

Strategic advantage analysis of a leading low cost carrier in
Thailand: A case of Thai AirAsia and NokAir



Miss Punjarod Toppoopa

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คณะเศรษฐศาสตร์ จุฬาลงกรณ์มหาวิทยาลัย
ปีการศึกษา 2562
ลิขสิทธิ์ของจุฬาลงกรณ์มหาวิทยาลัย

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By Miss Punjarod Toppoopa
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Thesis Advisor Associate Professor NUALNOI TREERAT, Ph.D.

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INDEPENDENT STUDY COMMITTEE

..... Chairman
(Assistant Professor NIPIT WONGPUNYA, Ph.D.)
..... Advisor
(Associate Professor NUALNOI TREERAT, Ph.D.)
..... Examiner
(Associate Professor CHAIRAT AEMKULWAT, Ph.D.)



จุฬาลงกรณ์มหาวิทยาลัย
CHULALONGKORN UNIVERSITY

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สาขาวิชา เศรษฐศาสตร์ธุรกิจและการจัดการ
ปีการศึกษา 2562

ลายมือชื่อนิสิต
ลายมือชื่อ อ.ที่ปรึกษาหลัก

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In this study, the author focus on an objective that is why Thai AirAsia can generate different levels of net profits from NokAir even two airlines are under similar environmental conditions and began business operations in a close year. Hence, the Author examined their different operating strategies during 2013-2019 with Ansoff Matrix along with environmental factors either external or internal that possibly affect the effectiveness of operating strategies. I applied the PEST analysis for analyzing macro-environment factors, Porter's five forces analysis for investigating environment in the low-cost carrier market, also Nash equilibrium and theory of oligopoly for examining decisions of airlines under changing environmental factors. The result from the study indicated that Thai AirAsia has ticket prices strategy according to consumers' preference in providing low prices even under the changing of external factors. Also, expansion of its fleet for responding to the growth of demand in the market along with relies on a relationship with AAB or AirAsia Berhad that facilitates Thai AirAsia has effective management and has cost advantages among other low-cost carries in Thailand.



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TABLE OF CONTENTS

	Page
ABSTRACT (THAI)	iii
ABSTRACT (ENGLISH)	iv
ACKNOWLEDGEMENTS	v
TABLE OF CONTENTS	vi
LIST OF TABLES	viii
LIST OF FIGURES	ix
1. Introduction.....	1
2. Review literature.....	2
3. Research Methodology.....	5
• Conceptual framework	5
• Data.....	6
○ Thai AirAsia.....	6
○ NokAir.....	11
○ LCC markets.....	15
○ The fuel prices and crude oil prices.....	19
○ The demand of the tourism industry in Thailand	20
• Descriptive analysis.....	22
4. Results.....	23
• Industry analysis.....	23
○ PEST analysis.....	23
○ Porter’s five forces analysis	25
○ Competitive pricing in the LCC markets	25
• Strategy analysis.....	27
○ Ansoff matrix	27

- Comparison strategies of Thai AirAsia and NokAir31
- 5. Conclusion and recommendation.....32
- REFERENCES34
- VITA.....38



LIST OF TABLES

	Page
Table 1 The payoff matrix of Prisoners' Dilemma	3
Table 2 The summary performances of Thai AirAsia 2012-2019	6
Table 3 Thai AirAsia's RASK and CASK in 2012-2019	9
Table 4 The summary performances of NokAir in 2012-2019.....	11
Table 5 NokAir's RASK and CASK in 2012-2019.....	13
Table 6 The number of international tourist arrivals (Million).....	20
Table 7 The number of international tourist arrivals in Thailand.....	21
Table 8 The GDP, Policy rate and the exchange rates of Thailand in 2013-2019.....	22
Table 9 The payoff matrix of two airlines	26
Table 10 Comparison strategies of Thai AirAsia and NokAir	31

