Customer Relation

@ Tiger Airways

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1. Introduction

Tiger Airways Private Limited (established in 2004) is headquartered in Singapore's Changi International Airport. The company comprise of Tiger Air Singapore, Tiger Airways Australia and Tiger Airways Mandala (Indonesia) along with newly announced Tiger Airways Philippines and Tiger Air Taiwan. The company abandoned the previous ventures Incheon Airways (Korea) and Thai Tigerair. The first three constituents of the company collectively have a fleet of 48 Airbus A320-family, flying to 50 destinations in 14 countries.

Tiger Airways has fundamentally no loyal customers. Many choose it when all others are book out or are very expensive to bear. Thus, the biggest challenge Tiger Airways facing today is the loosing customer base. This research will focus on why Tiger is loosing customers.

Of the many reasons, unfriendly staffs and ignorance to customer inquiries are causes for Tiger not being able to attract more customers. According to Marketing Magazine, customer satisfaction with Tiger Australia in 2012 June was 64 per cent. Jetstar’s was 65 per cent, Virgin’s 8 per cent and Qantas’ was 80 per cent. (Marketing Magazine, June 2012)

2. Financial situation

The company has poor history of financial performance. It is operating in losses for several years except few.

The airlines company reported a loss after tax of $118.5 million, including $88.3 million in exceptional charges, for the quarter ended

31 December 2013, compared to a profit after tax of $2.0 million recorded in the previous corresponding quarter (Release 24 January 2014). The company had performed better last year after completing the sale of Tiger Australia shares to Virgin Australia but this positive business outlook did not last for long.

The table 1 in appendix shows a brief financial status of the Tiger Airways in the last two fiscal years (Tigerair 2013). The company's operating margin (Table 2 in appendix) and EBT tells us that the company is actually operating in losses.

Asset turn over is less than 1 and ROA (Table 3 in appendix) is negative which indicates the company has not been able to use its assets to generate profits. Even the company has failed to make any headway on ROE and interest coverage. Negative interest coverage means the financial institutions would not be happy to provide further loans to the company while negative ROE would incite public not to invest in the company or sell their shares. This would have severe consequences on the financial situation of the company.

The company has problem with cash flow (Chart 1 in appendix). It has not been able to generate enough cash flow to meet the requirements. Failing to generate enough cash flow means Tiger Airways has to depend on loans or equity for the daily cash needs.

Equity earnings are spent on servicing the debt. The current and quick ratios show the company is not in a position to pay back its current debt (Chart 2 in appendix).

3. Positioning of Tiger Airways

The company operates in the region where many budget airlines such as Air Asia, Air Indus, Easter Jet, Jeju Air, Mihin Lanka, Cebu Pacific, IndiGo, GoAir, JetConnect etc. The increased economic activities in the region have slightly increased the flow of people thereby widening the scope of aviation industry. However, the growth of aviation industry has surpassed the increased need of the business travel and tourism. Further, the increase economic activities means, people look for business flights rather than economy class, which the Tiger Airways has not looked into.

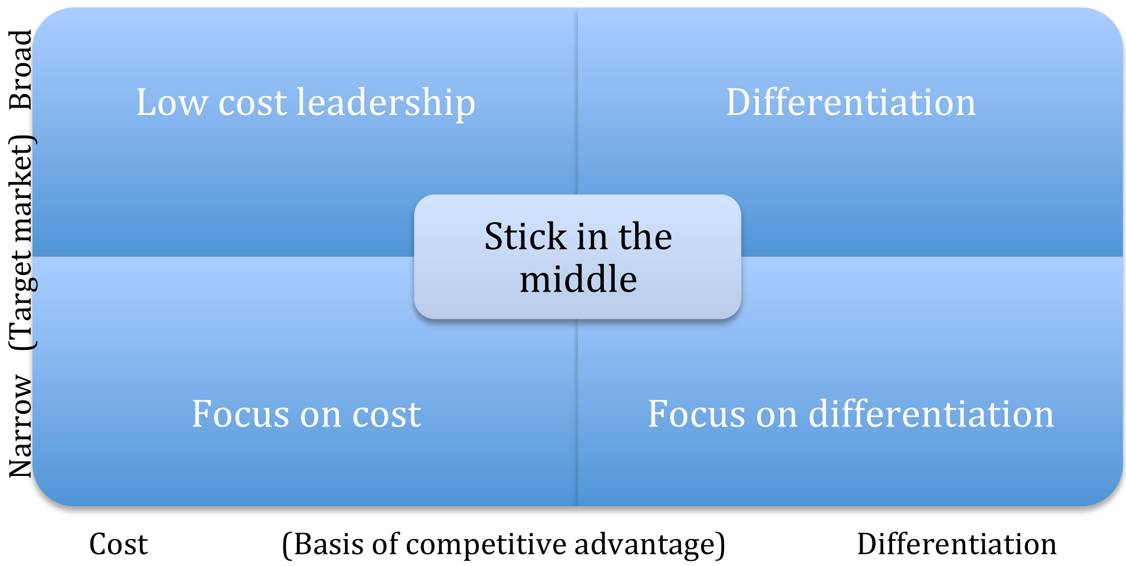
The region is very competitive. The Porter's model describes the five forces of competition, which Tiger is facing. The following figure 1 shows the Porter's five forces model of competition.

