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## WAYS OF COMPETITIVENESS RISE AT THE «AIR ASTANA» COMPANY

**Abstract.** The purpose of this study was to further explore product differentiation as a competitive business strategy whereby airline attempt to gain a competitive advantage. Airline has employed several differentiation strategies to gain a competitive advantage over other airlines in order to better position their products. People together with carrier, constitute a large potential consumer market segment for the tourism and hospitality industry. Buoyed by low oil prices and new fuel-efficient aircraft, airline carrier are challenging major legacy airlines in the lucrative Asian and Europe market, with sometimes jaw-droppingly low fares. Also, the concept of service quality and find out the different approaches to measure service quality is the second theoretical objective of this study. Analyze and determine the dynamics of cost reduction and evaluate basic services in the service process, such as information on tickets and flight schedules, communication in case of flight delay as well as no delays in baggage delivery, thereby becoming competitive not only in the aviation segment, but also in economy of the country as a whole.

**Key words:** competitive advantage, business strategy, consumer market.

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**Аңдатпа.** Зерттеудің мақсаты әуе, бәсекелестік артықшылыққа ие тырысады, ол арқылы бәсекеге қабілетті бизнес стратегиясын, сондай-ақ өнім саралау одан әрі зерттеу болды. Әуе жақсы өз өнімдерін орналастыру мақсатында басқа да әуе астам бәсекелестік артықшылыққа ие саралау бірнеше стратегиясын қолданды. Адамдар тасымалдаушымен бірге туризм және қонақжайлылық индустриясы үшін тұтыну нарығының үлкен әлеуетті сегментін ұсынады. төмен мұнай бағасының және жаңа отын тиімді ұшақты, әуе тиімді азиялық және еуропалық нарықтарда ескі ірі әуе елемейтін, және кейде күрт тарифтерді төмендету. Сонымен қатар, қызмет көрсету сапасын өлшеу үшін түрлі тәсілдерді қызмет тұжырымдамасын және анықтау сапасы. Осы зерттеудің екінші теориялық мақсаты болып табылады. осылайша авиация секторында, сонымен қатар ғана емес, бәсекеге қабілетті болып, мұндай билет ақпарат және ұшу ақпарат, ұшу кешіктірген жағдайда байланыс, сондай-ақ багажды жеткізу кешіктіру болмаған ретінде қызмет барысында шығындарды және негізгі қызметтерді бағалау, төмендету үшін талдау және opedeleie динамикасы тұтастай алғанда елдің экономикасы.

**Кілт сөздер:** бәсекелестік артықшылығы, бизнес стратегиясы, тұтыну нарығы.

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**Аннотация.** Целью этого исследования было дальнейшее изучение дифференциации продуктов как конкурентной бизнес-стратегии, благодаря которой авиакомпания пытается получить конкурентное преимущество. Авиакомпания использовала несколько стратегий дифференциации, чтобы получить конкурентное преимущество перед другими авиакомпаниями, чтобы лучше позиционировать свою продукцию. Люди вместе с перевозчиком представляют собой большой потенциальный сегмент потребительского рынка для индустрии туризма и гостеприимства. Будучи низкими ценами на нефть и новыми экономичными самолетами, авиакомпания бросает вызов крупным старым авиакомпаниям на прибыльном азиатском и европейском рынках, причем иногда резко снижая тарифы. Кроме того, концепция качества обслуживания и определение различных подходов к измерению качества обслуживания является второй теоретической целью этого исследования. Анализ и определеие динамики снижения затрат и оценка базовых услуг в процессе обслуживания, такие как информация о билетах и расписаниях рейсов, связь в случае задержки рейса, а также отсутствие задержек в доставке багажа, тем самым становясь конкурентоспособными не только в авиационном сегменте , но и в экономике страны в целом.

**Ключевые слова:** конкурентное преимущество, бизнес-стратегия, потребительский рынок.

Several factors such as technological development, market integration and competition have increased the changes in air transportation. According to Borenstein and Rose government policy rather than market forces shaped the development and operation of scheduled passenger air service in almost all markets. In Brazil it was specially verified during the 90's. Wei and Hansen say that deregulation is a fait accompli and nowadays the challenge refers to accommodate rising traffic in an infrastructure that is technically and politically difficult to expand. But they also consider that the airlines concerns have importance to regulatory policy so this paper discussion is developed at the firm level.

In this free market environment it is required from decision makers to develop strategies that will ensure competitive advantages in order to reach their goals in both short and long term. It should be pointed out that average price is explained by variables that reflect cost besides demand and market structure conditions [1]. According to Carrilho, strategy is a set of goals and plans and resources to achieve these goals. Thus, the definition of the objectives does not characterize a strategy. These represent the purposes that the company decided to reach, and the strategy means how to get these

objectives. To create their strategies, companies are based on three main topics: their external environment, internal environment and the ability to add value to the service they provide. Coelho shows there are three types of competitive advantage: differentiation, cost and agility. The differentiation may be related to a product of superior quality, high value of the brand or the company's positive reputation. The cost advantage is related to techniques that reduce production costs, making it possible to offer cheaper products than the competition. Agility refers to the speed which the company responds to market demands. This paper addresses strategies that seek competitive advantage in costs for the airlines [2].