LIST OF FIGURES

	Page
Figure 1 Conceptual framework	5
Figure 2 The total LCCs' passengers in Thailand	15
Figure 3 The market share of LLCs in Thailand, 2019.....	16
Figure 4 Domestic and international LCC penetration rates for top 20 markets in the Asia Pacific: 2018 vs 2008	17
Figure 5 The fuel prices and crude oil prices.....	19



1. Introduction

The growth of demand in low-cost carriers or LCCs causes fierce competition in Thailand. Whereas, under similar environmental conditions in the aviation industry and macro-environment might have a difference in net profits likewise Thai AirAsia and NokAir. These two airlines began operating their business at nearly the same time which Thai AirAsia started in 2003 and NokAir started in 2004, but a difference occurred after Thai AirAsia and NokAir were listed on the Stock Exchange of Thailand (SET) in 2012 and 2013, respectively. Thai AirAsia can make profits except in 2019 and hold the greatest portion in the Thailand LCC market share account as 45 percentage. While NokAir is facing with the loss from 2014 until nowadays. So, an examination of their strategies will allow us to attain why Thai AirAsia is leading in the market and can generate different levels of profitability.

This study investigates the effect of environmental determinants along with business strategies of Thai AirAsia and NokAir, which may influence both two airlines to have the capability to gain a difference in net profits. This paper is a qualitative research that applied methods to the theory of strategic management and game theory. The PEST framework is applied to examine macroenvironment from diverse sources such as the Airport of Thailand (AOT), Civil Aviation Authority of Thailand (CAAT), Tourism Authority of Thailand (TAT), Centre for Aviation (CAPA), United Nations World Tourism Organization (UNWTO), Ministry of Sports and Tourism (MOTS), Bank of Thailand (BOT) and National Economic and Social Development Council (NESDC), and Brain & Company. Along with analyzes the environment in the industry by applying Porter's five force analysis. Additionally, Nash Equilibrium and theory of oligopoly are applied to investigate strategies of LCCs when suffered from volatile environmental factors, including the Ansoff Matrix to examine the implemented strategies in four different aspects with annual reports during the year 2013 to 2019 of Thai AirAsia and NokAir.

2. Review literature

An oligopoly theory was first developed by Paul Sweezy (1939) to explain a market or industry form is dominated by a few sellers. Each oligopolist has awareness of competitors' actions according to game theory that the decisions of one firm either influence or is influenced by other firms' decisions. When one firm increase in price, its competitors will remain their prices to incentivize customers from the firm which increases in price. On the other hand, when one firm decrease in price, other firms will reduce their prices to maintain their market share.

The aviation industry in Thailand is an oligopoly industry even the growth of the aviation industry leads to a continuous increase of demand in the industry but need advanced technology and enormous value influencing a few investors (Chulalongkorn university intellectual property institute, 2018). The aviation industry has competitions between each airline to provide different services. Full services airlines provide high-quality services by offering high prices. While low-cost carriers provide low prices as possible as they can. Thus, to analyze the low-cost carrier market in the aviation industry by applying Porter's five forces analysis which the model was published in Michael E. Porter's book (1980). This model analyzes micro-environment factors of the industry's structure and enhances the company's strategy which are internal rivalry, bargaining of suppliers, bargaining of customers, the threat of new entrants, and the threat of substitution.

Low-Cost Carriers are a strategic operation of the aviation business by decreasing the cost such as they do not provide free food and beverage. This strategy provides the airline to sell airfare at low prices. To achieve customer satisfaction and favorable behavioral intention, the value of money is an important factor for low-cost airlines (Rajaguru, 2016). On the contrary, the value for money is not directly influencing the low-cost airline passengers' intention to re-use, being loyal, and recommend the airlines to others (Maulisa & Hijrah Hati, 2019). Whereas the failure responding to customers imperative in price may bring the consequences of changing preference behavioral customers (Lim & Mohd, 2011). Thus, a strategy of determination in price does not depend only on the best price advantage but also on

the actions or anticipated actions of competitors that lead airlines have fallen into the prisoners' dilemma.

