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**University of Nottingham**

**“Strategic positioning and creating competitive  
advantage in a challenging industry: The case  
study of Singapore airlines”**

**by**

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**MA Management**

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*A Dissertation presented in part consideration for the degree of "MA Management"*

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**ABSTRACT**

The competitive landscape of global airline industry has changed dramatically as the result of airline deregulation and globalization impacts. Arguably, the most viable change for traditional airlines is the increased price pressures due to fierce competition from low cost carriers (LCCs).

The ‘no frills’ formula, which involves reduction in service and comfort levels, challenges the retaining of full service model and more generally, the model focusing on service quality. Furthermore, reduction in average profitability, instability in return rate of traditional airlines leads to urgent need for traditional airlines to change business model.

This research gave serious attention to key factors that shape the competition in airline sector, with aims to identify what sustainable competitive advantage that conventional airlines should focus on. Drawing from extensive industry indicators and market information, it was found that demand for air travel is so diverse and there is potential for service differentiation. In deed, if implemented successfully, network carriers can earn superior profit.

The research conducted comprehensive and in-depth analysis of Singapore airlines, a highly profitable and famous for its service excellence. It was argued that SIA’s consistent outperformance is the result of both effective cost management and premium service offers.

The dissertation concludes that airlines, especially conventional carriers need to excel in both cost control and service quality if they are to survive and prosper. In order to achieve these seemingly exclusive strategies, internally coherent self-reinforcing business system is needed. Hyper service differentiation is the ultimate competitive advantage for airlines in this new phase of industry development.

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## **CHAPTER I: INTRODUCTION**

### ***1.1. Overview of airlines industry***

As the world is becoming more and more globalized, economies are interdependent. In providing infrastructure that connects people and businesses around the world, commercial aviation has an important role to play as the fastest and most convenient means of transport. However, despite its indispensable role, airline industry's average return is remarkably low. It has long been characterized as the least attractive industry in terms of profitability. Fierce rivalry, unfavorable conditions from supply and demand made it one of the most cut-throat industry.

The past few decades have witnessed airline industry underwent profound changes. Particularly, industry analysis indicate that dramatic changes have occurred in the competitive landscape. Deregulation and 'open sky' policies resulted in the establishment of low cost carriers. Conventional airlines soon found their traditional business model has been challenged by the low-cost operating models. Undeniably, major carriers urgently need to find new strategic competitive advantage as well as form a sustainable strategy.

### ***1.2. Research background***

Operating in such a brutal environment, Singapore airlines (SIA) is a rare example that consistently outperforms other airlines and being highly profitable. It is also widely acknowledged and greatly admired for delivering top notch service quality.

SIA's success provokes substantial attention from strategists to explain how service providers can accomplish service excellence with efficient cost control. Although other authors have been trying to explain SIA success, there is lack of a comprehensive study giving close insight into the business environment and the industry conditions that SIA operates in. Furthermore, previous researches seem to be purely empirical and statistical analysis and lack of a sound theoretical foundation, which is necessary for critical analysis. It was also found that most

researches of SIA case were conducted from the perspectives of SIA's senior managers. As a result, they explain and conclude SIA's cost-effective service excellence from an insider's account. This could potentially lead to biased and one-sided judgments.

### ***1.3. Aims and objectives***

This dissertation was conducted with goals to address limitations of previous researches, as well as offer new perspectives and updated strategic lessons. Using a blend of strategy theories and extensive data, the dissertation aims to provide a coherent analysis of SIA's strategy and its core competencies. In order to provide credible and subjective arguments, the author analyzes the company in its industry context, drawing on extensive secondary data, document analysis, and a large customer's review database. Furthermore, where possible, comparisons between SIA and other major airlines were made.

By giving detailed assessment of one of the world's best admired organizations, the research ultimate goal is to withdraw valuable recommendations for major airlines in intensely competitive environment.

### ***1.4. Research question***

The dissertation tries to address these questions:

- How has Singapore Airlines managed to outperform other carriers in a one of the most challenging industries ?
- Does SIA implement positioning strategy as what was suggested in classic literature ?
- How does SIA manage to simultaneously focus on cost-effective and service excellence ?
- Which strategic model works effectively for full service carriers in a hyper-competitive industry ?

### ***1.5. Research structure***

The study account sets the industry context by describing international airline industry to identify historical development, trends and success factors. Dramatic changes in the nature of competition will be discussed. Especially, the business model with core emphasis on cost structure of LLCs will be examined. This is important because this new model has significant impact on competition characteristic in the industry as well as how the incumbents should shape their strategy.

The literature review chapter forms theoretical framework with a number of strategy-related issues. The research gives a critical analysis of how external environment influences airlines' profitability and the position they take, how firms create and sustain competitive advantage. Relevant theories in creating and sustaining competitive advantage are reviewed. Especially, strategic positioning theories about the pursuit of cost leadership and differentiation give an important suggestion for airlines to compete more effectively.

The research methodology chapter explains how research was designed and gives reasoning for the employment of case study and secondary data. In the analysis chapter, the research focus will shift from industry analysis towards an internal analysis of SIA: its strategic choices and resource deployment decisions. The research proceeds to explain how it pursues seemingly incompatible strategies: delivering excellence service with tight cost control. The core argument of the analysis is: SIA's success bases on two main pillars: right market identification and right positioning. The analysis is divided into two parts of cost controlling and service quality as these are SIA's dual focus. This is merely for the clarity of arguments, which should not be inferred that SIA conducts these activities separately. In fact, they are interdependent and inseparable activities.

The discussion chapter gives in-depth explanations of SIA's strategy: how it actually delivers unrivalled service excellence with efficient costs. The conclusion will discuss practical implications for other flag carriers. Main ideas and recommendations for the application of service differentiation in today business climate will be summarized.

## **CHAPTER II: LITERATURE REVIEW**

## ***2.1. Airlines industry overview***

### *2.1.1 History and competition landscape*

Last decade witnessed the world's airlines industry went through a number of fundamental changes. In the 90s, air transport prospered thanks to deregulation and privatization, which opened up opportunities for many state-owned as well as privatized carriers. Open sky agreements between US and Europe, Asia and Europe and the formulation and expansion of European Union have created considerable market freedom for airlines to fly. In addition, free trade and globalization are no doubt contributing factors to boost air travel demand. On the other hand, it has gone through devastating crises due to a series of negative effects, such as the 11/9 disaster, the SARS epidemic, various acts of terrorism and the war in Iraq in early 2003 and most recently, the Influenza A (H1N1).

It has long been agreed that airline is one of the most vulnerable industries. Airlines performance is always driven primarily by economic climate. Given that the global economy is experiencing one of the worst downturn since the Great Depression, "even the best managed airlines find it hard to survive, let alone prosper in a sluggish or reversionary economic environment" (Richard Stirland quote in Mintel Aviation Outlook - Global - March 2004).

However, despite severe combined effects of the economic downturn and other negative factors, there is still considerable underlying optimism for the long-term future of global civil aviation. In its 'Current Market Outlook', Boeing (2008) cited that global airline industry was in the midst of the most serious downturn in its history, but stressed that such bad performance is short term and both lower cost carriers and network airlines will perform better with improved efficiencies.

In terms of industry rivalry, competition has become more severe than ever, making airlines known as the most cut-throat industry. Deregulation, liberalization and privatization of

airlines have led to the establishment of a large number of commercial and low cost airlines, which raise rivalry pressure in the industry (Francis et al., 2004). Originated from the US, the low-cost airlines model has expanded to Western Europe where it boosted considerable success. In other parts of the world, such as Asia-Pacific, budget airlines are gaining increasing market shares. The entrance of low cost carriers has brought with it a new business model. Without doubt, the introduction of low cost model has radically altered the structure of global aviation operations.

### *2.1.2 Financial performance and the industry outlook*

According to the IATA, scheduled flights worldwide served over 2 billion passengers in 2007, of which 831 million flew internationally and 1.25 billion domestically. These figures represent growth of 11% in international traffic and 8% in domestic traffic, as compared to 2006. However, heavily leveraged to the economic situation, airline industry reported bad financial results in recent years.

During the years, airlines have produced disappointing financial results (IATA, 2009b, p9) and low profitability is the traditional industry theme (Cobb, 2005; Porter, 2008). Commercial aviation is constantly listed as one of the least profitable industry when airlines are reported to earn no more than its cost of capital (See Appendix 1). Furthermore, profit levels of airlines fluctuated substantially. The fact that airlines fail to generate as much as the average cost of capital is result of fierce competition and unfavorable industry's environment.

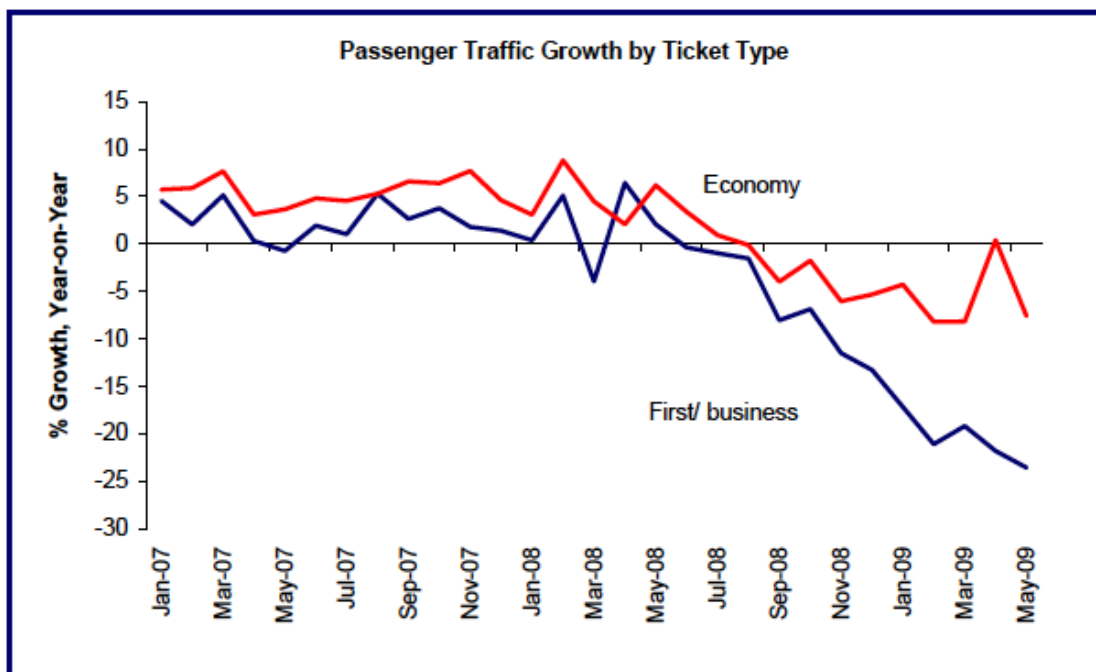
With regards to the premium market that SIA and other traditional carriers target, statistics show a gloomy picture. Statistics (IATA 2009b; Winmuller, 2008) highlight a considerable fell in the number of passenger travelling on premium tickets. This is brought by recession in major economies and the decline in world trade. The economic downturn causes widespread job losses and the fell in business confidence.

In their latest review, IATA notes that premium travel numbers have been in decline for 12

consecutive months since May 2008. IATA’s report (2008) shows that major long-haul markets saw the largest declines in premium travel during November 2008 with a 17.7% fall across the Pacific, a 9% fall across the Atlantic and a 9.9% fall in Europe to Asia travel. In addition to the accelerating fall rate, “premium seats are being discounted on average much more than economy seats, despite the latter usually being the more price-sensitive segment of the market” (IATA, 2009a: p2).

As one can see, air travel market and business travel in particular are driven largely by economic conditions. However, although economic deterioration drives down volume of air travel in general, premium market is the worst affected. While the number of economy passengers was down by 7.6% in May 2009 compared to 2008, premium tickets were down 23.6%. The number of passenger travelling on business or first class fares saw a 22% decline in April and a 19.2% fall during the first quarter (IATA, 2009a).

**Figure 1: Premium traffic growth by ticket types**



(Source: IATA, 2009a: p1).

Figure 1 illustrates that bad economic conditions affect demand in premium market segment more severely than economy class. This poses an enormous difficulty for network airlines,

which rely on premium revenues as a key source of profitability. IATA (2009a) cites that premium passengers account for only 7-10% of numbers but are responsible for 25-30% of total revenues. Therefore, SIA and other premium carriers which target this market segment are required to address this challenge if they are to gain steady profits.

### *2.1.3 Influencing factors of airlines' profitability*

Many studies have been conducted to find reasons for airlines' disappointing performance. Cobb (2005: p26) found that "both excess capacity and increased competition are blamed for the decline in the profitability of the airline industry". Doganis (2002) cited that there are a number of complexities and uncontrollable factors that make it difficult to be profitable in airline industry. The research will critically evaluate four external forces that form airlines' operating environment.

- Bargaining power of buyers

Liberalization and deregulation achievements lead to the establishment of new airlines, bringing wider choices and lower fares for passengers. This generates substantial benefits for passengers, businesses and the economy in general. It protects and enhances consumer benefits by creating more choices and lower fares, while also requires airlines to allocate capital more efficiently.

Air travelers now enjoy more options than ever. Especially on short haul routes, they can get absurdly cheap deals. As a result, they have become remarkably price sensitive. High price elasticity of demand forces airlines to compete mainly on price and gradually erodes their profitability. In addition, it is notable that air travel demand is seasonal and cyclical and fluctuates significantly during a year (See Appendix 3).

In addition, unpredictable demand and the perishable of seats are adverse impacts on airlines' profit. The inseparability of consumption from production leads to the perishable nature in commercial airline industry. To a large extent, operating costs are determined before the plane

takes of when some expenses such as landing fees, fuel, labor costs... are somewhat fixed. As a result, in short and medium term, they will suffer loss for routes that ticket sold cannot make up for operating costs. This means any unfilled seat on a scheduled flight represents an opportunity cost to the operator (Lim, 1995). Airlines' attempts to match capacity with fluctuated demand are therefore extremely difficult.

The perishability of seats is an important factor determining airlines' pricing policy. That is, beside taking into account prices offered by other competitors, airlines have to consider the potential loss of unfilled seats. Nevertheless, the incentive to sell tickets at any price to maximize aircraft loadings is constrained by an airline's positioning strategy. That is, discounted tickets may lead to inconsistent pricing, which in turn harms the airlines image and reputation. Moreover, it should be noticed that airlines are trying to distribute tickets directly and cut commissions for intermediaries and travel agents. Therefore, tickets are less negotiable when flights fares are posted clearly in their official websites.

- Bargaining power of suppliers

According to Williams (2008), labor costs account for the largest input costs for most carriers (typically 25- 40% of total operating costs). Similarly, Doganis (2002) found that wages costs and associated payments represent the largest cost element. However, there are large variations in the portion of labor cost in total costs, which results in considerable cost differences between airlines. Three most expensive groups of employees are normally flight crews, cabin attendants and maintenance engineers. "The cabin pilots and cabin attendants alone represent on average around 14% of total operating costs. However, there are significant variations in wage levels for similar categories of staff between regions and between airlines in the same region" (Doganis, 2002: p115).



In addition, fuel cost has become the biggest burden for airlines, over which they have little control. Oil prices continuously reach record high. Appendix 2 illustrates the rising fuel bills of airlines from 1996 to 2005.

In addition, longer-term uncertainties in supply comes from airport congestion and increased security requirements (IATA, 2007). Rapid growth of traffic could be constrained by congestion at some large airports. At the same time, increased airline and airport security requirements could impact on demand if they translate into higher costs for passengers and longer door-to-door delivery times for freight.

- Threat of new entrance

Threat of new entrants is probably the most notable force that makes competition in aviation so intense and holds down profitability. Deregulation and ‘open skies’ agreements lower entry barriers dramatically. Furthermore, capital requirements do not deter new entrants as effectively as it used to. Porter (2008) cites that because of aircrafts’ high resale value, investors are prepared to supply capital funds for newcomers. All of these factors make establishing a private airlines much easier.