Figure 3.1: Porter's five forces model

Lets draw line to connect this theory with the current situation of Tiger Airlines. Competition in the region where Tiger operates is out stretched. As mentioned above there are so many budget airlines for customers to choose from. Under such circumstances, customers have greater bargaining power. Also, the customers have ample substitutes to ignore Tiger because of various reasons including poor customer service. The other budget airlines have come up with better deal and better services compared to Tiger. These form the substitute for the customers looking for economy class travel. The local agents, the customer supplier for Tiger, also have bargaining space to increase commission. Not immediate but Tiger also faces potential threats of new budget airlines entering the market.

It appears but not in entirety that Tiger Airways focuses its policy on providing services on cheaper rates. Lets see the three generic strategies arising out of the Porter's five forces model.

Figure 3.2: Strategies based on Porter's model



Tiger Airways is a budget carrier but it has not been able to market its cheap brand successfully. It has heavily depended on Singapore Airlines for marketing and networking. It means, the marketing strategies of the company are not effective. The company failed to position itself as low cost leadership.

4. Customer Analysis

Tiger Airlines' customers mostly are from developing countries or from the low and middle class families from developed countries. The number of people looking for cheap travel has increased since the financial crisis which means Tiger's market has tactically grown by default. Also many people who have started small business and have trading links to the Asia Pacific region choose Tiger.

Customers do not rate Tiger Airways a satisfactory service provider. The company has bad image. The company gets flooded with complaints in their social networking accounts like Facebook and Twitter. The staffs stationed at the customer service department are not helpful to address the queries and complains by the customers (either through phone or in person). Instead of clarifying matters and executing a good customer relation strategy, Tiger deleted negative comments off their official Facebook page and remained silent for 72 hours after the grounding took place in 2011.

The customers of the company also complain about frequent delays and cancellations of the flight. The company appears not serious at addressing these concerns, further aggravating the situation. These are the examples of poor communication and corporate strategies. All these actions only served to reduce consumer confidence and trust with Tiger.

5. Internal Business Issues

Besides poor customer service, the employees at the Tiger Airways in Australia feel their job is not secure. When it was grounded in 2011, most employees in Avalon and Adelaide, Australia lost their job without a good compensation. While the business prosects of the airlines in Australia is very bleak, job losses without compensation demoralised the remaining employees as well.

Further, grounding gave message to the public that Tiger Airlines is not a safe budget airlines, forcing the public to see alternatives. The company has poor technical records. Despite warnings and grounds, there hasn't been improvement in the technical glitches the company have been facing (ABC 23 Feb 2014).

6. Innovation

In February last year, Tiger Airways and its partner airlines Mandala Airlines partnered with Changi Airport Group (CAG) of Singapore to make hassle-free transfers for passengers at the CAG without the need for travel visa to enter Singapore, immigration clearance, and the retrieval and checking-in of their luggage a second time for onward flights, branded as Tigerconnect (CAG Jan 2013).

In October last year, the airlines joined hands with Standard Chartered bank to provide customers with upfront reward cards (Tigerair Oct 2013).

The "Upfront Rewards" plan allows cardholders to receive their air ticket even before they have started spending on the card. All cardholders need to do is spend S$5,000 after claiming their ticket.

That was not a big innovation. Beside this, there isn't any mention of innovative strategies being implemented by the company.