The revenue and cost structure of an airline is traditionally divided between operating and non-operating issues. For some companies, non-operating factors have major impact on their financial performance. An example is the Singapore Airlines (SIA), which in 2006 produced net undiscounted taxes US\$ 1,456 million and less than a half (49.2%) were derived from operational factors. On the operating side costs can be divided into direct and indirect. In direct costs, one should include all costs that depend on the type of aircraft, for example, costs of flight (crew and fuel), all maintenance and overhaul of aircraft and depreciation costs. In the indirect costs are included all the costs that remain unchanged with the change of plane, i.e., costs that are not directly dependent on aircraft operations. In Air Astana we used to implement Full Services and low costs [3].

Costs are derivatives which mean they are caused by others factors. The factors that cause costs are called determinants of costs. For a long time, the volume of production was considered as the sole determinant of cost, given that the larger the market share (higher volume production), the lower the average unit cost. Porter, however, pointed out that there are others important factors to be considered, like economies of scale using the standard capacity, location and learning. Brazilian National Agency of Civil Aviation (ANAC) shows that fixed costs represent approximately 65% of airline's total costs. In this markets for which fixed costs are high changes in production volume do not modify significantly the overall cost of the company. Thus, it is necessary to know better other determinants of costs. Doganis defines a division for the determinants of costs for airlines according to degrees of management and control that are showed in example 1 below:

1 - Factors affecting the costs of airlines. 1 Cost determinant Degree of management/control Externally determined input costs Little Cost of labor Some Type/characteristics of the aircraft Some Route structure/network characteristics Some Airline marketing and product policy High Airline financial policy High Corporate strategy High Quality of management High In the first category are external factors over which companies have little control. The most relevant factor in this category is the price of fuel, but it can also mentioned airport taxes and fees over flight [4].

The determinants of cost on which the airline has some control are in the second category. Here, the three main determinants are the cost of labor, the type of aircraft used and the standard operations for which the aircraft is used. Although the latter two determinants appear to be under total control of the company, in practice, the action of managers is limited. It can be related to geographical location of the company, bilateral air service agreements made between governments and the density of traffic on its routes, which strongly influence the type of aircraft required and the network to be operated. The only case in which the management has more freedom to act is the national companies in countries with a single flag carrier, especially if it is majority owned by the government. The last category of costs determinants is the one in which the manager has high or total control. Some items that can be part of this category are marketing, product planning, financial policies and business strategy. In addition, the quality of management and its efficiency can be considered determinants of cost, since they determine the degree of impact of other factors mentioned above. All these categories can be applied to one airline with no dependence of the business model but it is considered that there are differences in the degrees of management and control [5].

The airlines can be divided according to business models: intercontinental, national or regional, low-cost airlines or charter companies. In general, companies intercontinental, national or regional follow a traditional model, characterized by the presence of hubs and a large number of destinations. Charter companies usually have flights to some destinations in certain seasonality, with no-regular flights. In general airlines can be classified into two categories: low-cost and full service. The low-cost model is treated in the next topic.

According to Doganis, low costs carriers are based on two ideas. The first one is to be simple; offering a simple product or service based on simple operations and thus minimizes costs and maximizes efficiency. The second one is to create demand, which means not only meet the existing demand, but to generate and stimulate new demand by offering low fares and flights to destinations unexplored. Ryanair, the largest low-cost airline in Europe, follows this second model, trying to identify potential untapped markets, focusing on regional or secondary airports. Following this strategy, it seeks to negotiate reduced rates and tax incentives from local authorities. This is usually effective, since the authorities are supposed to have interest in setting up the region, as this may induce economic growth and social location. Example 2 presents a comparison between the low-cost and traditional airlines in the early 2000s [6].

Low-cost carriers	Traditional network Airlines (early 2000s)	Simple product	Complex product
Fares Low, simple	– one-way	Round trip	- complex
Minimum restriction	Multiple restriction	Minimum restriction	Fares rise nearer departure
Lower fares last minute	Distribution	Avoid travel agents	Dependent

on travel agents Aim 100% direct: either online or call centre Own ticket offices/call centre Ticketless Paper tickets In flight Single class 2 or 3 classes High-density seating Low seat density No seat assignment Assigned seats No meals or free drinks In-flight catering Simple operations Complex operation Aircraft Single type – maximum two Multiple types – aircraft tailored to route High utilization (11 hours/day) Low utilization on short sectors Sectors Short – 500 to 1.000 km From ultra-short to long Point-to-point Hub-based network No hubbing or connecting flights Pax-Emb/flights connect at hub Schedules Used to shift demand Response to current demand Airports Secondary or uncongested (where possible) Focus on large airports 20-30 minutes turn around 1 hour turn-around on short sectors Staff Competitive wages Higher wages Profit-sharing Minimal profit-sharing High productivity Over-staffed.

The main objective of this research was to propose a ranking of the main factors in strategies to reduce cost of airlines. The factors presented here are considered under corporate control. It was applied a structure based on the method of decision support AHP (Analytic Hierarchy Process) and questionnaires answered by experts from the industry. Air transportation is a market-based industry after deregulation and the hierarchy of the cost factors can be useful for managers of airlines when defining priority actions to reduce their costs and achieving competitive advantage over competitors. It should be noted that, considering that air transportation is a dynamic market, the results showed in this paper should be considered from the current situation. It is recommended its update over time to include other factors and also to evaluate the weight of them [7].

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