However, due to the restriction of economies of scale, new born airlines can not compete with the incumbents unless it operates on the basis of a new formula. They address this challenge by operating on the ‘no frills’ basis. The emergence of no frills carriers has no doubt revolutionized airline industry, especially in North America and Europe. Asia, the Pacific and South America are witnessing rapid expansion of LLCs. Successful examples of LLCs are Ryanair and easyJet, which have achieved impressive growth in recent years. Annual growth rates in passengers number of LLCs stood at 20% – 60% in 2000 and 2001, much higher than EU airlines average of 8.1% and 1.2%, respectively (AEA (2001, 2002). Growth rates in profits have shown similar developments.

With substantial cost advantage from lower input costs, ‘no frills’ operating basis and simple process design, low cost operators become a serious threat to the incumbents. Initially, low-cost airlines are viewed as ‘budget airlines’, targeting the price-conscious, ‘non-business’ market segment. But more and more business travelers choose to fly low-cost airlines because of their value for money.

- Threats of substitutes services

It is important that airlines managers identify which substitutes can alter or eliminate air travel demand. Traditional substitutes for air travel are other means of transportation. On certain routes that served by both airlines and other types of transport operators, they pose certain threat to airlines. However, sea, rail and road transportation cannot substitute airlines completely due to their inability to operate in certain geographic areas and slower speed compared to airlines.

Recent findings show that technological advances has invented a brand new substitute for air travel, i.e. emails, web broadcasting and video chatting...(Cobb, 2005). The rapid development of tele-communication make it incredibly cheap and convenient to connect with people around the world. The internet space is borderless and distance is removed. As Porter (1985a) cites, since the relative switching cost is low, this substitute poses a considerable threat to airlines.

Particularly, business travel market is shrunk by using emails, online chat and web-conferencing. Flight tickets, travel time and other relating costs can be saved. This makes internet communications an ideal replacement for air travel. As a result, business travel becomes a less attractive option. A survey conducted by the Business Travel Colition found that “61% of corporate travel executives say that they have urged their employees to increase their use of webcast and conference calls rather than travel” (Cobb, 2005: p32). This

substitute places a severe impact on airline industry, especially network carriers, which profits are largely generated from charging premium in business class seats.

## ***2.2. Competitive advantage and positioning strategy***

### *2.2.1. Competitive advantage and its importance*

As stated above, airlines managers make business decision in a turbulent and complex competitive environment. So how can they form distinctive processes in order to provide added values to their customers? Strategists and academics assert that the fundamental task in strategic management is building and sustaining competitive advantage (Teece et al., 1997).

A firm is said to possess competitive advantage if it earns higher rate of economic profit compared to average industry's profitability. Its ability to create value depends on its cost position as well as its benefit position relative to its competitors. Holloway (2008: p16) defines competitive advantage as "Anything that allows one firm to earn and sustain higher profitability than the average for its industry". He cites that in airline sector, fundamental strategic choice to be adjusted are: The service quality and geographical markets that an airline chooses to operate in; what value it can bring to targeted customers; how can it create and sustain an advantage over competitors in each of those markets; and how it organizes production to effectively exploit the competitive advantage.

### *2.2.2. Porter's arguments on generic positioning*

The major landmark in positioning theory was made by Micheal Porter in many of his influencing works. According to him, strategic positioning is the heart of strategy. Positioning means locating a company in the market base on careful considerations of internal and external environment. Through positioning, a firm determines its competitive strategy and how it differentiates itself from other players.

Drawing from extensive experience and observation of diverse ranges of industries and companies, he defines generic strategies and how companies should conduct these strategies.

His bold arguments about strategic positioning were well recognized and stimulated many empirical researches to test the theory (Dess and David, 1982; Miller, D. and Friesen, 1986; Thornhill and White, 2007; Wright, 1987).

Porter (1996) argues that to be successful, businesses should adopt one of the generic strategies. They are: cost leadership, differentiation or focus. In cost leadership strategy, the firm produces standardized products or services at very low cost and achieve superior profitability from above price cost margin. Customer surplus was created by lower price with the same or lower benefit. He asserts that this strategy works effectively when consumers are relatively price sensitive, unwilling to pay premium for enhanced product attributes; there is limited opportunities for enhancing the product's perceived benefit; the product is a search good rather than an experience good and economies of scale and learning effects are potentially significant, but no firm seems to be exploiting them.

A firm pursuing differentiation strategy strive to differentiate its products (or services) from rivals' products. The firm is likely to achieve superior profits if customers are willing to pay premium price for unique benefits. This strategy is more attractive when: customers are relatively price insensitive, the good is an experience good rather than a search good and other firms are exploiting economies of scale or learning effects. In focus strategy, the firm concentrates on a particular segment of the market and applies either a cost leadership or differentiation strategy.

Most notably, Porter strongly supports the pursuit of strategic purity. Because cost advantage and differentiation are incompatible, it is very unlikely that a firm can achieve both. Higher quality or better performance cost more to produce. He calls firms which implement these strategies simultaneously and try to compete in two ways at once are "Stuck in the middle", i.e. they cannot determine which competitive advantage to pursue. "Becoming stuck in the middle is often a manifestation of a firm's unwillingness to make choices about how to

compete. It tries for competitive advantage through every means and achieves none, because achieving different types of competitive advantage usually requires inconsistent actions' (Porter, 1985: p17). He warns that "the firm stuck in the middle is almost guaranteed low profitability" (Porter, 1980: p41).

Therefore, before embarking a positioning strategy, making clear trade offs is crucial: "a sustainable strategic positioning requires trade-off...Strategy is making trade-offs in competing...Without trade-offs, there would be no need for choice and thus no need for strategy" (Porter, 1996: p68, 70). He explains that compromises and inconsistencies will create confusion, distract the organization from its focus and gradually erode its competitive advantages.

### *2.2.3. Criticisms and testing Porter's arguments in positioning strategy*

Nevertheless, there are a few unclear and questionable points in Porter's generic positioning. First, academics want to test the appropriateness and adaptability in pursuing strategic purity across different industries. Second, it need to be proved whether the implementation of a pure business strategy leads to superior performance relative to a mixed strategy. Most importantly, is success from hybrid strategy achievable and to what extent are cost and differentiation mutually exclusive. Strategic literature shows that no clear consensus has been reached.

Wright (1987) argues for a more flexible approach in pursuing generic strategies. He cites that while smaller firms only have the option of competing through the focus strategy, larger enterprises have more choices of generic strategies thanks to their size and access to resources. They are in better position to acquires cost leadership strategy due to benefits from economies of scale, increasing learning curve, cumulative volume of production and more economical access to resources. He suggests that larger firms may choose to compete on the basis of pure strategy or implement it in conjunction with focus strategy.

Thornhill and White (2007) provide a strong empirical support for Potter's argument. They analyze 2,351 businesses across four industry sectors: manufacturing, construction, retail, and business services. It was found that there is a significant relationship between strategic purity and performance. Furthermore, "pursuit of a pure strategy is always equal or preferable to hybrid strategic positioning. On average, pure strategies are often better and never worse than being in the middle" (Thornhill and White, 2007: p559). They therefore conclude that implementing of a pure strategy is always equal or better to hybrid strategic positioning.

Strategic purity is well supported by other authors. Several reasons were given: since value activities are incompatible, firms are forced to make trade-off decision (Jones and Butler, 1988; Treacy and Wiersema, 1995). Second, hybrid strategies lack consistence, causing confusion to customers and even people in the firms (March, 1991). Third, this strategy is vulnerable to be attacked by competitors with purer strategies (Porter, 1996). Finally, a company pursuing 'in the middle' strategy operates in a heavily contested competitive space- an unfavorable condition for high profitability (Reitsperger et al., 1993).

However, not all theorists advocate purity. Miles and Snow (1978: p68) argue for the balance and combination of cost and differentiation strategies. They note that although it is difficult to maintain the 'delicate balance', exceptions are possible and firms which manage to achieve the balance between strategies are normally successful.

In another research, Miller and Friesen (1986 I&II) employed cluster analysis in consumer durables industry. They uncovered that successful companies in the industry often possess complementary elements of both differentiation and cost leadership: "Our differentiators also employed a cost leadership strategy; our cost leaders employed significant elements of differentiation. And the focusers also were cost leaders" (Miller and Friesen, 1986a: p51). They argue that there may be synergy among elements of strategy. Differentiation may lead to market share and volume gains, which create opportunities for cost reduction over time and

vice versa, successful cost leadership provides higher margins for improving product quality. Although there is not enough evidence to show that multiple strengths bring success, they believe that good performance enables firms to attain benefits from both cost leadership and differentiation.

It seems that strategic advantages are ‘mutually supportive’ rather than exclusive. Therefore, firms are suggested to build multiple competences. In brief, their study shows that “success seems to be caused by the possession of strategic advantages- the more the better, rather than strict adherence to Porter’s types” (Miller and Friesen, 1986b: p260).

#### *2.2.4. Strategic choice in airline industry: Cost focus or quality focus ?*

Knowing potential passengers’ valuation of product characteristics is the initial requirement to formulate effective business strategies (Gayle, 2004). Adequate and credible information of consumer preference are essential for airlines managers to pay attention to right areas, organize operation and decide pricing policies. Therefore, discovering consumers’ preferences in airlines service has been the objective of many researches (Pereira et al., 2007).

The air travel market has been well documented and consensus is yet to be reached in terms of whether airlines should choose to focus on cost (being the cost leader); or focus on service quality (delivering differentiated service). Research on the business model of LLCs and full serviced airlines do not suggest which operation model is superior than the other. In fact, airlines’ confused strategies are largely due to customers’ demand are too divergent. Air travelers’ preferences are heterogeneous, i.e. they are have different valuations for service characteristic.

Literature indicates a paradox in airline industry: while cost efficiency is a crucial factor, service quality is not to be neglected. Air transport is service, which by its very nature is about delivering good travel experience. Such services inherently associate with high-cost (Doganis,

2002: p149). In brief, low cost alone does not necessarily provide competitive advantage for airlines (Dennis, 2004; Doganis, 2001; Holloway, 2008).

Interestingly, research found that the widespread influence of no-frills model by no means reduce air travelers' expectation. In other words, price is critical, but "products ultimately sell on value rather than price alone" (Holloway, 2008: p13).

Dunleavy and Westerman (2005) note that 30% of Orbitz customers do not select the cheapest flight displayed. Similarly, Gutschi (2007) found that in 2006, 48% of Air Canada's passengers purchased a fare higher than the lowest available to them; of those who did buy the lowest available fare, 25% purchased an additional service from the airline. Similarly, using the choice game model, Pereira et al., (2007) found that customers are willing to pay 33% more of one-way ticket for improved reliability such as punctuality warranties. The second most importance variable is comfort, which surveyed passengers can spend up to 15% of a one-way ticket cost. Passengers spare a budget for in-flight food service, too.

Gayle (2004) employed a structural econometric model to investigate the relative importance of airfare and service attributes in passengers' choice in purchasing air tickets. His research conclude that prices might not play such an important role when explaining passengers' purchasing behavior. On the contrary, non-price elements such as flight schedules, frequent flyer programs, the quality of in-flight service are major concerns to passengers.

The following part will examine two distinctive strategies, i.e. focusing on core activities and emphasis on value added.

- Focus on core activities: to provide low cost, low price, no frills with goal to maximize turnover. This is the strategy adopted by LLCs.
- Value-added strategies: to provide 'seamless service', offering good service quality, focusing on customers' satisfaction. This strategy is mainly implemented by network or legacy carriers.



By analyzing these strategies, the following part attempts to answer the most fundamental question for traditional airlines. That is, which competitive strategy brings superior earnings and network carriers should focus on cost control or providing good service quality? Does strategy theories of pure strategic positioning developed by Porter provide valuable implications in airline industry case? In addition, this analyze will determine suitable framework to analyze SIA's success in such a cut-throat environment.

### ***2.3. Cost efficiency as a survival factors***

#### *2.3.1. The influence of LLCs to the nature of competition in airline industry*

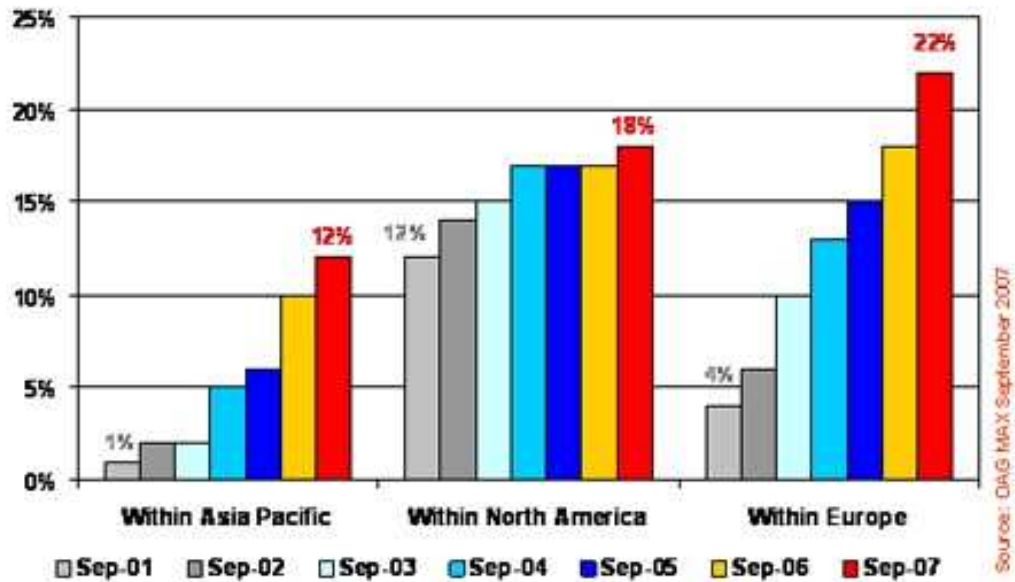
Cost focus strategy was holistically adopted by LLCs. Since the establishment of the first budget carrier in the US and later in European aviation market, there is a brutal batter between full service airlines and low cost carriers. It becomes apparent that market segments on which low-cost carriers and conventional carriers operate overlapped considerably (Pels and Rietveld, 2004).

The expansion of LLCs put significant price reduction pressure for traditional carriers. Offering low fares, LLCs are becoming popular choice in short haul routes. Even in long haul routes, when there is less direct competition from budget airlines, conventional carriers are still under growing pressure of price reduction. Barkin et al. (1995) assert that the cost advantage of LLCs have two simultaneous effects of network carriers: Customers are now no longer willing to accept the sky high fares that once set by legacy carriers. Furthermore, they are likely to raise quality standards, such as more comfort, better in-flight service.

According to OAG (2007), budget airlines doubled their capacity in just four years from 2004-2007. In 2007, low cost growth stood at 20% while world air transport was up 4%. Now

in Europe one in three available seats are low cost. The table shows rapid development and aggressive penetration of LLCs.

**Figure 2: Flights by Low Cost Carriers vs. Total of All Carriers**



(Source: OAG, 2007).

There is a wealth of literature on the growth of low-cost airlines and their business model (Doganis, 2001; Morelli, 2008; Lawton, 1999; Williams, 1999). Doganis (2001: p153) found that “the cost advantages enjoyed by low cost carriers are reinforcing”. They have developed a business model that allows them to keep unit costs substantially lower than traditional airlines. Basic features of LLCs are operating point-to-point, low-cost, no frills scheduled timetable (See appendix 5).

Thanks to simple operating model, LLCs have low unit costs, which enable them to offer such very low fares. According to Mintel report (2006), on average fares of budget carriers in the US are 35-50% lower, and in Europe were 40-70% lower than traditional airlines. In Asia, LLCs continue to offer most attractive fares, which are cheaper than that of legacy carrier by

30-60%. Cheap fares attract customers from other conventional airlines. In addition, Mintel (2008) indicates that “the growth of LCCs has tapped into a whole new market for air travel, consisting of people who would not have been able to afford to fly previously”. Air travelling with low cost carriers was made affordable and especially attractive for average income people.

Despite initial skeptics of the low cost concept, LCA model has achieved considerable success. The model has made radical change in the sector by altering fundamentally the competitive landscape (Costa et al., 2002). Furthermore, they have tremendous impacts on consumer behavior; airport operations and other transport operators (Baum, 2008). Their success provokes rethinking and re-examine the effective way to operate scheduled services. From now on, conventional airlines realize cost effectiveness is an important competence. It is believed that the airline industry is in the reinventing process when airlines are forced to find new business formula.