7. Macro environment analysis

Following factors might be the reason for the dissatisfaction of the customers of the Tiger Airways:

7.1 Economical factors

The kind of the business Tiger Airways is operating; the effect of rising oil prices is a concern that bothers every player in the industry. A large chunk of their operational expenses takes a big amount of money in their overall budget. If we trace this rise in oil prices we can observe that regardless of type of industry and country this is a global phenomenon. There is a rise in the demand of oil globally due to which prices are reaching sky high. This situation may lead to higher fare prices of the plane to meet the expenses and no new or improved service provided to the customers.

7.2 Political factor

The governmental policies of home and other countries where they do business have a great deal of effect on all private and public companies. Especially the countries of Middle East and Asia are suffering from political turmoil that affects the company's business globally. Certain policy changes like increase in wage rate of labor may increase the expenses of company.

7.3 Technological factor

The blast of Internet has brought the target markets and current customers of the companies on all sorts of social forums. Every product, service or news are discussed online by the customers. If some customers share bad experience of the airways online, it is not just few customers this word of mouth will have a snow ball effect in creating a negative image about the service of the company. If the company is unable to handle and respond to criticism on such social forums, it will eventually lead to loss of existing and potential customers.

Customers today are more concerned about what surprises they get inside the plane regarding how well the company has adapted with the latest technology trends. It may be 4D video technology for customers or high tech seats.

7.4 Legal factors

The company had already been in the spotlight for not meeting the safety standards for flight for which it was grounded for many weeks. Similar sanctions from the fight authorities may result in losing current and potential customers. This raises the safety concern in the mind of customers as nothing is important than their lives. Customers can pay more for a secured flight rather than be putting their lives at risk. Eventually losing customers will lead to huge financial losses.

7.5 Market competition

The competition in the airline industry is high. Air Asia and Jetstar are two biggest competitors of Tiger Airways and the strategies they implement will have a direct impact on the company's business. The industry of airline is mostly cost driven those results in less brand loyalty. Tiger airways need to keep their prices competitive in order to maintain a stable market share. There are other subsidiary companies that are planning to enter the market and are backed by strong parent companies. This poses a great threat to the company's business.

7.6 Natural events

Natural events like volcanic eruptions, tornados, lightning and earthquakes affect the operations of the airlines.

All of these macro environmental factors have an effect on the satisfaction of the customers. Expect few factors most of them can be turned into an advantage through strategic planning.

8. Industry Analysis

The cheap airlines trend is increasing in last ten years. This trend is supported by huge companies, such as Singapore Airlines, which has 49 per cent stake in Tiger Airways to maintain the lost of customers. The industry attracts more than 2,000 Airlines operating worldwide. The number of scheduled flight had increased 28 million flights and carried over 2 billion passengers in 2006.

Not only this industry attracts investment for airlines, but also attracts suppliers for catering and recruiting companies. For example, Tiger Airways doesn't have facilities for training their pilots and recruiting them directly. There are good indicators from US market for more investments in this industry.

Today, world experiences over 11 million flights departure per year by 100 certified passenger airlines. Asia is emerging as the world's largest airline market. Asia now ranks first, Europe second, and the U.S. third in terms of number of flights. The situation was different four years ago. There is severe competition between U.S. network airlines and low cost airlines and ultra-low-cost carriers are putting pressure further.

The global airline industry expanded by 12 per cent in 2010, generating more than $501 billion in revenue.

However there are some obstacles like uncertain economic climate, slow economic growth and climbing crude oil prices. In 2010, a rise in air traffic served well for the global airline industry, even though there was increase in the fuel prices. This lowered industry's profitability.

This does not give a good signal to Tiger Airways, yet the company should develop strategies to emerge as shining brand, taking in mind that developing services will put more cost.

This might be long-term investment for the company ultimately helping the company to attract more passengers and re-establish reputation. In addition, what puts the company's future under cloud is that there are some concerns regarding to the training system for Tiger. Australia's Civil Aviation and Safety Authority has expressed these concerns. This will put the company under pressure if the company still wants to compete in the market.

9. Competition Analysis

Tiger Airways is facing strong competition from other limited budget companies, such as Virgin Blue, Jetstar and Air Asia. The company lost by 60 per cent passengers for Virgin Australia which give Virgin the chance to take over the market share in cheap flights market. In the last six years Tiger had no operating profit.

Passenger's turnover is considered as main factor in measuring competition. In 2006 the company had flown 1.2 million passengers, which means a growth of 75 per cent from the previous year. However, other competitors have more turn over compered to Tiger Airways.

