1. Charter Operators - certified by that associated government body such as US carriers have legal authority.
2. Air Charter Broker - Charter Brokers arrange flights on behalf of their clients.
3. Jet card - Programs offered by both brokers and operators where a customer is offered a fixed hourly rate for a specific jet category and the broker or operator sources a jet from the available charter fleet.
4. Online marketplace - Online booking platform where the client can choose and book the desired aircraft directly with the operator.

One of the greatest benefits of charter flight is passengers can select who is travelling on the plane as well as give a comfortable cabin setting to relax in or the privacy needed for confidential business discussion. The cabin crew also hand out meals to the relevant passengers if the passenger asks to have an inflight meal.

## **2.0 The Trends in The Global Airline Industry.**

### **2.1 Trend 1 : Empowering Frictionless Travel With Biometrics**

The selection of biometrics is still at an early stage in the business. Be that as it may, a couple of airlines have effectively started putting resources into unique finger impression and facial acknowledgement innovation. Presently, the innovation is being tried in zones, for example, registration, security, relaxation access and boarding. Long lines for security check or at the baggage claim keep on being the first problem area for travelers. Additionally, having to continually show their passports, identity cards or tickets for confirmation add to their disappointments. Airlines are progressively exploring different avenues regarding biometrics to address these issues and make the excursion as frictionless as workable for travelers. Over the long haul, paper and portable tickets will get old as aircrafts utilize facial, iris or fingerprint scans to recognize travelers. An European airline has effectively directed facial-acknowledgement projects to reduce registration and loading up time. The U.S. Transportation Security Administration (TSA) has disclosed an activity across 30 homegrown air terminals to utilize travelers' fingerprints for recognizable proof and giving tickets.

### **2.2 Trend 2 : Passenger Experience and the Internet of Things**

Despite the fact that airlines are still struggling to bring their legacy systems up and running, many have launched Internet of Things (IoT) initiatives to re-define the travel experience. Air carriers are considering using IoT in areas ranging from cargo management to in-flight pleasure. By integrating their hybrid mobile applications with airport beacons, aircrafts are also providing personalised navigation at airport terminals. Passengers' movements across terminals can also be used to lead them to departure gates, push customised offers, or lead them to marked down cafes. IoT combined with innovative analytics can also provide flights with numerous upsell and cross-sell potential. Historical passenger selection information can then be used to make personalised in-flight deals such as improvements. Curated entertainment material can also be made accessible, with all fees deducted from online payment transactions in real time.

## 2.3 Trend 3 : Seamless Data Sharing via Blockchain

Start off with a short explanation on blockchain definition where it is an information recording system which is fiendishly difficult or impossible to be changed, hacked or cheated. Basically, a blockchain is a digital ledger of transactions that is duplicated and distributed across the entire network of computer systems on the blockchain. Each block in the chain contains a number of transactions and will be updated on each transaction that has been made. Moving on the trend that has been used in the global airline industry where it is characterized by data sharing across the entire value chain. Each complex reconciliation of data will be executed in each touchpoint of the passenger's journey. Nevertheless, there are several given airlines' siloed systems for storing data, this data exchange is rarely seamless. In order to perform a smooth data sharing and eliminate multiple transaction costs, blockchain is responsible to enable the airlines to execute the task. It's commonly referred to as 'Internet of Trust'. As we can see in the situation whereby a flight has been delayed, passengers often get inaccurate updated status for their flight. Due to that, Blockchain's inherent ability to provide a single source of truth can help airlines provide accurate flight updates in real time across multiple channels during delays.

## 2.4 Trend 4 : Improvements of Air Traffic Control Services

Due to the increasing flight traffic, air traffic controllers are under constant coercion as they are being pushed to the limits to maintain and keep organized what has resulted in congested airspace. As the enhancement complexity of a system nowadays, the digitalization and modernization of the entire air traffic control system is vital. It is burdensome to run flight operations on time without these enhancements. The investors have an occasion in redesigning the airspace control system as if this approach is executed.

## 2.5 Trend 5 : Hearable, wearable & voice technology

Voice technology has become familiar among us ever since the launching of these mainstream devices such as Amazon Echo, Google Home and Apple's Siri. Hence, it's not surprising to utilize voice technology on airports and airlines to strengthen the relationship with their customers as well as their flying experience, whatever they can get on the ground they can get it on the plane too. For example, Iberia allows its Iberia Plus cardholders to find out the status of their flights and obtain boarding passes for some flights. Moreover, the latest trend is helping the flight attendants to communicate among each other, they will be better equipped to meet passenger needs. These hearable devices are just one important tool that ANA is testing to elevate the travel experience from every single aspect. For instance, Nippon Airways (ANA) and Japan Airlines (JAL) implement smart earpiece technology to simplify communication between flight attendants. For instance, All Nippon Airways (ANA) has introduced a new hearable device, called, BONX Grip, which combines proprietary technology with a smart application, making it possible for users to speak freely and naturally at any distance, in any environment.

### 3.0 Conclusion

The most recent decade carried a supported run of productivity to the worldwide aircraft industry, yet carriers should expect that the following five years will be harder. The seven trends depicted above will drastically change how aircrafts work. Supervisory crews have a decision: they can attempt to stay with the same old approach, responding just looking back to those turns of events, or they can make proactive strides—beginning today—to adjust to and shape the eventual fate of the business. These would be hard to manage each of these trends alone. Together, they demand that management crew put in place strategic plans to allow them to take advantage of creating competitive opportunities. This will enable airlines to anticipate future interruptions that could affect their business strategy and possibly become disruptive in their travel and neighbouring industrial sector.

As computerized advances keep on changing the business and re-shape shopper assumptions, aircrafts should routinely return to their centre working presumptions to remain relevant. They should rethink key activities and capacities to convey convincing and separated traveller experience. With the 'consumerization' wave changing many help areas including media, transportation and retail, carriers also should bridle front line innovations in a 'keen' way. They should forcefully try different things with various use cases to address squeezing traveller trouble spots and utilize the learnings to consistently refine their methodology.

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