### *2.3.2. The commoditization trend in airlines industry*

Internet and the widespread impact of tele-communications bring tremendous benefits for both airlines and passengers. They enable carriers to increase operational efficiency, providing price options and schedules information to customers through their websites and thereby omit intermediaries commissions (See Appendix 6). In addition, on-line check in is made possible, reducing the need for overstaffed reservations offices.

From the travelers’ perspective, information about fares, flight options are made more accessible. Online booking service on the carriers’ websites and the emergence of fare compare websites such as Sky scanner, Kayak...make flight fares more transparent than ever. This allows passengers to compare airlines’ prices, get reviews from other customers in a few

clicks and choose the most suitable flight for them (Wharton, 2002). They are very well informed about what is available in the market.

Unintendedly, near perfect information in airline industry is one of the main contributors for the commoditize trend. This trend happens when customers assume there is little difference in service delivered by airlines and they select carriers mainly on the basis of price. In a research to uncover top factors that passengers consider when purchasing online tickets, Karp (2008) finds that “70.5% of surveyed passengers placed price as the most important factor they considered when booking airline tickets. More than 63% said ‘flight schedule’ was the second most significant consideration”.

In brief, competition between airlines becomes more stiff and price pressure increases substantially for all airlines due to the availability in market information. This transparency heighten competition and make it extremely difficult to sell commodity-like flight tickets at a profit. It also severely constrains airlines from raising prices, even when input costs go up. Together with the emergence of the low cost model, full service airlines were put into a war base primarily on price.

### *2.3.3. Price competition & The fare war*

In the golden days of airlines, in-flight services were essential elements for the joy and glamour of air travel experience. Now they are referred to as ‘frills’, which airlines are trying to get rid of. Mintel report (2004) indicates that “the prevailing trend in global air travel, aside from heavy trunk routes with significant business travel markets, is the challenge of low-cost air travel and price sensitive consumers”. Most analysis assert that in airline sector, cost competitiveness is a survival factor. Cost efficiency has become the prerequisite in building competitive advantage.

In their study of 25 industries and product categories in Europe, North America, and on the global level, Knudsen et al. (2005) divide industries into 3 categories according to how the

markets are evolving. Airlines sector (in North America) was placed in the group of which there is a strong growth in the value-end of the market. They further warn that “incumbents that can’t lower their costs enough may find they have no alternative but to exist in the market” (Knudsen et al., 2005: p6).

Similarly, Donoghue and Geoff (2003) provide practical evidence that due to the reduction trend in air travel spending, airlines face a challenge of how to sustain long term profitability. They cite that effective cost controlling is the prerequisite for profitability. As a result, new operating model should take root from a sound cost structure. In order to change fundamentally, network carriers need to be well aware of the importance of embracing a cost efficiency strategy.

Other studies confirm this argument. Researchers seem to reach a consensus that long term survival strategy in airline sector must be based on cost restructuring (Forsberg, 2001; Kangis & O’Reilly, 2003). The price-based competition is so intensified that in its report about the fierce market environment in airline sector, The Economist (2004) warns that traditional network carriers have to cut costs and reinvent themselves or go out of business.

#### *2.3.4. Limitation and sustainability of the cost focus model*

Nevertheless, there are a number of limitations in cost leadership strategy. Lawton (1999) emphasizes that competing on price could not defend airlines from new entrants, who embark on the same business model. Furthermore, “it would seem that nearly any competitor could imitate any other airline’s activities” (Porter, 1996: p64). Mintel (2006) reports that as a response to price competition, legacy carriers are increasingly adopting the same solution, i.e. cutting costs. As a result, price gaps tend to narrow between airline categories.

In addition, conventional carriers have launched their own budget airlines. For example, British Airways with Go, Cathay Pacific with Dragonair, SIA with Silk Air...which are competing with LLCs aggressively. Cost reduction and low prices can be duplicated by

competitors, particularly when they are supported by established airlines. Airlines, therefore need to choose a unique positioning with sustainable competitive advantages.

Another negative effect of price leadership is this model seems to be inappropriate in long haul market. There are factors that constrain network carriers from adopting the ‘no frills’ concept. Services such as meals, in-flight entertainment, luggage handling...are essential in long haul flights. This explains why LLCs find it is not feasible to expand their model into longer haul routes. Currently, LLCs’ average flight hour is: 1-2 hours in Europe and up to 3½ hours in America and Asia. As one can see, the cost focus model block the operation of low fare carriers in short haul markets.

Furthermore, traditional carriers embracing a low cost strategy may risk losing the business market segment. It is widely known that business travelers contribute a critical component in revenue of the incumbents. For example, Carey (2002) estimates that business travelers, who only represent 9% of total customers, generate 46% of United Airlines’ revenue. Normal network carriers gain premiums from charging business travelers substantially higher prices for delicate services. Business and First Class travelers are the least price-sensitive group who are prepared to pay substantial premiums for convenient air travel, value added services and luxury experience.

Most importantly, competing on the basis of price have the adverse impact on the industry profitability. Porter (2008: p85) emphasizes that: “Rivalry is especially destructive to profitability if it gravitates solely to price because price competition transfers profits directly from an industry to its customers. Price cuts are usually easy for competitors to see and match, making successive rounds of retaliation likely”. Climon et al. (2002) cite that without product/service differentiation, head to head rivalry and brutal price competition will squeeze down companies’ profits to marginal costs of production. Similarly, Lawton (1999) asserts

that “the main risks of pursuing a low cost/low price strategy are price war and low margins”. In the long term, LLCs and conventional airlines that focus on merely cost control, desperately implement cost cutting techniques may end up eroding their own profit margins. In brief, it is believed that cost effectiveness is essential but not enough in forming sustainable competitive advantage.

#### ***2.4. Service quality as an ultimate sustainable competitive advantage***

##### *2.4.1. Customer perception and expectation of airlines service*

Since price is a major factor when passengers purchase air tickets, controlling unit costs is crucial to airlines. Nevertheless, does price take complete precedence over quality ? Should price be the only concern and strategic focus for airlines? Researches show that the nature of competition in airline sector is multi-dimensional and should not be limit to price (Lawton, 1999). The rise of LLCs has tapped a huge potential market segment of average or even low incomers. The customer base of airlines is enlarged substantially, making customers’ preferences much more divergent. Arguably, the market served by LLCs and network carriers have dissimilar characteristics. Budget airlines are becoming strong players in short haul routes. Conventional airlines take the dominant role in long haul markets. In brief, since LLCs and traditional airlines deliver different values to passengers, their market do not overlap significantly and “the two sectors should be viewed as distinct business units” (Kangis and O'Reilly, 2003: p110).

Strategy literature suggests that in industries where consumers tastes and preferences are not homogenous, competition among firms is not restricted to price. In fact, “the non-price characteristics of products may be just as important as price” (Gayle, 2004). Given the fact that passengers are heterogeneous, competing on the basis of service excellence is critical with network carriers.

In long haul routes, despite growing price sensitivity, air travelers put high appreciation for comfort and service quality. Even in the USA, where air transport has been perceived as a “commodity” rather than service, there is a growing concern over the deterioration in service quality. Market research indicate that the ‘service- conscious’ segment is expanding steadily and that “many people in the USA were willing to pay a premium in order not to be treated like cattle" (Harvard Business Review, 1995). This will be the driving force to evolve airline competition into more service-oriented.

#### *2.4.2 Service quality is a key competitive advantage*

Researchers have questioned the sustainability of strategy designed to achieve growth based on low cost. They suggest that strategy should move beyond cost control, which is now the norm for airline industry. As Clemons et al. (2002) assert, “competition on price, based on achieving lowest costs, or competition on any single measure of quality, or competition based primarily on pricing, is inherently self-limiting”. Cost control and a sound pricing strategy are all strategic necessities, but since none provides sustainable competitive advantage, which is formed by service differentiation. Successful differentiation reduces pure price competition since airlines’ offers will no longer be viewed as a commodity. Flight fares will be determined by their value to customers rather than operating costs, which allows airlines to charge premium.

When providing cheap price only is not a sustainable competitive advantage, service quality is sought as the ultimate advantage in airlines’ highly competitive market. It is service excellence that distinguish an airline with its rivals. Lawton (1999) highlights that airlines’ long term competitive advantage is reputation built on reliability and service quality. Low price can attract customers in the short term but it does not build customer loyalty.

Despite the commoditize trend in the industry, air transportation by its nature is service, which is very hard to be standardized. There are limited room for cost cutting techniques while



improving service quality contains much more sophisticated tactics to reduce consumer's sensitivity to price and improve customer loyalty and satisfaction. Most importantly, it is the service quality, the joyful and comfortable experience that distinguish an airline with other players. Therefore, airlines need to build and leverage their capabilities (often intangible) in order to deliver distinctive service quality.

In summary, this chapter has examined the literature about strategic positioning base on Porter's influencing arguments. Furthermore, the research has critically evaluated its adaptability in the airline industry context. It is argued that strategy of low operating costs and cheap fares is not sufficient to establish long term competitive advantage for airlines, especially conventional carriers. Companies in service sector such as airlines, delivering good service quality at a reasonable cost is key.

The 'fare revolution' buzz word may misguide airlines that price is the only criterion when passengers purchase tickets. In fact, empirical research suggest that non price aspects should not be neglected. Therefore, conventional airlines' shifted main focus from service to cost may not be an appropriate strategy. The winner is one which can control costs effectively to offer outstanding service quality at reasonable prices. Network carriers, in particular, need to adopt a business model based on improved cost structure to deliver high service quality. Achieving the balance of this seemingly exclusive strategies is the new winning formula. This two pronged strategy is contrary to Porter's positioning argument but has been clearly proved in SIA case.

## **CHAPTER III: RESEARCH METHODOLOGY**

### ***3.1. Research method***

#### *3.1.1. Research approach: Case study*

The research questions have been made clear at the outset of this dissertation. Major issues to be considered are the evolution of airlines competition and how SIA manages to achieve consistent impressive performance over the years. Thereby, the ultimate objective is to propose an appropriate competitive strategy for conventional airlines in new era.

According to Yin (1994, cited in Ghauri, 2004, p.110), when ‘how’ or ‘why’ questions are to be answered and the focus is on a current phenomenon in real-life context, case study is a preferred approach. It proves to be advantageous in giving insights into management situations or serves as a supplement to form new theory in business studies (Hartley, 2004; Ghauri, 2004).

Case study research method has been well discussed in literature. Robert K. Yin defines case study research method as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used” (Yin, 1984: p23). Studying a phenomena within its specific context, a case study involves detailed investigation (Hartley, 2004; Robson, 2002). Academics have agreed that the most advantage of case study research method is its high applicability to real life. Hence, case study is used to examine a theory, to challenge a theory or produce a new one. In addition, it can be employed to explain a phenomenon and provide basis for solutions. Therefore, case study is a well suited methodology to explain the success of SIA and thereby provide valuable recommendations on how conventional airlines should build their competitive advantages.

### *3.1.2. Case study limitations*

The credibility of theories grounded from case study is much questioned. Critics argue that a case or a small number of cases cannot be adequate for generalization, while the common aim of research is generalize findings (Gillham, 2000). Therefore, it may be well suited for pilot

studies rather than full-fledged research schemes. Furthermore, critics doubt the validity of case studies since the researcher need to use his/her own judgment in assessing and analyzing information. Consequently, findings might be heavily influenced by researcher's own interpretations. (Flyvbjerg, 2007).

However, case study research are applied widely in diverse disciplines. It is believed that carefully planned and rigorous conducted case studies can give valuable insight of real life situations and offer solutions for real life problems. Abercrombie et al. (1984: p34) argue that although the examination of a single example cannot provide reliable information about the broader class, "case studies may be useful in the preliminary stages of an investigation since it provides hypotheses, which may be tested systematically with a larger number of cases". With goal to provide "an analysis of the context and processes that illuminate the theoretical issues being studied" (Hartley, 2004: p.323), the analysis of SIA hope to contribute a valuable example for theories in strategic positioning and creating competitive advantage.

### *3.1.3. The use of secondary data*

Given the fact that the dissertation deals with competitive strategy, which is mainly related to board room decisions, it is relatively unfeasible for a novice researcher to gain access to SIA senior managers who could provide perspectives on these confidential issues. Furthermore, commercial considerations constraint managers from giving comments on the company's strategic policies and the researcher does not have personal contact with people in the company to attain primary data.

Fortunately, there is a large amount of data both on airlines industry and SIA performance available from various sources. They are relevant and adequate for the examination of SIA case. Nevertheless, no synthesis has ever been conducted. Notably, key people in SIA have given their opinions in interviews with a group of researchers. This in-depth information has been published in a book and several journals of the same researchers. Their disclosure is

highly valuable to examine SIA's approach in strategic positioning. Therefore, it is inefficient to conduct similar interviews when the relevant data has been made available. Duplication of effort can be avoided (Corti and Thompson, 2007).

As a result, I decided to choose *secondary research*, i.e. to mainly conduct synthesis, systematic diagnostic analysis and in-depth interpretation of existing data rather than collect primary data. There are many advantages of analyzing secondary data instead of collecting primary information. First, this research method proved to be an appropriate approach, given the time and financial limitation for this dissertation. Bryman (2004: p201) notes that some research techniques can be "extremely time consuming and expensive to conduct". This creates substantial difficulties for students who may have neither time nor financial resources to carry out extensive research. He then suggests that they can rely on large amounts of data collected by previous scientists, which is good quality data for a fraction of resource involved. In addition to cost and time saving, many secondary data are of high quality and credibility (Dale et al., 1988). Statistical information and news which have been collected and reported by reputed organizations or newspapers are highly trustworthy.

Lastly, "reanalysis may offer new interpretations" (Bryman, 2004: p202). Some may believe that once data has been analyzed by previous researchers, it is unlikely that others could find something new. In fact, data can be analyzed and interpreted in different ways. Providing that a new perspective and a sound approach are employed, new findings can emerge.

Nevertheless, for every plus there is a minus. Academics have noted that using secondary data involves a number of limitations. First, the researcher lack familiarity with the data. To make best use of data collected by others, the analyst should spend a considerable amount of time to study how the data was coded and organized (Bryman, 2004). This is particularly necessary with complex data collected from various sources because large volume of data requires thorough understanding and good data management from secondary analysis.

Second, the researcher may have to cope with the absence of key variables since “the data collected by different researchers will be structured by various purposes and conceptions of what is relevant” (Hammersley, 1997: p139). In conducting this dissertation, the author met difficulties due to the unavailability of important information. However, it was found that although exact information may be unavailable, raw numbers and figures are assessable. With the employment of statistic software, comparisons and deduced findings can be reached.

Given the nature of the case in this research, it was decided that the research is conducted with both quantitative and qualitative paradigms. According to Saunder et al. (2007), secondary analysis may entail using either quantitative data or qualitative data or the combination of both. In fact, mixed methodology is most frequently used in a case study or survey research strategy.

Quantitative research methods focus more on the measurement and analysis of causal relationships between variables rather than process (Denzin and Lincoln, 2000; Gephard, 2004). In this research, quantified data about SIA’s labor costs, operating profit and other statistics were collected. The use of quantitative data is necessary in order to evaluate customer satisfaction since passengers gave marks for airlines’ service excellence from Skytrax. This also enables the author to make clear comparison with other airlines.

However, there are issues which cannot be analysed by quantitative account. To understand the underlying reasons, qualitative approach seem to be a more powerful methodology (Silverman, 2005; Van Maanen, 1982). It is generally believed that compared to quantitative data, qualitative information provides rich details about phenomena (Strauss and Corbin, 1998; Patton, 1990). With aim to provide in-depth understanding of SIA’s approach with service excellence as well as assess its customers’ satisfaction, qualitative data (i.e. extracts from interviews and passengers reviews) and qualitative methods (i.e. descriptive and interpretative) are employed.

Due to each approach has its own advantages, the combination of quantitative and qualitative is believed to supplement each other and therefore give a better insight to SIA strategic choice and implementation.