Along with these, factors such as technological issues, lack of entertainment facilities, flight cancellation and delays further aggravates customer dissatisfaction.

The new management taking over the company is expected to improve this situation. Having said that the company is now developing new booking system, which includes more options and services for the passengers. It is expected the new management will improve the flight delays and refund glitches, not making the passengers for months to receive refunds. Law says refund must be completed within 20 days.

Compensation such as offering refreshments and some meals for flight delays might improve company's reputation and increase relation with the passengers. This would help the passengers get relief of stress during the waiting period.

10. SWOT Analysis

10.1 Strengths of the Tiger Airways

1. Low-cost tickets
2. Low cost of maintenance: the company has fleet made up entirely of Airbus A320-200
3. Low cost of operations, as the company uses budget terminals
4. First low cost carrier in Singapore and is recognized as the low cost leader in the region (until a few years ago)
5. Good flight networks, it operates in 50 destinations in 14 countries.
6. Good tie-up with several hotels, cars and holiday homes rental companies

10.2 Weaknesses of Tiger Airways

1. Lack of free food/drinks
2. Service standards seen as second grade
3. Uncomfortable airplanes compared to others
4. Booking arrangements not flexible – no provision of refund once tickets are booked

5. Does not have its own Pilot Training Facility
6. Pilot training not up to standard – leading to several incidences and Airline's grounding
7. Staff salaries not competitive – leading to pilot exodus in 2010.
8. Does not have own Maintenance, Repair and Operations (MRO) facilities. It is using SIAEC for these services
9. Only flies to destinations within a 4-hour flight from Singapore

10.3 Opportunities for Tiger Airways

1. Markets in developing countries like Laos and Cambodia are good opportunity. These countries provide low cost labour and operations though they lack necessary infrastructure.
2. After GFC people are seeking low cost airlines. Exploring cheap tours trends around Asia might give Tiger Airways the chance to have more customers.
3. ASEAN agreement on single aviation market gives Tiger Airways opportunity to have unlimited expansion to ASEAN countries. This open new horizon and new market for the company.

10.4 Threats for Tiger Airways

1. The company faces tough competition from other budget Airlines and forced to share the limited market. There are chances Tiger would be wiped out of the competition.
2. It is unlikely that fuel prices would go down in near future. The increasing fuel price puts tremendous pressure on low cost airlines and shrinks profitability margins.
3. Customers' preferences have changed over time in terms of planning their travel. The problematic booking system of the company is pushing customers away.

11. TOWS Matrix

11.1 WO Strategies

W1W2O1 The company could benefit by operating in developing, such as Laos and Cambodia owing to the low cost for labour. Profits from these markets must be invested in improving customer service in other regions as well.

W4O2 Tiger could increase the customers by working closely with booking agents, operating flights in prime time and improving its booking system. Developing a reliable booking system gives Tiger step ahead with the competitors.

W9O3 The ASEAN agreement has opened skies opportunities to fly to more destinations. Opening to new destinations widening the horizons for more customers from the region.

11.2 ST strategies

S1S2S5T1 Many people do not know Tiger Airways. The company could revitalise the marketing strategies to market its low cost flights and the destinations.

S6T2 The company could strengthen and market its network with hotels, car companies and holiday homes as complementary services to the customers.

S1S5T3 Tiger could work to revive its reputation of providing low cost travel by improving ticketing system to boost its wide network and cheap tickets.

11.3 SO strategies

S1S4O1O2 Tiger Airways is based in strategic location (Singapore) from where it has opportunities to open new networks or built partnership with other companies

S2S3O2 The company has low cost maintenance and operations which would save it to strengthen safety and security concern of the customers while expanding to new destinations

S1S2O1O2 Tiger Airways could reach out to the customers in Asian who are waiting for cheap flights

S5O3 ASEAN agreement gives Tiger Airways to have good opportunity to have unlimited travelers in the new markets of ASEAN countries.

11.4 WT Strategies

The company has no alternative but to merge with other company or shut down the services

12. Recommendations

The primary focus of the company could be to improve the customer based by enhancing its customer service and avoiding frequency of cancellation or delay of flights. Poor customer service and unreliable flights is the biggest obstacle for the company at this stage.

Thereafter the company could look into opportunities to expand services in developing countries, guarantee employment of staff to raise their morale and address the security concerns of the customers and regulatory authorities.