Based on Nash Equilibrium is proposed by John Forbes Nash Jr. (1951), which are to explain the situation of a non-cooperative game and make simultaneous decisions involving two or more players. Each player will choose the optimal strategy for themselves and assume to know the equilibrium strategy of the other players including cannot gain better by unilaterally changing their strategy. The Prisoners' dilemma was framed by Merrill Flood and Melvin Dresher in 1950s (Kuhn, 1997), which is a situation between two prisoners are arrested and separate cell, so they cannot cooperate. The authorities offer choices to prisoners between silence and confess. Each offer will provide a different result depending on other prisoner chooses as follows:

- a) If two prisoners do not confess, they will get a year sentence.
- b) If two prisoners confess, they will get for 3 years sentence.
- c) If one prisoner confesses, he will be free when another prisoner chooses silence.

The possible outcome can show in a payoff matrix (table1)

Table 1 The payoff matrix of Prisoners' Dilemma

A \ B	Silence	Confess
Silence	1 year, 1 year	5 years, Free
Confess	Free, 5 years	3 years, 3 years

Prisoner A believes prisoner B will silence, the prisoner A will go to jail 1 year if he chooses silence and will be free for choosing to confess. If prisoner B chooses to confess, prisoner A will go to jail for 5 years if he chooses silence and 3 years for confessing. Whatever prisoner A believes prisoner B will do, confess strategy is the best strategy for him. Likewise, prisoner B will choose his best strategy

that is to confess. Thus, both two prisoners will confess and were sentenced for 3 years in prison, which is the Nash equilibrium for this situation.

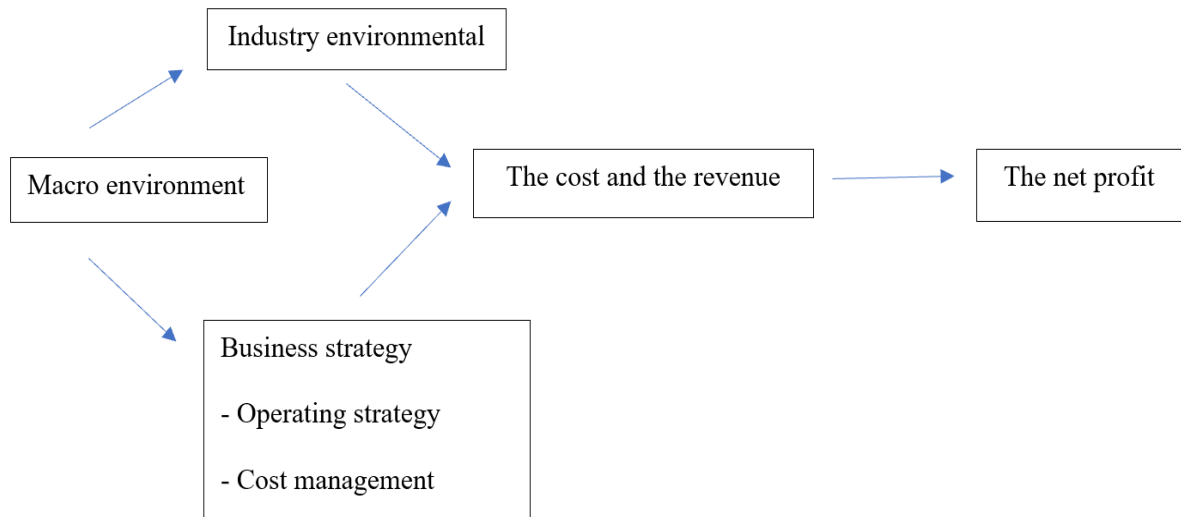
External factors in the aviation industry may affect business operation and cost. The PEST analysis should apply for the study effect of the external environment factors. This model analysis was created by Francis Aguilar (1967) comprised of four different aspects. The first is Political (P), to understand the current political situation either related policy or legislation that can be supporters or obstacles for business. The second is Economic (E), consideration of economic factors that directly affect the interested businesses. The third is Social (S), investigation of changes in such population's growth rate, and other social-culture factors that can impact on business operations. The last is Technology (T), to examine any developing of technology and innovation that causes benefits or barriers for companies.