### ***3.2. Research design***

Research design acts as a roadmap with logical steps to guide the researcher through the project (Selltiz et al., 1981). Base on research questions, research design points out what and how data will be collected, how the researcher synthesize data in a coherent way and interpret them in an appropriate manner (Saunders, et al., 2007; Hartley, 2004).

In the literature review chapter, a critical evaluation of a range of literature has been conducted. Theories about strategic positioning, building and sustaining competitive advantage were consulted. In addition, the contextual analysis of airline industry was given. The chapter has examined the business model of LLCs and its influence to traditional airlines. This chapter is believed to lay a sound theoretical and practical foundation for analyzing the success of SIA.

In the analyzing chapter, relevant data was obtained from a wide range of sources. Secondary data was extracted from reputed reporters and associations such as Mintel reports, International Air Transport Association (IATA) publications, International Civil Aviation Organization (ICAO), Association of Asia Pacific Airlines (AAPA) reports... In addition, relevant journals, reviews from analysts, company annual reports and internet information are consulted.

Consulting feedbacks and comments of travelers who have flown with SIA is necessary in giving objective evaluations of SIA service excellence. Due to the limit of time and financial resources, interviews was not conducted. However, information from Skytrax- the most trusted online forum for air passengers is found to be the perfect alternative. This is the world's largest database of independent Airline and Airport reviews, covering more than 620

airlines and 645 airports. The large database of customers reviews in Skytrax is a good assurance for the research's objectiveness and credibility.

The researcher also conducts a number of comparison between SIA and other major airlines in terms of cost efficiency, average flight distance and customer ratings for better understanding of the distinctive strategy that SIA pursues. These comparisons are believed to give more information on how SIA differentiates itself from other competitors and explain SIA's market choice and positioning strategy.

### ***3.3. Data collection & Data analysis***

The researcher attempts to analyze the case from secondary data. As suggested by Orbell (1987), most sufficient information for documentary method can be collected without having to contact companies. There are diverse sources that researcher can acquire information. Relevant data was found from the company's website, annual reports conducted by trade associations, research organizations and professional bodies, newspapers, academic journals, proceedings of conferences online database...

There is a wide variety of air travel data and airlines performance, but to maintain the credibility, only numbers and statistic from trusted publishers were used. To verify reliability of findings, where possible, number and statistics were double checked through different sources. Although there are some minor inconsistencies in data from different sources due to unsimilar standard or calculating methods, all statistics are credible and trustworthy.

The journal of Wirtz and Johnston (2003) and the book from Heracleous et al.(2006) provide valuable strategic issue from SIA's senior managers perspectives. However, the author believes that this could lead to a biased conclusion. Furthermore, in assessing service quality, customers' valuation and appreciation that matter the most. Travelers' remarks can provide credible information to evaluate SIA's customers satisfaction level as well as to explore how

passengers actually assess its service. Due to the limit of time and resources, it is hard to recruit interviewees who have flown with SIA to form a considerable sample size.

Fortunately, it was found that Skytrax (at [www.airlinequality.com](http://www.airlinequality.com)) is the world's largest and most trustworthy database of independent Airline and Airport reviews. Based on millions of traveler reviews and ratings, every year Skytrax grants 'The world airline awards' and 'Airline Star Ranking', a result of total transparency process and truly global customer study. Most recently, the 2009 airline award is based on survey operated over an 8 months (from August 2008 to March 2009). More than 16.2 million travelers of 97 nationalities participated in the survey to nominate the Airline of the year title and other award categories (Skytrax, 2009). This makes Skytrax World Airline Awards one of the most prestigious awards for airlines. Major accolades won by SIA and its ranking will be presented as illustrations of SIA's performance.

There are approximately 120 reviews of SIA online. The author found that Skytrax's review database is not only useful with quantified data but also specific and rich as data acquired from interviews. Most reviews are found quite detailed when customers provide minute descriptions from flight route, aircraft type, the fleet layout to onboard services, luggage handling, checking process to even subtle details such as personal contact and interaction with cabin crew. Furthermore, customers share their experience, personal needs and tastes in air travelling. Each review could be viewed as a small lively 'story' of their flights. Most importantly, their emotions: satisfaction, pleasure or annoyance...are shared openly and truthfully. Therefore, it is strongly believed that the review database from Skytrax is a fantastic source of information for the research.

Appendix 7 shows the review form designed by Skytrax. In this form, passengers are required to comment on: Trip rating: on the scale of 10, whether they recommend the airline or not;



whether the airline offer good value for money or not and basic information of traveler: Nationality and cabin flown.

Analyzing passengers review of SIA gives the author additional confidence in the findings when perspectives of both SIA's internal staff and customers were taken into account. It is believed that this combination will give a comprehensive and in-depth understanding of SIA's performance, which overcome the shortcomings of previous research.

## CHAPTER IV: ANALYZING AND RESULT

### *4.1. Singapore airlines introduction*

Fierce competition and unfavorable business conditions make airline industry one of the most cut-throat sector in which only a few airlines can survive and prosper. One of the rare successful examples is Singapore airlines whose performance history is almost unheard of in the brutally airline industry (Chan, 2000b).

Singapore International Airlines (SIA) is a full-service network airline with routes (including its subsidiary SilkAir) covers 103 destinations in 41 countries. SIA was born in 1972 after the separation of Malaysia-Singapore Airlines. The old company was owned jointly by Singapore and Malaysia governments. It was dissolved because both governments aspired to have their own airlines, bearing their country's name (Ayob).

Although Singapore government is still the major shareholder through Temasek Holdings (Pte) Ltd, (with 56.76% of shares), SIA does not benefit from any protection or financial support. Its subsidiaries includes: Silkair (Singapore) Pte Ltd, SIA Properties (Pte) Ltd, Singapore Flying College, SIA Engineering Co, Singapore Airport Terminal Services, SATS Catering, and SATS Security Services.

In nearly 40 years of its history, SIA has quickly grown from a small national flag carrier serving the Malayan States to an international airline with extensive network and outstanding performance.

According to International Air Transport Association (2007) statistic, SIA ranks 4th in terms of passenger kilometers flown and 6th for passengers moved among worldwide airlines. In 2007, with common stocks valued at USD14.4 billion, SIA became the world's biggest airline by market capitalization. (Bloomberg). In 2008, SIA sales totaled 13,049.5 millions USD (SIA, 2009b). It has a workforce of more than 30,000 employees drawn from all over the world (Singapore airlines, 2008).

SIA has been one of the most profitable airlines globally with reputation for quality (Roll, 2006). Its strong commitment to deliver service excellence has not changed over the years. The Singapore Girl is arguably one of the most widely recognized brand images and a truly iconic symbol for dedicated service. Singapore airlines proud to be consistently rated as Asia's "most admired company" (Business Week, 2007). Notably, "Singapore Airlines is the only company to hold the top spot in the Asia 200 survey without interruption since 1993" (Trofimov, 2008). With numerous titles and accolades it achieved, SIA is without doubt the most awarded airline (Chan, 2000a). In 2007 alone, the airline won no less than 80 titles from aviation bodies and air traveling publications. Year 2007 also saw SIA named "Airline of the Year" by *Air Transport World* and rated Airline of the Year in the annual *SkyTrax* survey.

Survey conducted by Travel & Leisure - the US based magazine voted Singapore airlines as the "Best International Airline" in 12<sup>th</sup> consecutive years. The prestigious *Zagat* survey rated Singapore Airlines the top airline overall, and first place in the comfort, service and food categories. The airline also gained honor from Business Traveler- UK travel publication as the Best long haul Airline, Best first class, Best Asian airline and Best cabin Staff. In Asia, Business Traveler (Asia Pacific) marked SIA 'The best airline' in 16<sup>th</sup> year running.

#### **4.2. Strategic choice of market**

SIA has made clear its serving market from the onset: it only focuses on international routes. This market definition is one of the most crucial strategic choice that enables SIA to build and leverage competitive advantages. SIA's commitment to operate in long haul market partly due to force majeure reasons, i.e. Singapore geographic location. Singapore is an island city (area 647.5 km<sup>2</sup>) at the tip of the Malaysian peninsula. Unlike most state owned flag carriers, SIA operates in a small country where there is virtually no domestic route. Consequently, SIA was subject to tough competition right from its inception. The carrier was forced to start

competing with international airlines on long haul routes, negotiating for landing rights to majors airports and attracting international customer base (Roll, 2006). As one can see, this is the disadvantage that normally flag carriers do not have to bear. For SIA, the need to expand beyond home and even regional market is more vital than airlines from large countries like USA, China or India. From its early years, the competitive approach adopted by SIA is winning international traffic from established airlines with strong home markets. This choice requires it to aggressively penetrate foreign markets so that passengers choose SIA over their national carriers. This is an extremely challenging task.

Nevertheless, Singapore geographic location is not merely an disadvantage for SIA. Singapore locates in Asia - the continent with largest population and now is widely recognized as the fastest growing economic area. This is why most analysis identify Asia-Pacific as the most promising region for air traffic development. Volume of traffic in Asia is predicted to increase dramatically in years to come. Particularly, air travel in the continent is important due to Asia's geographical characteristic, let alone demand for intra-regional travel. Mintel (2004) forecasts that by 2014, 36% of the world's international scheduled passengers will come from Asia-Pacific.

In addition, from the 90s, Singapore merged as a 'tiger' economy in Asia. It rapidly developed from a traditional trading hub into one of the world's leading financial centers, a focal point in global shipping and trading networks (Lohmann et al., 2009: p1). Singapore's neighboring countries (China, India and South East Asian countries, including Malaysia, Indonesia, Thailand, Vietnam...) are booming economies. The free flows of trade and labor in ASEAN group and APEC members has generated increasing demand in many routes. The shift in economic structure towards services and finance further gives rise to business travel demand. As a flag carrier, SIA enjoys substantial benefits from Singapore's integration into the world economic.

- Competitive advantage from the hub concept

Fully aware of this advantage, SIA has been operating on the basis of the hub concept, i.e. striving to turn Changi, its home airport, into Asia's hub center. A hub is an airport where ongoing flights are connected according to scheduled arrangements of one airline, between airlines or in an alliance. Strategic hub boost substantial competitive advantage to its 'home' airline. For network carriers in particular, owning a strategic hub is of imperative importance (Hanlon, 1996; Prestowitz *et al.*, 1993). According to Chan (2000c: p480), "airlines in possession of strong strategic hub capabilities not only will have strategic competitive advantage, but also can leverage on their hub capabilities and present themselves as attractive partners in any collaborative arrangements with other airlines". As a result, airlines depends largely on their access to major hubs as a strategic advantage.

SIA's home airport is Changi, one of the biggest aviation hub in Asia, a gateway from South Asia and Australia to North East Asia, North America and Europe. SIA operates 36.2% of all flights at Changi thanks to the carrier's monopoly position and its accessibility to several important markets from its home base (Chan, 2000c). Like SIA, Changi is recognized as one of the world's best airports for its efficiency, cleanliness and customer friendly infrastructure. The airport hosts over 80 international airlines connecting more than 190 cities in 60 countries, of which 40% flights are SIA's and its Star Alliance partners'. On average, 37 million passengers depart or arrive at Changi every year (Changi, 2009).

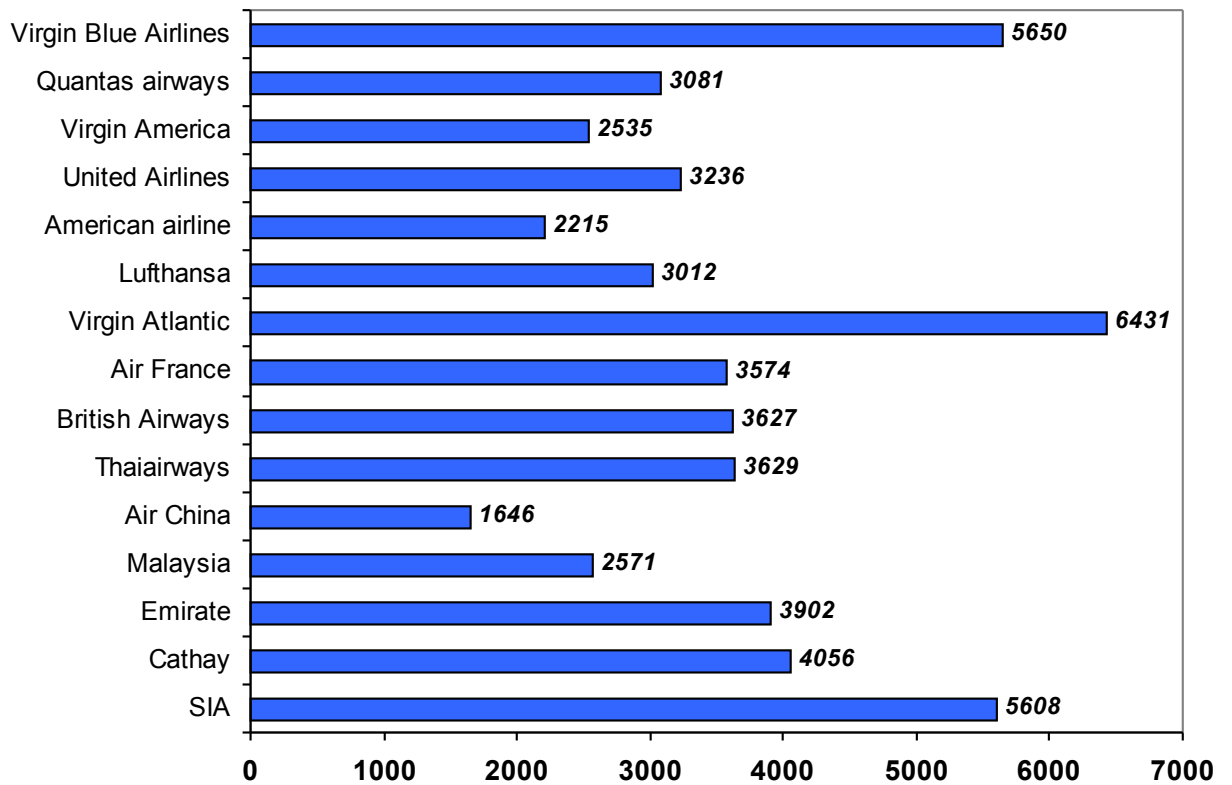
- Comparison with other network carriers

As stated, for SIA, the market choice is clear: it only operates international flights, mostly of which are long haul (flights which last more than 5 hours).

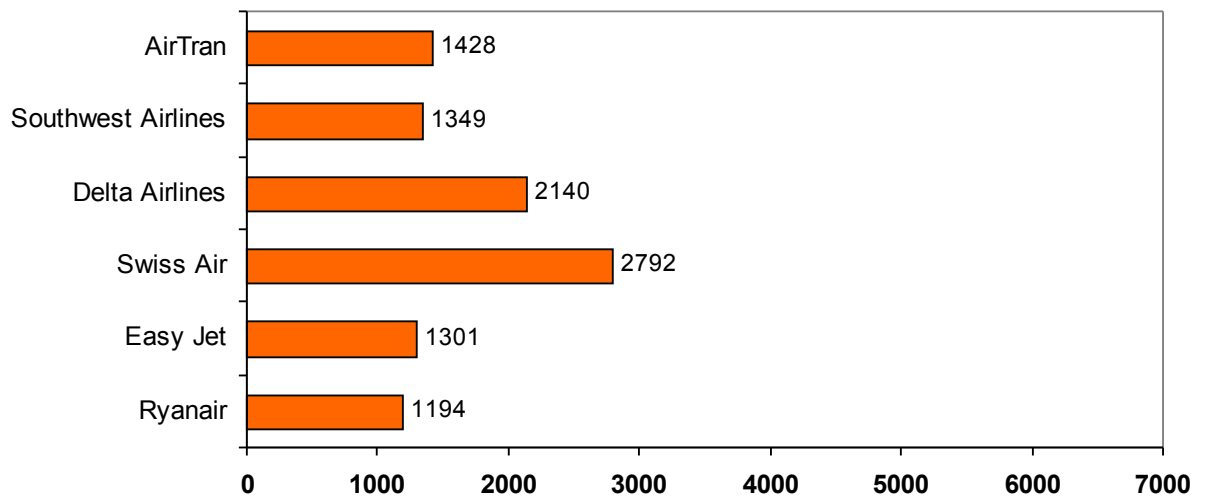
The following figure illustrates SIA's commitment to long haul market.