Low cost carriers are always in demand, especially in the new and developing markets. The company could revitalize its marketing strategies to reach out to these markets either through its own operations or through partnership with other local companies.

13. Conclusion

The company would be better off having reformulated marketing strategies to differentiate itself from other low cost airlines in the region. There is severe need for improving customer service. Cost cutting must balance with the necessary investments required to provide service and facilities to the customers.

Satisfied staffs can satisfy the customers' needs. So, it would be appropriate for Tiger to take note on the situation of staffing and their workload, pay and perks.

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Appendices

Table 1: Financial status of Tiger Airways

	FY13	FY12	Variation %
Revenue	866	618	40.1
Expenses	859	702	22.4
Operating profit/loss	7	(83)	-
Loss After Tax	(45)	(104)	56.5
Basic Loss per share	(5.53)	(14.94)	63

Table 2: Margin % of sales

Margins % of Sales	2009	2010	2011	2012	2013
COGS				46.83	41.99
SG&A	2.01	1.09	11.26	37.74	35.15
Operating Margin			7.59	(13.49)	0.84
Net Int Inc	(12.61)	4.11	1.57	(2.81)	(4.89)
EBT Margin	(12.61)	4.11	9.16	(16.29)	(4.04)

Table 3: Profitability ratios of Tiger Airways

Profitability	2009	2010	2011	2012	2013
Asset Turnover (Average)	2.02	1.26	0.78	0.60	0.82
Return on Assets %	(27.16)	7.30	5.03	(10.07)	(4.28)
Financial Leverage (Average)		3.92	5.14	4.31	5.28
Return on Equity %		140.45	23.17	(47.09)	(20.31)
Return on Invested Capital %		23.15	8.94	(18.96)	(8.74)
Interest Coverage			13.26	(9.76)	(2.67)

Chart 1: Cash Flow ratios of Tiger Airways

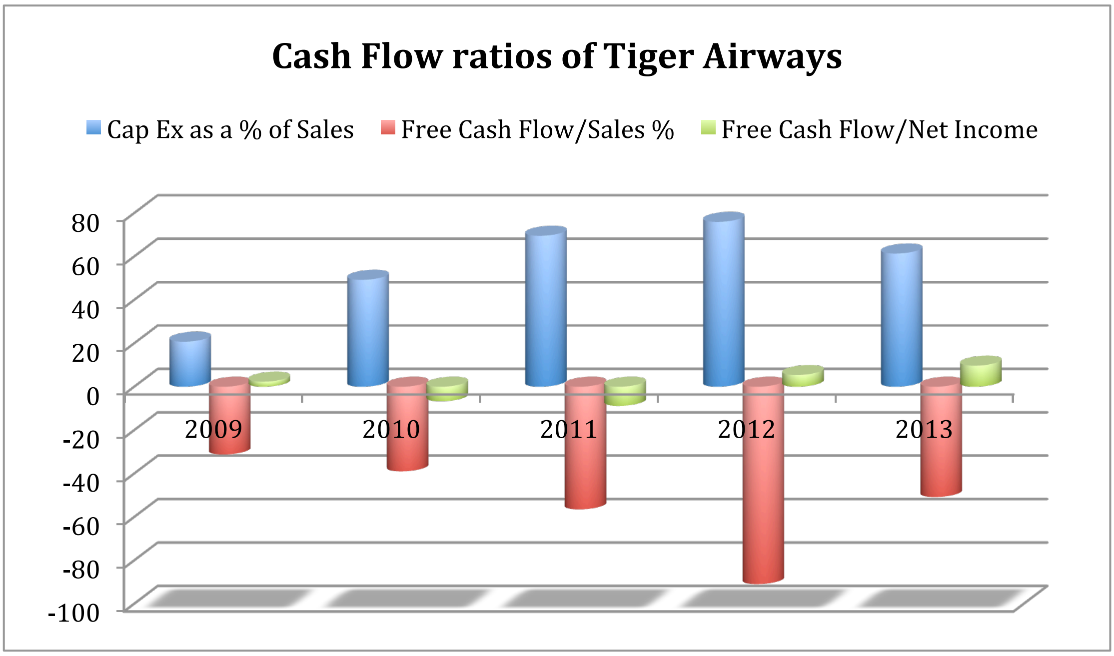

Chart 2.2: Liquidity of Tiger Airways