The business operation should have an analysis in strategies to plan for business' growth, also analyzes the risk associated with each strategy and suitability with the current business situation. The Ansoff Matrix was invented by Igor Ansoff (1957), which is applied to assess opportunities for firms to raise their revenue through providing alternative combinations for new markets with products and services by offering four strategies (Hanlon, 2019). The first is Market Penetration, which focuses on increasing market share with penetration strategy. The second is Product Development, aiming to provide new products in the existing market. The third is Market Development, entering new markets with existing products for increasing business opportunities, the number of customers, and the revenue. The last is diversification, there are divided into two types of diversification such as related diversification that expands in new markets with new products but still related to the existing business, and unrelated diversification which is expanding in new markets with new products that unrelated with the existing business.

3. Research Methodology

- Conceptual framework

Figure 1 Conceptual framework



Macro-environment or external factors can become obstacles to business operations. So, the PEST analysis will be applied to thoroughly scrutinize external determinants that may affect efficiency both operating strategy and pricing strategy. Also, Porter's five forces analysis is applied for consideration of any threats or disadvantages in the low-cost carrier market. Competitive pricing is natural in the LCCs market because offering lower prices can incentivize customers' needs. Whereas, if external environmental factors are changed from the global economic situation, what airlines will do for handling. Prisoners' dilemma will be applied to explain possible utility from making decisions between increase prices and remain prices. Moreover, investigating business strategy along with the risk is necessary for understanding why Thai AirAsia and NokAir have a different level of profits, so the Ansoff Matrix will be applied to analyze strategies of businesses.

- Data
 - Thai AirAsia

Table 2 The summary performances of Thai AirAsia 2012-2019

Thai AirAsia	No. of Passenger (Million)	No. of Airplane	Total Revenue (Million Baht)	Net profit (Million Baht)
2012	8.3	27	19,867	15,513
2013	10.5	35	24,413	1,043
2014	12.2	40	26,274.70	183
2015	14.8	45	30,462.60	1,078
2016	17.2	51	33,129.60	1,869
2017	19.8	56	37,280.20	1,477
2018	21.6	62	40,199.40	70
2019	22.1	63	41,151.30	-474

Source: Thai AirAsia, Annual Report 2013-2019

Asia Aviation Public Company Limited is a holding company that currently invests only in Thai AirAsia. Thus, the business overview will consider the operating of Thai AirAsia (Thai AirAsia, Annual Report 2019).

Thai AirAsia has the vision of being the leading travel company in Asia, which provide the highest quality of product with the slogan “Now Everyone Can Fly”. The company focuses on providing high-frequency flight on short-haul international and domestic routes within the four-hour flight time from their hubs. The Company believes that single type fleet, point-to-point operations, high frequency using aircraft, distribution channels, AirAsia Big Loyalty Program, and extensive route network are the factors that result in having a cost advantage (Thai AirAsia, Annual Report 2019).

Expansion new route of Thai AirAsia implements typically takes three months and needs approval by Thai AirAsia's Board of Directors for approval of Thai AirAsia' s budget. Thai AirAsia has the purpose of being the leading in main and secondary travel destinations to maximize the profits with penetration in India, ASEAN, the southern part of China, and Japan markets by increasing frequencies in dominant destinations and opening new routes. The firm also has performance assessment, if a new route cannot make profits as expected after a trial period of between six to eight months, the new route will be decreased frequency of the route or

suspended the route. However, the strategies in an increased frequency of flight and expansion new routes can reduce the risk from relying on one customer base along with enhancing the opportunity to sustainable growth in the future (Thai AirAsia, Annual Report 2019).