**Figure 3: Average Route distance of Network airlines and LLCs**

Average Route Distance of Network Airlines (km)



Average Route distance of LLCs (km)



Source: theAirDB (2009).

As one can see, SIA ranks third to Virgin Atlantic and Virgin Blue airlines in terms of average route distance. These two airlines are extreme examples of the network model. They operate

entirely long haul, continental flights. However, compared to other traditional airlines, SIA has far longer average route distance. The charts also demonstrate marked contrast in flight distance between network carriers and LLCs.

This clear choice has positive impacts on SIA's performance. To begin with, focusing on long-haul routes allows the carrier to have homogenous fleets. Currently, SIA uses purely wide-body aircrafts from four aircraft families: Boeing 747, Boeing 777, Airbus A380, Airbus A340. This brings SIA significant cost advantages in training costs and maintenance.

Second, SIA's market segmentation protects it from competition from LLCs. By emphasizing on long haul routes, SIA avoids the dramatic reduction in profit margins in short haul market. On contrary, major airlines which compete both in short and long haul markets has found many routes burdensome as they have to compete in overlapped market with budget carriers. Full service airlines are facing a fundamental dilemma when many routes has become loss makers. Due to intense competition pressure from LLCs in short haul markets, many conventional airlines now find themselves stuck in loss making routes.

Third, by operating in only international network, SIA can define its direct competitors easily, i.e. network carriers. Its competitive strategy is less confusing and complicating than other players which operate in both markets. Limited demand from home market in a way has created a spirit to compete and also a dedication to international standard of quality.

The next part of this chapter will explore SIA two pronged strategy: combining service excellence with cost effectiveness. It was found that in the industry of rising price pressures and customer expectations like airline sector, SIA possesses a strategic ingredient for success: satisfying customers at effective costs. All of its activities are rigorously designed to realize this mission.

### ***4.3. Cost effectiveness at SIA***

Like all other airlines, SIA is under growing pressure of reducing costs. Doganis (2002) and Holloway (2008) both emphasize that in order to achieve sustainable profitability, airlines should initially pinpoint areas of cost reduction. In order to assess how efficiently SIA control its operating costs, it is sensible for us to identify airlines' key cost elements. Many researchers have argued that fleet structure, route network and company policies on remuneration and working regulations are key factors affecting operating costs, which, in turn, determine the total cost differences between airlines. The research is now examining these influential factors to costs, i.e. personnel policies, fleet structure and routes design.

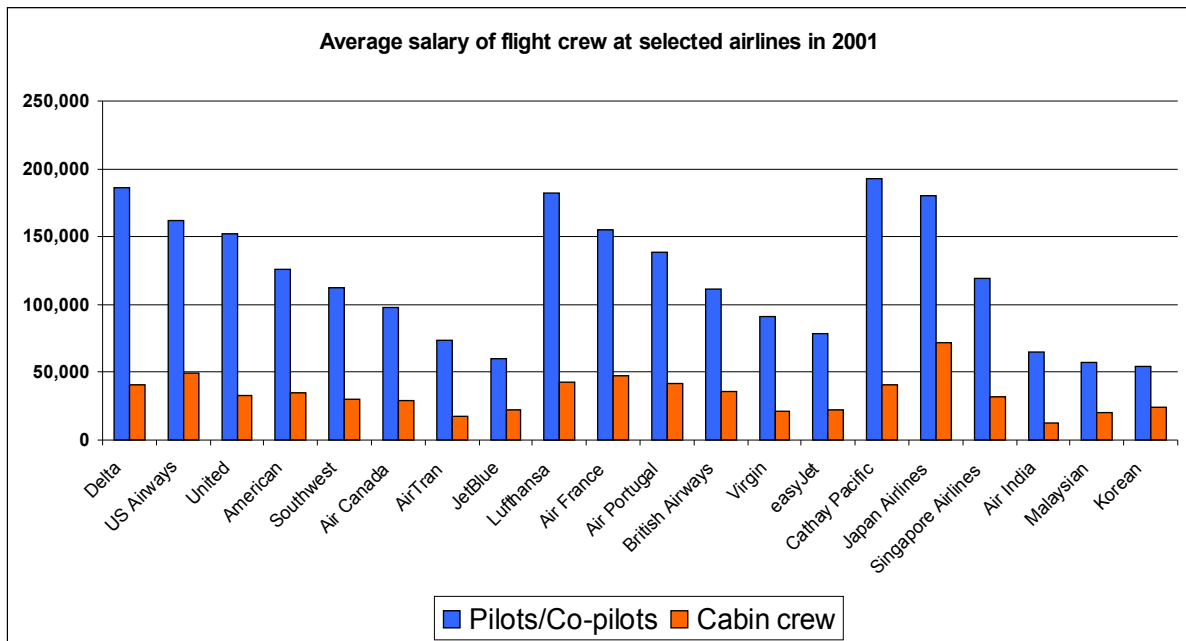
#### *4.3.1. Remuneration system*

Traditional views may assume that origins of airlines have considerable impacts on average salary level and that Asian carriers may benefit from cheaper labor costs. In fact, this is not always the case. Statistic demonstrates that globalization and free flow of labor in airline industry enable pilots and high skilled aviation workers to choose well paid airline to work for. Pilots' training programs are very much standardized, skills of pilots in different airlines are similar and English is the working language for them (Seristii and VepsUinen, 1997). As a result, civil aviation workforce is mobile on a global scale. In fact, Asian airlines such as Cathay Pacific have to pay even higher salary for expatiate crews. SIA faces the same disadvantage when it employs a large portion of foreign pilots.

Figure 4 shows that SIA has no clear labor cost advantage compared to its competitors in Asia as well as its partners in America and Europe.

**Figure 4 : Average salary of flight crew at selected airlines in 2001**





Data source: ICAO Digest of statistic- Fleet and personnel, 2000 and 2001 (Salary comparison file)

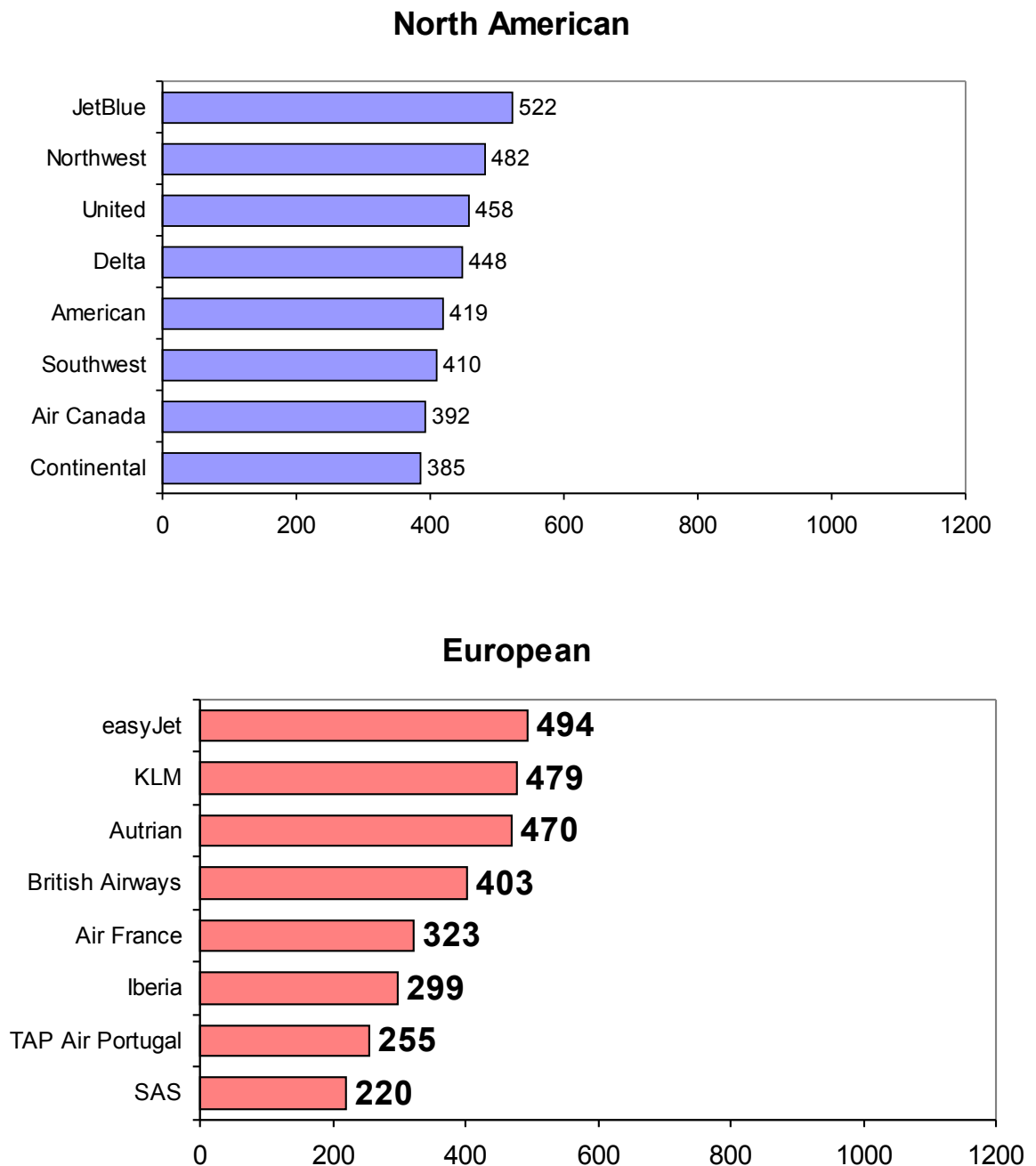
Notes: Remuneration comprises gross salaries, overtime pay, flying pay and subsistence allowances

In addition, studies show that SIA is one of airlines that share the biggest budget in staff training as it adopts probably the most rigorous process for staff recruitment and training in airline sector. Furthermore, it has well above the industry average number of flight attendants per seat (Berinato, 2008). In brief, SIA’s strategic approach in cost controlling does not acquire from low wages or maintaining low number of staff.

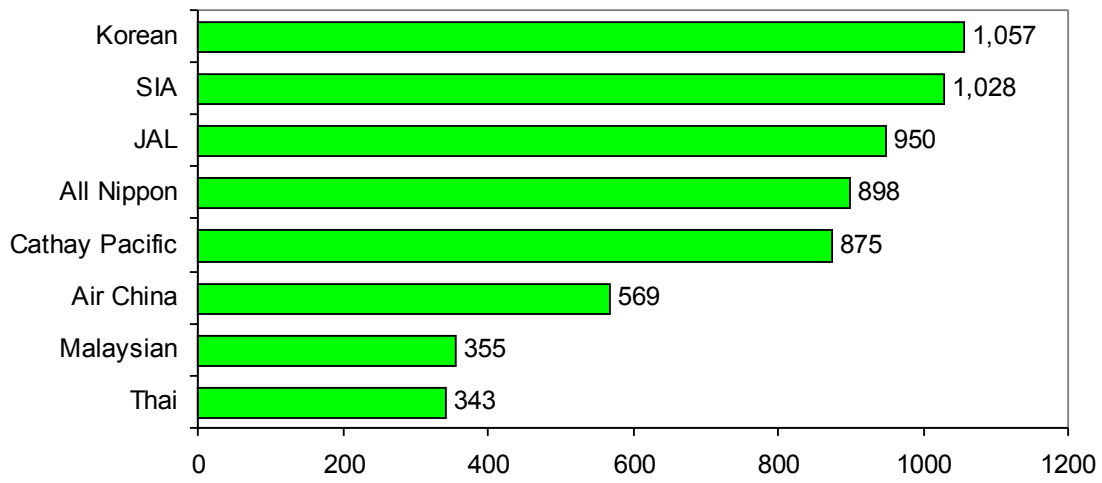
Liberalized global market and high degree of competition results in airlines have less control over labor costs. However, although salaries and social charges are largely determined by external factors, unit cost of labor can be increased by improving productivity (Doganis, 2002). To this end, SIA has done well. It generates compatible advantage through more productive personnel. Better paid comes with higher productivity. Doganis (2006) found that North American and European airlines appear to be equally efficient in their use of labor as an

input. Meanwhile, five most efficient airlines in terms of productivity are in Asian/Pacific group. Figure 5 and 6 show that SIA has the second most productive labor with productivity level is two times higher than its rivals in North American and European.

**Figure 5 : Available tonne-kms ('000) per employee in 2002**



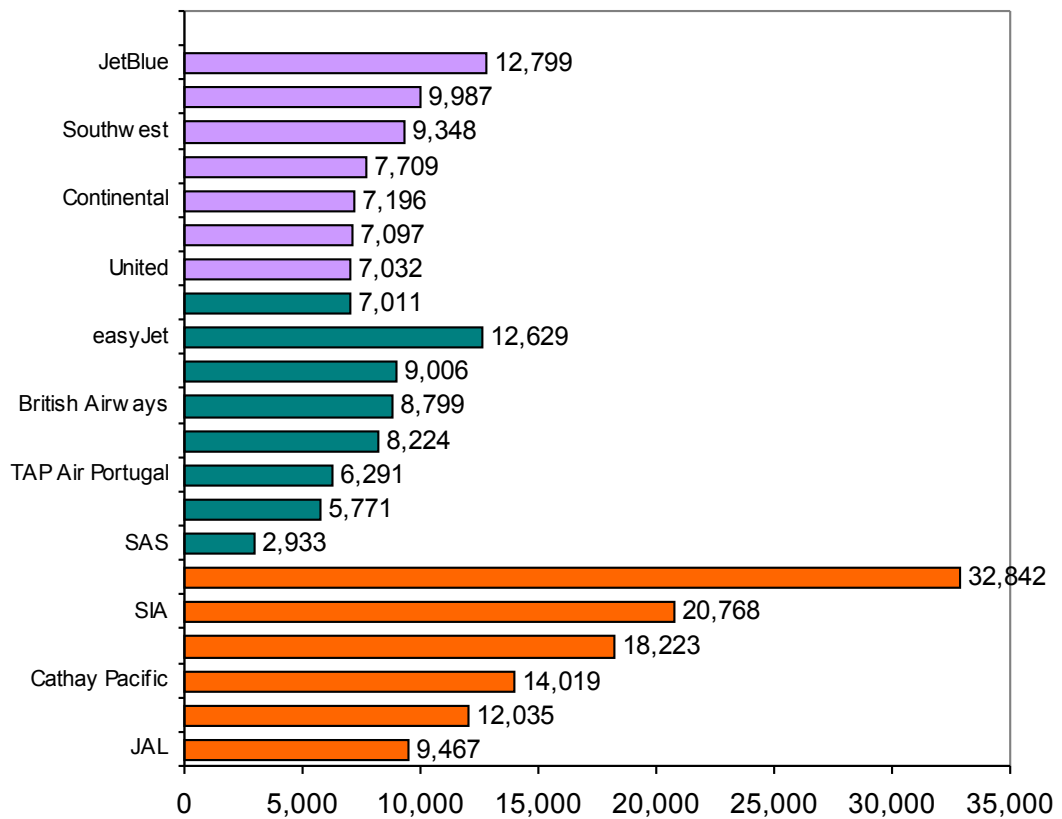
**Asian/Pacific**



Source

Source: Doganis (2006: p125)

**Figure 6: Available tonne-kms per \$1,000 labor cost**



Source: Doganis (2006: p129)

## 4.2.2. Fleet composition

As mentioned above, SIA mainly focuses on long haul flights. It therefore uses purely wide body aircrafts from 4 aircraft families: Boeing 747, the Boeing 777, Airbus A380 and Airbus A340.

Figure 7 of SIA's fleet statistic shows SIA has good uniform fleets.

