Case Study – AirAsia

In 2001, Time Warner Executive Tony Fernandes purchased the ailing, debt-riddled, government-owned AirAsia. In a remarkable feat (using blue ocean strategy principles) Fernandes engineered a remarkable turnaround, turning a profit in 2002 and swiftly opening multiple new routes whilst undercutting Malaysia Airlines and demolishing its monopoly.

AirAsia pursued the value innovation model to establish its low cost airline, which allowed it to reconstruct market boundaries, reach beyond existing demand and render the bloody red oceans of industry competition irrelevant.

They established a compelling service offering that created a leap in value in passenger and company value by breaking the value/low cost trade off and pursuing value innovation.

AirAsia has continued to enjoy steady growth and won the Skytrax World's best low-cost airline award in 2009, 2010 and 2011.

Formulation | Validation | Execution

UCSI
Blue Ocean Strategy Regional Centre

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Air Asia's leap of value is demonstrated when looking from the perspective of the four actions framework and the strategy canvas.

Their strategic move included the following:

Eliminate:

- Over the counter booking system
- Complimentary food/beverage on the plane
- Seating class booking system

Reduce :

- 'luxury' facilities provided by Airport Lounge
- Inflight attendance service
- Seat quality

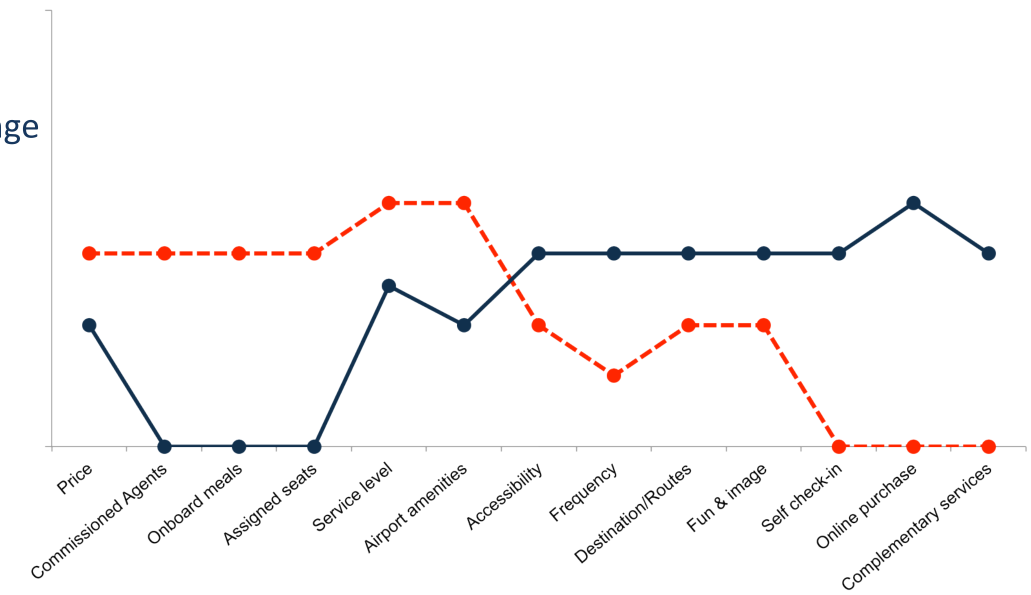
Raise:

- Focus on several key destination
- Increase frequency of flight

Create :

- Online booking system
- Point to point travel system

The strategy canvas (below) is a key tool that helps plan and communicate blue ocean strategies



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