AirAsia Berhad or "AAB" operates a low-fare airline under the "AirAsia" brand in Malaysia and is a business model for Thai AirAsia. The company has the supports from AAB in many areas, which are the permission from AAB to use "AirAsia" as tradename, access to market knowledge including customer services, and access to spare parts kept by AAB and benefits from airport ground services in some airports. Also, benefits by members of AirAsia Group from AAB such as maintenance, fuel hedging, a website for selling tickets, ticket reservation software, and AirAsia BIG Loyalty Program. Moreover, Thai AirAsia can purchase aircraft at a reasonable price because ABB will compile the required order from a member of the AirAsia Group before sends to the aircraft manufacturer that leads to gain bulk discounts off the official list price. The company also relies on a relationship with ABB by leasing aircraft from AirAsia Mauritius "AAM", which is an AAB's subsidiary (Thai AirAsia, Annual Report 2019).

As of December 31, 2019, Thai AirAsia has Airbus A320 family fleet of 61 aircraft and Airbus A321 family fleet 2 aircraft, both of two-family aircraft have a proven track record of reliability in short-haul, high-frequency operations. Thai AirAsia has operated aircraft leasing from AAM and the third-party lessors the amount of 14 and 28 of the aircraft, respectively. Including making leases agreement with financial institutions 15 of the aircraft and 6 of the aircraft were owned by Thai AirAsia. Also, planning to expand the fleet by expecting to receive more four new Airbus A320 and A321 next year. Airbus A320, A320 neo, and A321 neo have an average fleet age of 6.49 years and utilize the rate of the aircraft raising reach to 12.3 hours per day while the last year was 12.0 hours per day (Thai AirAsia, Annual Report 2019).

Thai AirAsia allocates the budget for communication and marketing activities, which has chosen targeted groups and the medium's effectiveness for advertising media. The company will promote new routes and promotional fares by normally

using television advertisements, billboards, LED screens in and out of airports, print media, and radio advertisements to reach consumers in wide-ranging, also concurrently uses online advertisements to reach more consumers and tune with their lifestyle in the present. Furthermore, Thai AirAsia regularly launches promotion of ticket fares, which can activate a great amount of advanced booking throughout the year, usually arranging three to four times each year. The promotion will further discount from the low price fares, which may cut prices to 0 THB per flight (Thai AirAsia, Annual Report 2019).

Additionally, the airline also provides other services (Thai AirAsia, Annual Report 2019) as follows:

- Bangkok Bank AirAsia Platinum Master Card Credit Card: Thai AirAsia and Bangkok Bank launched a co-branded credit card offering special privileges in collecting points from any purchasing to discounts ticket fare. Customers will earn 1 AirAsia BIG Point for every Baht 20 spent and three times of AirAsia BIG Points when purchasing on AirAsia website, sales counters, and call center. Thai AirAsia will also receive shared revenue from spending on this co-branded credit card.
- Advertising Space: Providing free space on aircraft such as the overhead compartments, meal trays, Travel Sixty Magazine (Regional and Local), banner on AirAsia Website, and others to generate additional revenue with advertisements.
- AirAsia Car Rental: Thai AirAsia and CarTrawler, a world-class car rental search engine, launched a car rental service. Customers can search for the expected price of rental cars and can compare both prices and car models from various car rental companies. Also, providing the ultimate convenience by searching for cheap cars at the destination when booking airfare on the website, which this service provides both domestic and international. Additionally, Thai AirAsia will receive shared revenue from each rental transaction made via the AirAsia Car Rental page.

- Freight (AirAsia Cargo): Airfreight service is another service that can generate additional revenue from cargo and mails on the scheduled flight when has available space and weight.
- Island and City Transfer: Delivery passengers from the airport to the nearby cities or islands, which offer customers have experience convenient travel and accommodate to plan their trip conveniently. Thai AirAsia cooperates with the local van and ferry operators to offer City Transfer and Island services such as Pai, Khaolak, Sukhothai, Surin, and Khanom, or from the land to the islands such as Lanta, Lipe, Phangan, Phi Phi, and Samui.