**Figure 7: SIA Fleet composition**

Aircraft types	Active	In order	On option	Sub total
A340 – 500	5	0	0	5
A380 - 800	6	13	6	25
B777-200 (ER)	46	0	0	15
B777-300 (ER)	30	1	13	32
B747-400	14	0	0	14
<b>Total</b>	<b>101</b>	<b>14</b>	<b>19</b>	<b>134</b>

*Source: Singapore airlines (2009d).*

Seristii and VepsUinen (1997: p19) note an interesting relation between simple structure of aircraft and profitability: “high uniformity of fleet structure appeared to contribute to a good operating result”. They argue that more uniform fleet structure requires lower operating expenses due to savings in flight operations and maintenance. Their study implies that the more uniformed the aircraft type, the more likely an airline can utilize its pilots' output and flight crew. SIA's simple structure of aircrafts allows substantial savings in operating costs.

#### *4.3.3. Routes design*

It has been discovered that average sector length is an important factor to airlines' efficiency. Researchers (Encaoua, 1991; Brunning, 1991; Gillen *et al.*, 1985; Jha and Sahni, 1992) find that high traffic densities can generate significant economies to airlines. However, expanding operating scope, i.e. offering different types of services from short haul to long haul by no means increase economies from densities. Therefore, it could be argued that carriers which operate in too diverse routes may not benefit from economies of scale (Seristii and VepsUinen, 1997). They further suggest that route structure has considerable influence in airlines' operating costs. Although aircraft utilization does not depend on the length of routes, it was found that the variation of flight hours has actual impact on operating expenses. Carriers with more uniform sector lengths tend to control their costs better. Therefore, airlines should concentrate on similar routes in terms of flying hours: either short haul, medium haul or long haul rather than operating the whole spectrum of sectors.

Figure 5 signifies that SIA has less varying sector length compared to other flag carriers. Low variation in route lengths appeared to contribute to SIA's high productivity of flying personnel and operating efficiency. The difference can be seen if we compared SIA with other major airlines such as American Airlines, British Airways, Air France...which are operating long haul as well as domestic and short haul regional routes. With the establishment of a subsidiary airline, Silk Air, all short haul flights in South East Asia region will gradually be transferred to SilkAir. It clearly reveals SIA's goal to specialize in international routes. This is a strategic move toward building a purer route structure in long haul market for SIA.

#### *4.3.4 Managing with a focus on cost and profit*

Notably, SIA has established a culture that focuses on service excellence at a profit. These dual focuses are paid equal attention. SIA policies put main emphasize on customers, but service quality has to be delivered with adequate costs. This potentially conflicting objectives was realized by setting a strong sense of ownership among employees (Wirtz and Johnston, 2003). SIA's reward system was designed so that bonuses are paid according to the company's profitability. This is applied from top executives to flight crews. As a consequence, everyone is aware of the attachment between his/her gaining with the company's performance.

Heracleous et al. (2004) assert that profit-consciousness is ingrained in all SIA's employees. The carrier sets a clear vision and communicate it from top to bottom. It made a powerful visionary statement: "We don't want to be the largest company. We want to be the most profitable." (Mr. Yap comment on Wirtz and Johnston, 2003). They also note although SIA is a visionary company, it was found that people in the organization always keep an eye on details and profit.

In addition, SIA empowers and motivate staff to contribute ideas for more economical operation. Any proposed initiative is only implemented after the balance of customer satisfaction versus costs has been considered. SIA's managers and frontline staff have to constantly make trade offs between service quality and cost savings. "There is a lot of informal peer pressure from individuals within the organization; staff and managers appear quite open in challenging any decisions or actions if they see resources being wasted or money being inappropriately spent" (Heracleous et al., 2004: p38). Furthermore, strong team spirit and social bonds between people in the organization helps reinforces the culture of cost-effective service excellence.

In summary, it can be concluded that SIA has settled fundamental elements of cost successfully. Its strategy concerning markets served, routes flown, aircraft used and personnel policies are precisely addressed. Fundamental factors for SIA's cost saving are good network design, simple fleet structure and high labor productivity. More importantly, a distinct culture focusing on cost efficiency makes SIA a truly profit-oriented organization.

#### ***4.4. Delivering top notch service quality at SIA***

Above all, what make SIA a respected world-class airline is its ability to deliver service excellence. Throughout the years, it has been honored with many 'best' titles: 'best airline', 'best business class', 'best cabin crew service', 'best in-flight food', 'best for punctuality and safety', 'best for business travelers'...The symbol of its service reputation- Singapore girl is widely recognized as an enduring icon of dedicated service: Singapore girl "evokes the very best in Asian charm and hospitality" (The Sunday Times, 1997: p3). This section will examine how SIA manages to win high satisfaction from customers and become a service leader.

Firstly, it is most notable that SIA takes quite distinct perception of its business. The growing commoditization trend drives airlines' focus on cost cutting. Since 'frills' and services are cut out, airlines' service offers are increasingly standardized and somewhat indifferent in the eyes of travelers. SIA, on the contrary, appears to persist on maintaining the luxury experience of air travel. SIA firmly positions itself as a premium airline. It strongly believes air transport is a service business, which is all about bringing best experience to customers. In brief, SIA's core competitive advantage is service quality. The outstanding performance of SIA is largely thanks to its success in implementing and sustaining service differentiation strategy that is hardly be duplicated by other airlines.

*4.4.1. SIA – a customer oriented organization*

In order to satisfy customers, an airline must initially understand travelers' tastes and preferences thoroughly. To this end, SIA believes that listening to passengers and focusing on customer satisfaction are vital. The carrier is eager for passenger suggestions and constructive criticism. It elaborates feedback mechanisms to gather information from various sources. Vigorous efforts are made to receive customers' compliments or complaints through in-flight surveys, customer focus groups. It always tries to encourage customers to express opinions. Feedback questionnaires are neatly and attractively designed to inspire customers to drop a line for them. Customers can feel how SIA appreciates their feedbacks just by the flight attendant's gratitude when receiving any questionnaire leaflet.

Key data is consolidated in the 'Service performance index' (SPI) to assess customers' satisfaction. This tracks passenger reactions to more than 30 aspects of service and performance, both in the air and on the ground. Data from the SPI enables SIA to respond to customer concerns quickly and efficiently (Kaufman, 2006).

It treats both compliments and complaints as suggestions for service improvement and act upon that. For example, in 1998, SIA conducted a survey on 4,000 passengers from all classes to determine their needs and preferences. A team of 100 consultants, designers and builders were established to analyze the survey results. They uncovered that travelers value comfort and privacy when they are on the plane. Thereafter, SIA spent \$500 million on cabin rebuild to renew details from custom-built seats to cashmere blankets (Roll, 2006).

SIA attempts to not only understand customers but to anticipate their needs. It aims to create the "wow effect" for customers. That is, constantly bring pleasant surprises by exceeding customers' expectations. Without intense customer focus, SIA is unlikely to bring service surprise to passengers.



Mr. Yap- SIA's senior vice president explained "There is a whole realm of things that customers don't know they want! We try to study the trends. We have our Product Innovation Department that continuously looks at trends, why people behave in a certain manner, and why they do certain things" (Wirtz and Johnston, 2003). SIA recognizes that the interaction between cabin staff and passengers enables them to observe lifestyle and changes in customers' needs. Therefore, its front line staff are encouraged to identify opportunities for improvement.

#### *4.4.2. Operating world class infrastructure and modern fleets*

According to Segran (2005), SIA's average fleet age of 5 years and 4 months makes it the operator of one of the world's youngest aircrafts. Moreover, SIA prides itself on operating one of the most modern fleets of any international airlines. "SIA maintains the youngest fleet of aircraft amongst all major air carriers, and keeps to the stringent policy of replacing older aircrafts for newer, better models" (Roll, 2006). Heavy investments in young and modern aircraft allow SIA to be more fuel- efficient, capable of flying non-stop, as well as delivering reliable and comfortable flying experience to passengers.

They have always been the first airline to order new aircraft like Boeing 747 and Boeing 777. 2004 saw SIA the first to fly non stop from Singapore to Los Angeles and New York – the longest haul of that time. In 2006, SIA was the first airline to fly Airbus Super jumbo A380. The double-deck definitely allowed SIA to set a new standard for first class service. SIA's enthusiasm and commitment in technology advances attract public attention and differentiate SIA as an innovative airline.

An Australian passenger commented: "Business class seat/flat beds on 773ER in service between SIN-FRA simply fantastic and very private. Never before did I manage to sleep 8 hours on a flight. Do have to admit that it can be challenging to find a comfortable position while sitting upright due to the enormous width of the seat...SQ really deserves the 5 star rating in business class". (Skytrax, Peter Schweizer's review on 27 July 2009).

*4.4.3. Rigorous service design – Luxury in the air*

In manufacturing organizations, R&D departments are responsible for testing and checking new systems and product. In service organizations, however, service design and systematic testing of services may not be paid equal attention. But “SIA always regards product design and development as a serious, structured, scientific issue” (Heracleous et al., 2004: p34). It established a service development department which is in charge of testing any service change before actual implementation. Any service innovation has to undergo rigorous procedures of trials, mockups to assess customer reaction. SIA considers these activities necessary for the success of service innovation introduction.

For example, in flight meals was made an exciting and unique experience with SIA thanks to its dedicated attention to designing the cuisine. Since 1998, International Culinary Panel was established with members are internationally acclaimed chefs to create unique menus for SIA in flight meals. Wine selection is chosen by wine consultants. SIA has continually redefined in-flight dining by satisfying increasingly sophisticated travelers. “The panel has evolved over the years to reflect the diversity of excellent cuisine around the world” (Singapore airlines, 2009a).

SIA engaged famous chefs, leading food experts and critics to taste their dishes. Chan (2000b) notes that the panel spent more than 6 months of “collecting recipes of signature dishes from the chefs, cooking them, tasting them, and making them in-flight-ready, before they were finally satisfied”. All meals then must be certified by SATS Catering Private Limited, SIA's catering affiliate. Quality checks are conducted regularly to ensure the dishes meet the rigorous requirements of air travel standard. Nutritionists in SATS catering also help SIA collect information of travelers’ changing preference with in flight meals.

SIA’s introduction of the World Gourmet Cuisine in-flight dining content all passengers, including economy class. Gourmet dishes were offered with more choices rather than simple

boring menus. SIA offers probably the most sophisticated and widest range of food options. Menu creations are planned and prepared for travelers' enjoyment. It has appealing options designed to meet needs of everyone with programs such as 'Cook the book' – allowing First Class and Business Class passengers order main courses when buy flight tickets; 'Yummy'-exclusive in-flight meal service for children; 'Special meals' for passengers with special dietary requirements. SIA brings the pleasures of fine restaurant dining to its customers in all classes of travel.

A Hong Kong passengers remarks: "Food was excellent in both directions - fish ball soup noodles on the outbound leg impressed me. It is of a standard that makes one look forward to meals on board" (Skytrax, Lim' s review on 7 August 2009). One Portugal customers commented: "Entertainment, quality of service, food and cleanliness are remarkable values which convince me to consider SIA one of my favorite airlines. Truly amazing!" (Skytrax, Gilberto Camacho's review on 10 August 2009). A British customer share his complacency: "On both flights the crew, food and service was probably the best I have encountered in economy. A380 is outstanding. It is easy to see why they rate so highly" (Skytrax, Colin Renfrew's review on 27 July 2009) . Without doubt, SIA has "set a benchmark in in-flight cuisine" (Chan, 2000b).

SIA strives to provide passengers with every possible luxury in the air. It makes sure that every customers has the feeling of being 'pampered'. It is felt throughout passengers' journeys, starting on the ground when they are greeted with warm smiles. First-class passengers are greeted by name and a staff will take their luggage and check in for them. At the beginning and the end of each flight, hot towels are given to passengers to freshen up. Throughout the flight, passengers are treated with free champagne or soft drinks, excellent dining, served with lots of smiles and attention to details (Roll, 2006).

SIA is well known for pioneering all these ‘frills’ which other airlines tend to cut off. Even economy-class passengers are treated with free champagne, cocktails or fine wines, a practice might only be found with SIA. Passengers of all seat class can choose from a wide selection of movies and entertainment medias.

A passenger flying Business class and rating SIA 10/10 commented: “Fabulous business class product with excellent privacy and space. Seat width is extraordinary as is the recline. Turns into a comfortable flat bed with Givenchy furnishing. Awesome warm, thoughtful and hospitable service that goes beyond any in-flight experience. The 10 hours just flew – great IFE, 15 inch screens and anytime dining. Impeccable service. The best in-flight experience ever and absolutely top-notch”.

Passengers of all seat class receive attentive care and service offers above ordinary. SIA’s consistency in delivering delightful and comfortable experience is praised by a British passenger: “The seats are very comfortable in the flat bed position and there is plenty of room in the upright mode. Attentive service, food and drink could not be faulted on any flight and you wouldn't know there was a recession when flying on this airline. Superb!”.

#### *4.4.4. Extensive and holistic staff training and development*

The forth most important contributor to SIA’ service excellence is its emphasis on staff training. Fully aware that human is key to deliver dedicated service, SIA’s human resource strategy pay extra attention to staff recruitment and training. SIA is well known for its holistic approach to human resource development. Its managers assert: “training in SIA is almost next to godliness” (Heracleous et al., 2004: p38).

Cabin crew are recruited young (must be under 26) through rigorous recruitment process. The airline’s particular attention to its front-line staff is also demonstrated by its heavy investment in training. SIA takes long term view of training, therefore a budget for staff development is maintained stable regardless financial situations (Wirtz and Johnston, 2003). Training

program for new flight attendants lasts for four months- the longest and most comprehensive training of all airlines. This training period is impressive compared to seven weeks training program in Cathay Pacific- another Asian airline with emphasis on service quality. Flight attendants are equipped not only with functional skills but also soft skills such as personal interaction and emotional skills that help them react tactfully with practical situations when communicating with customers. Front-line staff also develop skills to deal with the stress and demands that arise from the high expectations of its customers.

In addition to training, SIA encourages teamwork spirit and experience sharing between staff. To create a pleasant and seamless journey for its passengers, SIA considers it is crucial to build team spirit of staff in important operating areas (Kaufman, 2006; Wirtz and Johnston, 2003). Staff in five key operational areas: cabin crew, engineering, ground services, flight operations and sales support are involved in Transforming Customer Service (TCS)- the initiative conducted to embed and invigorate corporation between staff.

In particular, their cabin crews receive high compliments from customers. Anda commented: “Crew worked hard and made a big effort to keep a number of difficult people happy. Crew look immaculate and attentive and work very hard to provide a consistent product; it's something that many other airlines could strive to achieve” (Skytrax, remark on 19 April 2009).

Complimentary remarks were made for staff's professional and pleasant attitudes. They handle unexpected situations tactfully. In the event of delay, customers are kept well informed at all times and the cabin crew come around offering drinks and snack boxes - which kept the passengers happy (Skytrax, M. Taylor's remark on 26 March 2009). An American customer commented: “LAX to Bali - fantastic service, comfort and food with flight attendants who are incredibly gracious. Our flight was delayed at the airport in Bali on return, and the crew actually got out instruments and started singing for us - it was fantastic and made everyone's spirits high” (Skytrax, Barbara Nyegaard's remark on 14 April 2009).

Undoubtedly, extraordinary focus on human management leads to SIA having professional, attentive and responsive staff. Ms Lim Suu Kuan, SIA's training manager explained: "Because when we look after our staff well, our staff will look after our customers well" (Wirtz and Johnston, 2003: p14). In turn, warm and dedicated service is a crucial factor that makes a truly 5 star carrier.

#### *4.4.5. Continuous innovation and service improvement*

In airline industry, things are relatively easily to be imitated: from the operation of aircrafts, technology applications to service designs... Since the industry's competition evolves rapidly, SIA is forced to innovate if it is to sustain its competitive advantage. In order to be recognized as "a consistently pleasant airline to fly with" (Skytrax, Anda's remark on 19 April 2009), a great deal of effort was made in service improvement. SIA is fully acknowledged the enormous challenge of high expectation that customers place on them. Rising demand and service expectation are driving forces for the airline to improve its service offers continuously. Yap Kim Wah, senior vice-president, emphasizes: "It is getting more and more difficult to differentiate ourselves because every airline is doing the same thing... The crucial fact is that we continue to say that we want to improve. That we have the will to do so. And that every time we reach a goal, we always say that [we've] got to find a new mountain or hill to climb" (Heracleous et al., 2004: p35)

SIA has been the pioneer in many major initiatives in airline industry. It has been regarded as a service innovator for implementing a range of unanticipated innovations in the air. In 2004, SIA was the first to operate the world's longest non-stop commercial flight between Singapore and Los Angeles on the A340-500. Just 4 months later, it broke this distance record with the non-stop service to New York (Newark). Recently, it was the first to operate A380, the world's largest aircraft on 25 October 2007. SIA also introduced full size 'space bed' in Airbus A380 for the 'Suite' class, which is even more luxurious than First Class. It also offers on-board emails and internet service for business and first class travellers.

SIA also pioneers in-flight telecommunications services and unparalleled in-flight luxury. In the 1990s, Singapore Airlines revolutionized in-flight communications and entertainment through the KrisFone - the first global sky telephone service. KrisWorld, its award-winning in-flight entertainment system, offers customers a wide range of entertainment options. Passengers, even in economy class can choose from a variety of movies, TV programmes, music CDs and channels. There is also an extensive selection of video games and interactive applications.

In addition to its commitment to continuous improvement, people in SIA are ‘obsessed’ with perfection. This seems to be the underlying driver for SIA’s constant effort for improvements. Sim Kay Wee, senior vice-president, states: “When you fly on a good brand, like SIA, your expectations are already sky-high. And if SIA gives anything that is just OK, it is just not good enough”. (Heracleous et al., 2004: p35). Therefore, it always raise the quality standard. SIA does not only compare itself to other airlines but to service providers with aim to be ‘the best service organization’.

In addition, SIA has a total approach in innovation. Delivering air travel experience is a multifaceted procedure which involves both ground and in-flight service. It ranges from ticket reservation, check in systems, catering, entertainment...As a result, SIA does not intend to be far better than its rivals but make a bit better in every aspect. This approach enables SIA to control cost effectively. It strives to implement continuous innovation which deliver real value added to customers with low cost. This is how SIA innovates without pricing itself out of the market. In brief, appropriate approach and implementation of incremental service improvements with a focus on cost effectiveness is a fundamental element for SIA’s enduring success.

#### *4.4.6. Analysing SIA’s customers reviews*

Figure 8: Statistic summary of customer reviews for major airlines

	<i>Airlines</i>	<i>Average trip rating</i>	<i>Median</i>	<i>Mode</i>	<i>Max</i>	<i>Min</i>	<i>Number of YES FOR RECOMMENDATION</i>	<i>Recommendation Level (%)</i>	<i>Number of YES FOR VFM</i>	<i>Value for money level (%)</i>
1	SIA	8.78	9	10	10	3	115	95.04	112	92.56
2	Cathay Pacific	7.15	8	8	10	1	101	77.69	102	78.46
3	Malaysia Airlines	8.23	8	8	10	2	71	94.67	70	93.33
4	Qatar airways	8.29	8	10	10	1	93	80.87	96.88	96.88
5	Emirates	6.07	7	8	10	0	74	63.24	76	64.95
6	British Airways	7.56	8	9	10	1	117	85.4	116	84.67
7	Virgin Atlantic	5.02	6	8	10	0	53	46.9	57	50.44
8	American Airlines	4.68	5	8	10	0	34	43.03	39	49.36
9	United Airlines	4.51	5	7	10	0	44	43.56	53	52.47

Data source: Skytrax (2009).



Airlines chosen for comparison are major network carriers so that customers' evaluation criteria are similar. The figure was set in order of Skytrax's star ranking. Singapore airlines, Cathay Pacific, Malaysia airlines, Qatar airways are 5 star; Emirates, British airways and Virgin Atlantic are 4 star. American airlines and United airlines are 3 star.

Generally, customer reviews were made in the last 5 months (SIA: in 9 months, the longest was Cathay Pacific with 12 months and British Airways has the shortest: 5 months). Average sample size is approximately 120. The information are very up to date since all airlines' newest remarks were made in August 2009 - the time this research was conducted. It could be argued that data collected is valuable and trustworthy, which enable the statistic to arrive with genuine findings.

Statistic shows considerable difference in customers satisfaction between airlines of different ranks. While the top 4 airlines receive high appreciation, two American airlines see disappointing result in all criteria. As can be seen, SIA has the highest customer satisfaction (with the average trip rating stands as high as 8.78). Qatar airways, the runner-up in general customer satisfaction has 0.49 point lower than SIA. SIA's satisfaction level is nearly 2 times higher than United airlines, the one receive lowest customers' contentment. The majority of travelers spare compliments and express contentedness for SIA's service excellence. It beats other players in all criteria. It was much praised for smooth service, excellent on board meal and entertainment. Especially, SIA receive greater appreciation for hospitable courtesy. Flight attendants are commended for their attentiveness, kindness and friendly attitudes.

SIA's customers are most likely to recommend the airlines to their friends and family members. Furthermore, customers believe they gain good benefits from flying with SIA. It is the third airlines to offer value for money with 92.56% passengers agree (Qatar airways is on the top with 96.88%).

Given the fact that air travelers are increasingly price sensitive, they want to make sure money is well spent. To this end, SIA has clearly succeeded in satisfying even money conscious passengers. This is a substantial advantages when passengers believe SIA offer the best value for money.

American airlines seem to have the most disappointing service quality. They fail to meet service quality standards that customers expect to receive from major airlines. Functional, “nothing amazing” services from a national carrier like American airlines dissatisfy passengers (Boughey’s Review for American airlines on 10 August 2009, Skytrax). Many complain on unreliable flight time, unhelpful customer service. Notably, travelers are most frustrated by poor, unprofessional, disrespectful and uncaring cabin crew attitudes.

## CHAPTER V: DISCUSSION

### *5.1. Limitations of the research*

Given the restriction of time and financial resources, the dissertation has some inevitable limitations. Although attempts were made to address the challenge, there are some areas that can be improved in further research. If a longer period was given, more information would be collected and SIA case could be studied in a more comprehensive way. Ideally, the author proposes that more cases of successful 5 star airlines such as Cathay Pacific, Qatar Airways or market challengers like British Airways, Emirates...should be employed to make a more convincing conclusion.

In addition, from analyzing Skytrax customer' reviews, it is believed that the data enables researchers to explore a number of new aspects. For example, further in-depth analysis can be conducted to uncover important factors influencing customers' satisfaction with air travelling. The finding will provide valuable suggestions for airlines to build their competition strategy.

Secondly, although frequent comparisons were made between SIA and other network carriers, there is great potential for more in-depth research on strategic approach that SIA takes to differentiate itself from its competitors. For example, successive research should be conducted as a comparative study on airlines' service offers between seat classes; pricing strategies of premium airlines or exploring how they decide the proportion of seat classes...

### *5.2. Research findings*

#### *5.2.1. The potency of service excellence in airline industry*

Literature review chapter has given a clear insight into the airline industry. It has been found that airline is one of the most cut-throat sectors. Fierce competition, especially the introduction of LLCs business model has fundamentally influenced the way airlines compete. Market information demonstrates that the commoditization trend is becoming stronger in aviation

sector. However, this by no mean indicates that passengers are willing to trade off price with service quality. The 'revolution' originating by LLCs forces the incumbents to operate more efficiently but it cannot change completely the nature of the industry that airlines are in service sector. Therefore, "the success or failure of an individual airline is largely dictated by the quality of the service it provides" (Harvard Business School, 1989 in Chan, 2000b). In the context of over emphasis on cost cutting, this simple knowledge reminds the core activity that airlines, especially network carriers should focus on.

In fact, it was found that there is a rising demand for service excellence, especially from conventional airlines. The Sunday Times (1997b, p. 32) predicts that in the new era when passengers are increasingly demanding, tailor-made in-flight service will be the norm. This is strongly supported by the analysis of customers' reviews. Analysis of customers' remarks for major airlines clearly demonstrates that airlines which receive high satisfaction level are ones strive to offer superior service rather than basic and functional. Statistic shows that passengers are most disappointed with US airlines (American Airways and United airlines), where air travelling has become somewhat a commodity industry. Passengers, regardless how price sensitive they are, still want to be treated with respect and caring service.

Passengers are likely to value conventional airlines base on their service offer. In addition, this is the ultimate and utmost characteristic that differentiate them with LLCs. "Basically, it has to be service, and better service. Others have learned that what differentiates one airline from another is service" (The Sunday Times, 1997b, p. 32). As a result, incumbent airlines face multiple challenges: they have to exert effective cost control to stay competitive and deliver good customer service at the same time. In brief, network carriers are advised to build capacity and competencies base on service quality.

### *5.2.2. The success formula of SIA*

SIA is a unique airline which achieves steadily good performance, making it one of the most admired airlines. In addition to numerous honorable industry awards and titles that it has won, practical analysis of passengers reviews and ranking for SIA further confirm its premium service quality. SIA has succeeded with its service differentiation strategy.

There are several factors that produce such exceptional performance. The first correct strategy decision made by SIA is the market. Although this choice is partly due to geographic reasons, SIA shows strong commitment to operate in long haul market with the hub and spoke concept. With the establishment of SilkAir and Tiger airlines to operate exclusively in Asia region, especially South East Asia, it can be predicted that SIA's international flight route will be more homogenized. The strategic choice of market is a genuine finding. Although previous researches have mentioned SIA operates in long haul routes and the hub concept, it was never recognized as one of the contributors to SIA success. In fact, this research has found that clear market definition is an influencing factor for SIA's efficiency. This finding allows the research to explain SIA's key areas of cost savings. While other incumbents are locked with confused market choice, clear market orientation brings SIA significant competitive advantages. Thanks to operating mainly long haul international routes, SIA gains cost advantage by operating simple aircraft composition and relatively homogeneous routes. Furthermore, cost effectiveness was achieved by high labor productivity.

Second, to cope with fierce competition, SIA choose to focus on service excellence. SIA has adopted appropriate approach and persists in their service focus motto. SIA takes pride in a profession that lost much of its glamour since air travel is much more 'commoditized'. The carrier seemed to set itself out of the fare war, which leads to considerable erosion in profit margins for involved airlines. While airlines in the price batter are struggling with cost cutting measures, SIA gear up for technological innovation and service improvement. While other airlines cut back on services to reduce costs, SIA places customers' comfort and excitement as

first priority and offers them generous treats. “The bottom line for SIA is not the plane, the seat, or the destination. The bottom line is delivering exceptional service, and the personification of that service” (Smith, 2005). Customer-focused and service differentiation strategy enable SIA to stand out of the clusters.

Five main factors for SIA’s outstanding service quality were identified. They are: building customer oriented culture to thorough understanding of customers’ tastes and preferences; careful training of staff; modern facilities; flawless processes and service design and continuous improvement.

Particularly, SIA takes a holistic approach in human resource management: it only recruits people who enjoy serving others (Smith, 2005) and invests heavily in staff training and development. SIA spends extra efforts in creating alignment between employees and the company’s mission. Sense of ownership are evident in the way they voluntarily protect the airline's reputation (Kaufman, 2006). As a result, staff are proud of their profession and committed to customers and continuous improvement.

In addition to sophisticated design of activity, SIA’s superior service excellence was made possible by SIA’s shared vision and culture of service excellence. It is believed that setting exceptionally high customer service standards serves as a positive motivation for the airline’s continuous improvement. SIA’s aspiration to become the top-notch airline for customer service is firmly embedded in its culture of service excellence and innovation. Chan (2000b: p523) believes that “such an organization-wide energizing vision of service excellence is a powerful source of competitive advantage in top class service organizations. Such a strength can be the bedrock of a quality and service quality sustainable competitive advantage”.

### *5.2.3. The implementation of a hybrid strategy*

The dissertation demonstrates that SIA did not choose to implement Porter's suggestion of strategic purity. There are a number of contradictory facets in SIA's master plan showing that it attempts to implement both cost leadership and differentiation. It does not only strive to deliver excellent service quality but also makes efforts in reducing operating expenses. In one way, SIA position itself as a premium carrier with unrivalled service quality. In another way, it manages to control costs so effectively that it sustains competitiveness and profitability.

Core strategy of SIA could be drawn as delivering service excellence with effective cost management. It has tactically fulfill incompatible tasks: offering premium service in a cost effective way. This contrast with Porter's bold argument that differentiation and cost leadership are mutually exclusive and that a firm must opt one to pursue. The analysis shows that SIA is a service leader as well as a highly productive, cost-effective and profitable company. SIA's simultaneous focus on service excellence and costs effectiveness contrasts to Porter's assertion of strategic purity.

In addition, while Porter asserts the important of making strategic trade off, SIA case demonstrates the opposite. Refusing to made trade-off, SIA insists on delivering service excellence with an eye on cost and profit. That is, maintaining excellent service quality does not need to associate with enormous expenses. Premium product offerings do not necessarily come with sky high prices.

From the analysis of elements in SIA's dual strategy, one can see that the carrier has tactfully combined two seemingly distinct aspects. Essentially, SIA core competitive advantage is the ability to achieve both. Other airlines, as well as academics need to understand better how they can instill a culture that simultaneously focuses on service excellence and costs i.e., a culture of delivering service excellence at a profit.

#### *5.2.4. Strategic 'fit' and service consistency*

Impressive performance of SIA over the years have proved the sustainability of its competitive advantage. Arguably, SIA is the only airline in such brutal industry which can establish and sustain reputation for outstanding service quality. Other competitors may position themselves as premium carriers, but fail to either being profitable or deliver comparable and enduring service excellence.

It is the factor called “Strategic fit” that makes SIA’s business formula hard to duplicate. According to Porter (1996: p70), ‘fit’ locks out imitators by creating a strong link between discrete activities. Since competitive advantage is a set of interdependent elements and the interaction between them, it can only be attained when all activities fit and reinforce one another. From analyzing SIA’s activity, no major internal conflict was found in SIA’s business structure. A ‘total approach’ was adopted in implementing service excellence so that controlling costs and premium service offering are inseparable.

Developing competitive advantage based on service and quality is possible, but it requires airlines to have an self enforcing system. That is, every activity supports each other to achieve the organization mission. Furthermore, dynamic capability is necessary to meet customers’ rising demand. In the case of SIA, continual efforts were made in enhancing service. Regular reviews to minor details, continuous innovation and desire for perfection enable SIA to identify opportunities for improvement. Therefore, its competitors are locked out of imitation.

#### *5.2.5. The new winning business model for network airlines*

The industry analysis demonstrates that there are two main approaches that classify airlines. The first approach, adopted by LLCs and some US carriers, holds that airlines only need to perform basic function of transporting people from point to point at the lowest possible price. Chan, (2000b) calls this “the commodity mindset, thinking of an airline as the bus of the skies”. Another approach, adopted by SIA and other 5 star airlines, moves beyond basic



functions of air transport and maintains that an airline's job is to provide enjoyable and comfortable traveling experience. Therefore, airlines' competence should be built on the basis of service quality. The analysis of SIA's success provides a convincing evidence that there is an immense potential for airlines, especially network carriers, to target the quality conscious and upper end market segments. Other Asian airlines, led by SIA, are shifting their strategies to compete not just on the basis of costs and prices, but also on differentiating themselves on premium-quality service.

Analysis of SIA case provides several important lessons for conventional airlines. First, they must aware that passengers, especially in long haul flights particularly appreciate good service. Therefore, it is suggested that network carriers focus on service quality. Secondly, although classic strategy literature support the purity in positioning, i.e. a firm either strive to adopt cost leadership strategy or differentiation, this does not seem to work well for incumbent airlines. The dissertation uncovered a paradox in the airline sector: airlines have to balance the key business equation: cost and revenue. The unique nature of airline industry and fierce competition force network carriers to deliver satisfactory services at lowest cost possible. It was concluded that they have to focus on both cost control and service quality. Especially, competitive airlines in long haul market are ones who build their competences in both cost-efficiency and service excellence.

- Effective cost controlling

Effective use of resource is the prerequisite condition for good performance. After all, airlines are in business to make profit. In the case of SIA, although it is committed to deliver premium service, its people from senior managers to cabin crews are well aware of the bottom line and the need to make profit. Profit focus need to be integrated in all operation processes. Especially, service design need to make constant trade offs between customer benefit and cost

incurred. Innovative ideas and improvement measure are chosen only if they deliver real added value for customers with reasonable expenses.