Table 3 Thai AirAsia's RASK and CASK in 2012-2019

(Baht)	Thai AirAsia		
	RASK	CASK	RASK – CASK
2012	1.84	1.69	0.15
2013	1.81	1.67	0.14
2014	1.64	1.66	-0.02
2015	1.63	1.53	0.1
2016	1.57	1.42	0.15
2017	1.61	1.52	0.09
2018	1.56	1.58	-0.02
2019	1.49	1.55	-0.06

Source: Thai AirAsia, Annual Report 2013-2019

Thai AirAsia has mostly Revenue per Available Seat Kilometer (RASK) greater than Cost per Available Seat Kilometer (CASK). That illustrates effectively in controlling the cost of the company even the cost has changed every year due to volatile environment factors and processes in business operation. Although, CASK greater than RASK in some year cannot affect adversely to the net profit if both of CASK and RASK have a different amount enough may impact on the net profit such as in 2019. Thus, investigation on fuel and the exchange rate management strategies that the company has adopted to hedge from external factors is important (Thai AirAsia, Annual Report 2019).

Fuel is a major cost component for airlines of Thai AirAsia's total operating costs and services, selling and distribution expenses, and administrative expenses. In 2019 fuel cost accounting for 34% which reduced from 44%, 43%, and 44% in 2012, 2013, and 2014, respectively. Thai AirAsia purchases most of the fuel from PTT and

Shell Thailand with the benchmark of fuel prices against the Mean of Platts Singapore (MOPS) (Thai AirAsia, Annual Report 2019). Thai AirAsia may be adversely by fuel cost, so to alleviate the risks from fuel price fluctuation from extremely volatile global economic and geopolitical factors. The company has implemented hedging contracts with AirAsia Berhad that provide to keep the fluctuation in the manageable level to reduce costs and minimize risks through the following fuel management strategies (Thai AirAsia, Annual Report 2019):

- Fuel policy: Thai AirAsia controls fuel supply by raising fuel within optimal limits and regulatory requirement to the use of fuel is the least expensive price.
- Payment upfront: Upfront payment for all purchases provides a bargaining power for Thai AirAsia to obtain better pricing.
- Fuel consumption policy: Thai AirAsia attempts to minimize fuel consumption by determining guidelines covering all areas of flight operations so that aircraft fuel burn rates can be maintained at a functional minimum.
- Fuel surcharge: In the situation of the rising fuel price, Thai AirAsia had adopted fuel surcharges, but due to the prohibition of the DCA, the imposition did not allow for fuel surcharges in which are separated from airfares for domestic routes. Therefore, only all international routes are charged, which the fees are calculated depending on the flying hours of each route. Thus, the company has appropriately charged the baggage fee and fuel surcharge, including sharing income to support fuel cost management. However, this strategy has canceled in the situation of the significantly dropped of global oil prices.

Thai AirAsia has revenues and expenses in various currencies, so implements risk management of the foreign exchange rate fluctuation by Natural Hedging with matching cash expenses and revenues in the same currency. Then, managed the net cash flow from different currencies to a majority currency of Thai AirAsia's expenses such as maintenance contracts, aircraft lease contracts, and jet fuel supply contracts. Furthermore, the structure of the foreign currency loans is adjusted to tune with the currency of net operating cash flow. Also, having more Thai baht loans to reduce the risk in making too much foreign currency debt, which can alleviate fluctuation in the

exchange foreign currency that impacts on the company's profit and loss statement. The company also used financial instruments for currency risk management as following; Cross Currency Swaps (CCS), spot and forward contracts. Although hedging activities cannot eliminate whole currency risks, they can alleviate the effects of volatile currencies (Thai AirAsia, Annual Report 2019).

- NokAir

Table 4 The summary performances of NokAir in 2012-2019

NokAir	No. of Passenger (Million)	No. of Airplane	Total Revenue (Million Baht)	Net profit (Million Baht)
2012	4.16	14	8,259.50	505
2013	5.89	16	11,314.70	1,066
2014	7.62	24	12,174.40	-472
2015	8.76	28	14,296.20	-726
2016	8.56	32	16,938.32	-2,795
2017	8.78	30	20,376.70	-1,854
2018	8.86	25	19,740.22	-2,787
2019	8.25	24	19,969.12	-1,928.30

Source: NokAir, Annual Report 2013-2019

Nok Airlines Public Company Limited or NokAir has the vision of providing convenient travel with worth prices and has the mission of being the leading low-cost airline in Thailand. The company has a route network both domestic and international, which provides point-to-point flight. As of December 31, 2019, NokAir provides the most domestic route in Thailand 23 route of total 41 route. NokAir has outstanding services in advanced booking along with provides beverage and internet connection in-flight including offers minimum weight baggage without additional charged from fare prices even economy class. Due to the company's policy determining airfare prices cover major of the service, which is an important marketing strategy in providing services different from other low-cost airlines (NokAir, Annual Report 2019).