- Service and customer focus

Shifting the main focus from cost cutting to customers satisfaction is the strategic move which brings a number of advantages for conventional airlines. First, competition will base on service quality rather than fares. This enable for airlines to charge premium for service, leading to superior profitability. Secondly, by focusing on service, network carriers can shift the nature of competition in a more positive direction. Instead of being locked in a classic prisoner's dilemma game, full service airlines can avoid direct competition with LLCs. Since they will be serving different market segments with different services and price structures, opportunity for positive-sum competition will be greater. This is what Porter (2008) calls 'positive sum rivalry', i.e. each group of airlines target different customer groups.

In order to implement service focus strategy, several lessons can be drawn from the success of SIA. Firstly, airlines have to develop strategic focus on customers: careful study of customer needs, then reinvent service design base on their feedbacks. Staff training and development is crucial, especially cabin crew have to instill practices of service excellence. Airlines should concentrate on developing human resource because their staff are the ones who make most impression to passengers.

Furthermore, airlines should take every opportunity to improve both technical systems and 'soft' factors. Ideally, airlines should instill continuous improvement spirit. Lastly, a total approach is crucial for service excellence. Satisfactory customer service is the result of many interdependent activities. It starts from adequate strategic focus, to a clear understanding of customers' needs, good human resource management, and well-constructed systems and processes.

## **CHAPTER 6: CONCLUSION**

Recent years have seen serious financial losses of traditional airlines. In such a gloomy context, SIA's consistent outperformance merges as an unique case. Despite the commoditization trend in air transport, standard of service in SIA remains superb. It seems to persist on its business philosophy of offering exclusive and joyful in-flight experience for the travelers. The research aims to explore how SIA manages to achieve consistent success in the brutal airline industry, thereby suggest appropriate strategy for conventional airlines to response to competition pressure from budget carriers.

The dissertation has provided an in-depth insight into airline industry with major performance indications and its evolution of competitive strategy. In addition, fundamental changes with the new introduction of LLCs business framework were explored. It was found that airlines' profitability is vulnerable to a number of unfavorable factors. Fluctuation in air traveling demand, uncontrollable fuel costs, rising labor costs, particularly fierce competition are driving factors for the poor profitability level of the industry.

The research has consulted strategy literature in building competitive advantage and strategic positioning. Although it was agreed that strategic positioning is necessary for a clear competing strategy, there is an endless debate regarding to the pursuit of strategic purity.

Many empirical research testing Porter's assertion are equivocal and no consensus has emerged. Porter and his advocates assert that cost leadership and differentiation are mutually exclusive. Companies, therefore, have to choose to pursue either of them. Furthermore, they believe pure strategy is always equal or preferable to hybrid strategic positioning. On the contrary, Miller and Friesen (1986a, b) found best performing firms possessed complementary elements of both cost and differentiation advantages. Therefore they argue that there may be synergy among elements of strategy and strategic advantages may not distinct and incompatible.

The cost revolution pioneered by budget carriers have made airlines focus on cost cutting. The relentless trend towards effectiveness in the industry has made pricing structure the survival factor. Cost efficiency becomes a vital factor in competitive advantage. Airlines, regardless target are low end of the market or premium carrier must pay particular and constant attention to cost controlling. However, customer satisfaction should not be neglected as researches indicate passengers are not willing to completely trade off fare for reliable and comfortable service, especially on long haul routes. SIA's success can be explained by their full understanding of this challenge and effective implementation of the dual strategy. Careful analysis was conducted in to uncover how SIA manage to achieve the balance of offering excellent service with tight cost control.

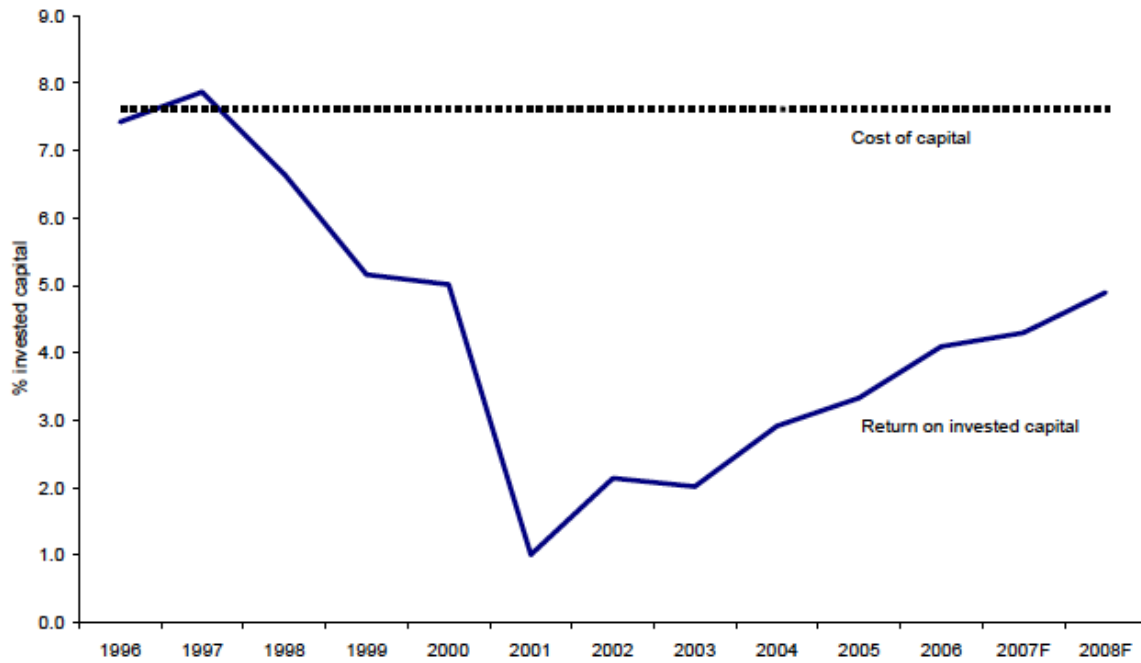
Thorough study of SIA strategy indicates that strict adherence of strategic purity might be inappropriate in the context of airlines. The case demonstrates that although difficult, a balance between strategies may be successfully implemented. Apart from SIA, other recovering flag carriers such as Cathay Pacific, BA, Malaysia airlines show evidences that traditional network carriers model can work after taking necessary re-structuring implementation. Suggestions was made for flag carriers: instead of lock themselves in confusing and dead end business model, they need to determine the market segment to target. Airlines competition should not be locked on the basis of pricing structure. Evidently, the fare war is a zero sum game for airlines. Instead of competing on the basic of prices, which depletes profitability, flag carriers have to leverage their advantage of strategic hubs and superior infrastructures, established global international networks and benefits from strategic partners. Due to differences in operation specialties and internal resources to LLCs, the incumbents should build new competitive advantages.

It is strongly believed that service excellence is the only thing that differentiate a conventional airline to a budget carrier. This is particularly the case when traditional airlines cannot continue selling loss making fares in response to competition from low-cost airlines. Gradually, service

will be a key competitive advantage differentiating airlines in the upcoming years. Airlines are coming to the new phase when competition battle is not limited to either pricing structure nor premium service. This is the next level of competitive advantage in the new era. The dissertation concludes that airlines which excel in both cost controlling and deliver satisfactory service have what it takes to be successful.

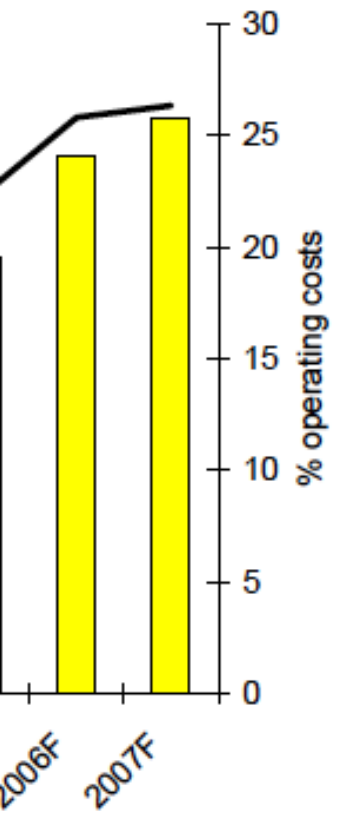
## **APPENDICES**

Appendix 1: Return on capital of airlines from 1996-2008



Source: IATA (2007c: p4)

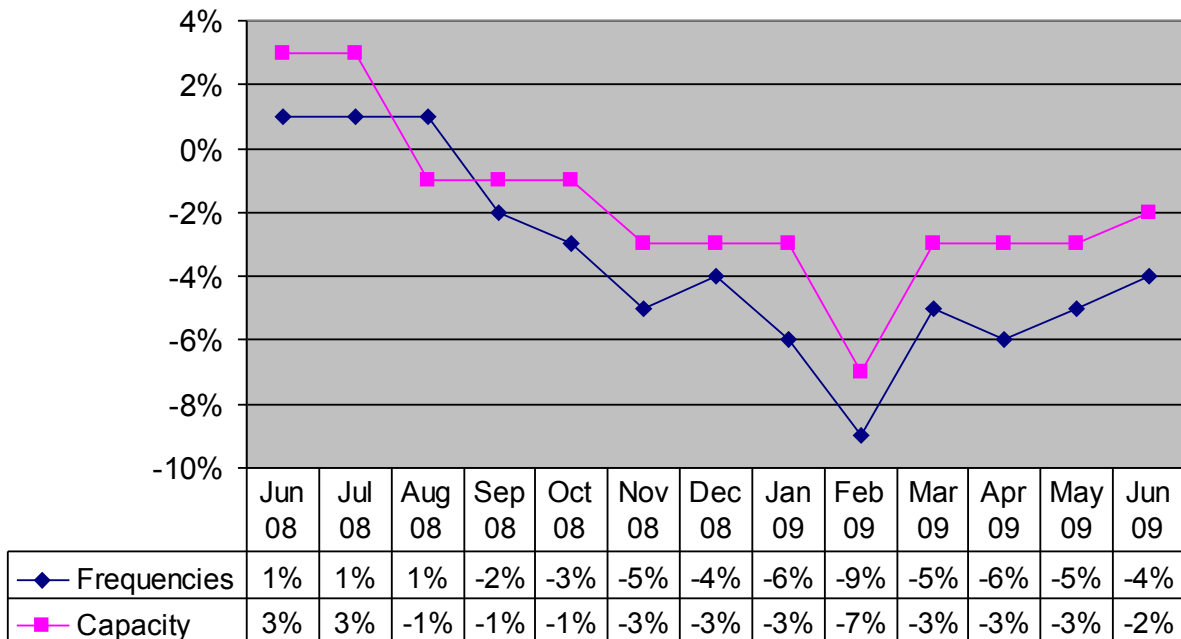
Appendix 2: Average fuel cost of airlines



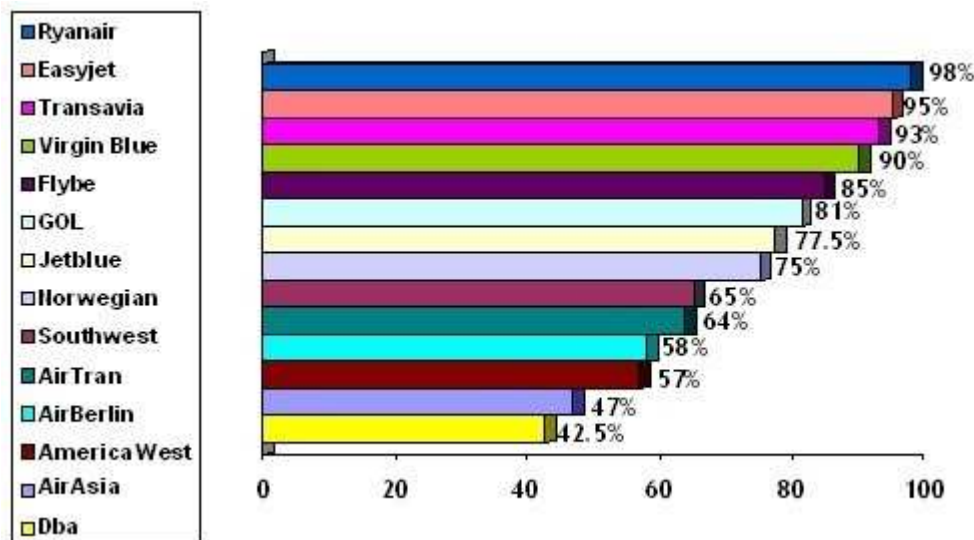
**Appendix 3: Rate of global airlines frequency and capacity shifts  
Monthly year-on-year comparison June 2008 to Jun 2009**

Source: OAG (2009)

**Percentage Movement Year on Year**



**Appendix 4: Online booking for selected airlines, 2005**



Source: Mintel report (2006)



**Appendix 5: Summary of the LCC business model**

<b>Feature</b>	<b>Benefit</b>
Modern aircraft fleet, often with single aircraft type	Lower maintenance and training costs; fuel efficiency; better crew utilization
Single-class cabin	Reduced cabin crew costs; more seats per plane
Point-to-point routes	Reduced complexity – no transfers; less scheduling problems and constraints; simplification of baggage handling
Few or no in-flight frills	Reduced cost of in-flight service
Extras charged separately	Cost and price transparency (e.g. reduced hold baggage and associated costs); the customer only pays for what he/she wants; and additional revenue, enabling lower fares
Direct ticket sales (mainly via the airline’s website) and no use of travel agents (either online or high street)	A reduced cost of sales; chance to sell customers other travel services on the website, e.g. hotels and hire cars
Extensive use of yield management	Better fleet utilization: marginal revenue is very profitable due to low marginal costs
Use of secondary airports	Lower airport charges, less congestion in the air and on the ground
Simple ground facilities	No requirement to pay for premium terminal facilities (e.g. air bridges)
Short-haul flights only	Short turnaround times allow for higher aircraft utilization
Performance-based compensation	Higher employee productivity; lower business risk due to flexible cost structure

Source: Mintel (2007) ” Social Benefits of Low-fares Airlines in Europe, the European Low Fares Airline Association”, November 2007.

**Appendix 6: Commission rates of some airlines in 2004**

9%	Air China, BWIA, Emirates, Garuda <sup>a</sup> , Gulf Air, Korean <sup>a</sup> , Mexicana, Olympic, Qatar, VLM
----	----------------------------------------------------------------------------------------------------------------

7%	ANA <sup>a</sup> , EVA, Garuda <sup>b</sup> , JAL, LOT, Monarch, South African, US Airways, Virgin Atlantic (Economy)
5%	ANA <sup>b</sup> , DBA, Eastern, Korean <sup>b</sup> , Malaysia <sup>b</sup> , Virgin Atlantic (Premium Economy)
4%	Air Canada, CSA Czech, Delta, Finnair, Lan Chile, Maersk, Qantas, Scot Airways, Singapore, Thai, Varig, Virgin Atlantic (Upper Class)
1%	Standard Rate: All other major airlines
0%	SAS (in Scandinavia), 'Low-cost' airlines, British Airways (from May 2005)

<sup>a</sup> International.

<sup>b</sup> Domestic.

*Source: Dennis, N. (2007: p319)*

### **Appendix 7: Singapore airlines Review form**

## ADD YOUR SINGAPORE AIRLINES REVIEW HERE

Please note that **ALL** fields must be completed

1. Write your Singapore Airlines Review HERE. (Review conditions at bottom of page)
2. Please rate your **Trip Satisfaction** with Singapore Airlines  
Scoring : 10 = Excellent / 0 = Very Poor
3. Would you **Recommend** Singapore Airlines to friends & family?
4. Do you consider Singapore Airlines offers **value for money**?
5. Please select the **Cabin** you travelled on this trip.
6. Your Name : **First** name (or initial) and **Family** name
7. Please name the **Country** where you live
8. Please supply your **E-mail** address

1. Please **DO NOT** insert paragraphs.
2. Use Upper and Lower case only - entries all in **CAPITALS** are **NOT** accepted.
3. Reviews that need extensive text editing **CANNOT** be published.
4. Comments about **LOST BAGGAGE** or **COMPENSATION CLAIMS** cannot be published

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