In 2014, NokAir has made an interline cooperation agreement with Scoot airline and established Nok Scoot airline, which is an international low-cost airline for expansion network route to the international market and increases capability competitive. The agreement will facilitate passengers who wanted to travel by two airlines with one purchasing. Moreover, NokAir has associated with other leading

low-cost airlines under Value Alliance for making advantages in strong and diverse alliances to effectively respond to customers' satisfaction in connecting route in domestic and region travel (NokAir, Annual Report 2019).

NokAir has an independent business operation and administrations including does not rely on relationships with Thai Airways. The company has its operation system, advanced ticket system, check-in system, payment system, and training program. Also, leasing aircraft from international lessors. However, NokAir and Thai Smile have cooperation under Thai Group by having a codeshare agreement in Don Mueang – Ranong route. This agreement has purposed to facilitate passengers and accommodate in administration, procurement of jet fuel, insurance, and jet fuel risk management for gaining optimal benefits to NokAir (NokAir, Annual Report 2019).

Product procurement has an aircraft allocate policy proper with a quantity of demand in each route including main, secondary, and minor travel destinations. As of December 31, 2019, NokAir has two fleets a total of 24 aircraft comprised of 16 the number of aircraft Boeing 737-800 and 8 the number of aircraft Bombardier Q400. Both two fleets have an average fleet age of 5.8 years and the utilization rate of the aircraft 10.83 hours per day. Boeing 737-800 has reliability in medium-haul and using jet engines while Bombardier Q400 is small aircraft proper with short-haul and using turboprop for support different needed. However, the utilization rate did not according to its plan and significantly affect revenue and the cost (NokAir, Annual Report 2019).

The company has improved the extensive route in both domestic route and international route for increasing facilitate to passengers, so the company has adjusted flight suitable with the demand of customers. Expansion of new routes to China, India, and Japan can increase business opportunities and beneficial operations in raising the efficiency of aircraft utilization that leads to a decrease in the operating cost. The firm also has performance tracking of each route in examining suitable aircraft and the number of passengers for improving flight frequencies. Additionally, NokAir focuses on providing punctual flight services by improving flight schedule, time of operation, and investment adequately spare parts warehouse in the airport in

order to provide the convenient and ready maintenance (NokAir, Annual Report 2019).

NokAir also provides other services for connecting transportation in routes that did not directly provide services by offering two continuous travel services including Fly 'n' Ride service which connect the journey with the air-conditioned vehicle and Fly 'n' Ferry service that transfer to islands by ferry. The company has a further proactive business plan in providing cargo and other additional revenue such as distribution products and services related to aviation and e-commerce business (NokAir, Annual Report 2019).

Table 5 NokAir's RASK and CASK in 2012-2019

(Baht)	NokAir		
	RASK	CASK	RASK – CASK
2012	2.82	2.65	0.17
2013	2.63	2.39	0.24
2014	2.26	2.36	-0.1
2015	2.11	2.24	-0.13
2016	2.02	2.51	-0.49
2017	2.06	2.4	-0.34
2018	1.93	2.32	-0.39
2019	1.92	2.18	-0.26

Source: NokAir, Annual Report 2013-2019

NokAir has Cost per Available Seat Kilometer (CASK) greater than Revenue per Available Seat Kilometer (RASK) since 2014. An amount of CASK and RASK have a hugely different number that can affect adversely to the net profit of the company. A raising of the cost came from fleet expansion, which has an increase of aircraft operating lease and spare parts lease expenses, crew personnel expenses, aircraft insurance expense, and maintenance expense (NokAir, Annual Report 2019). The company has strategies to handle an increase in expense as follows:

Fuel is a core cost of total expenses, which accounts for 29% of operating costs in 2019. The company participates in purchasing fuel with Thai Airways according to Thai Group's policy for a negotiate power in fuel price. Also, the firm had directly order fuel from suppliers and has a policy about purchasing fuel from suppliers which can provide better offers to diversification in procuring fuel. To handle fluctuation oil prices, NokAir had a hedging contract with Thai Airways

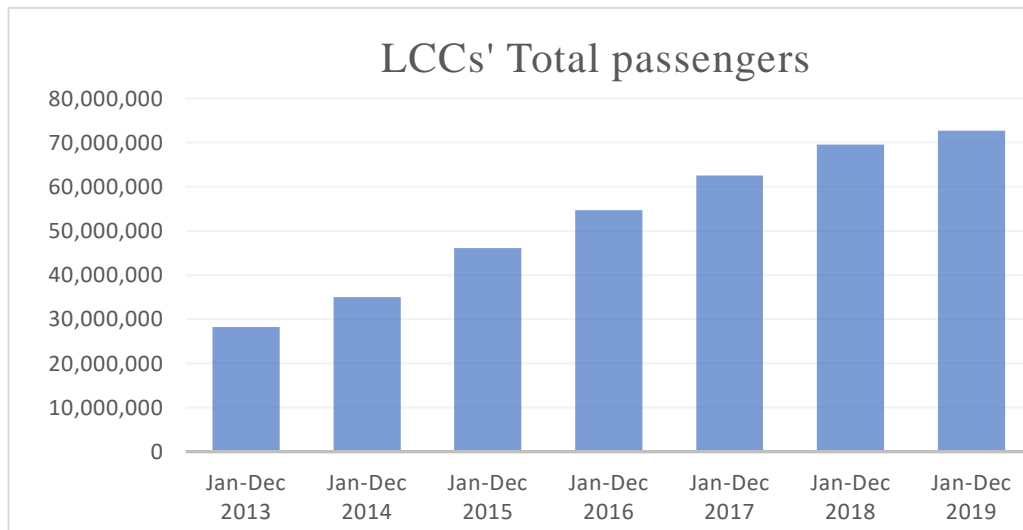
according to Thai Group's policy by partial hedging. Implement risk management can increase resilience in administer cost and revenue, which leads to a change in ticket prices for compensating effect from an increase in oil price. According to a dynamic pricing strategy, that is determination tickets at different prices and pre-sale tickets. Additionally, NokAir implements Forward Contract in fuel price and the exchange rate to control expense in the cost does not surge over an acceptable level for the company (NokAir, Annual Report 2019).

The company operated 'Turnaround Plan' since 2018, which comprised three stages: 1) reducing losses 2) maintain the stability of the company 3) finding opportunities to grow and the firm is currently the first stage. The crucial factor that supports NokAir has potential in competitive reverse trend in the economic situation in Thailand came from reducing cost in fleet management by reducing ATR aircraft, which has twin-engine turboprop and high maintenance cost. Following the turnaround plan, the company planned to reduce fixed cost, which had fleet management, expansion routes, and increase frequency in using airplanes including controlled maintenance and other expenses. Reduction of the number of aircraft leads to a reduction in maintenance cost, aircraft management cost, and aircraft rental cost (NokAir, Annual Report 2019).

The performance of strategy measure with the unit cost (CASK) which decrease when compared to the last year. A decrease in aircraft comprised effective direct and indirect cost management due to the proper examined and analyzed for reducing the cost following the 'Turnaround Plan', which can decrease aircraft lease expense, aircraft maintenance expense, and ground handling service costs. Moreover, the company improved on-time performance to reduce the reimbursement in flight delay and manage the availability of Spare parts in aircraft maintenance better (NokAi, Annual Report 2019).

- LCC markets
 - Thailand

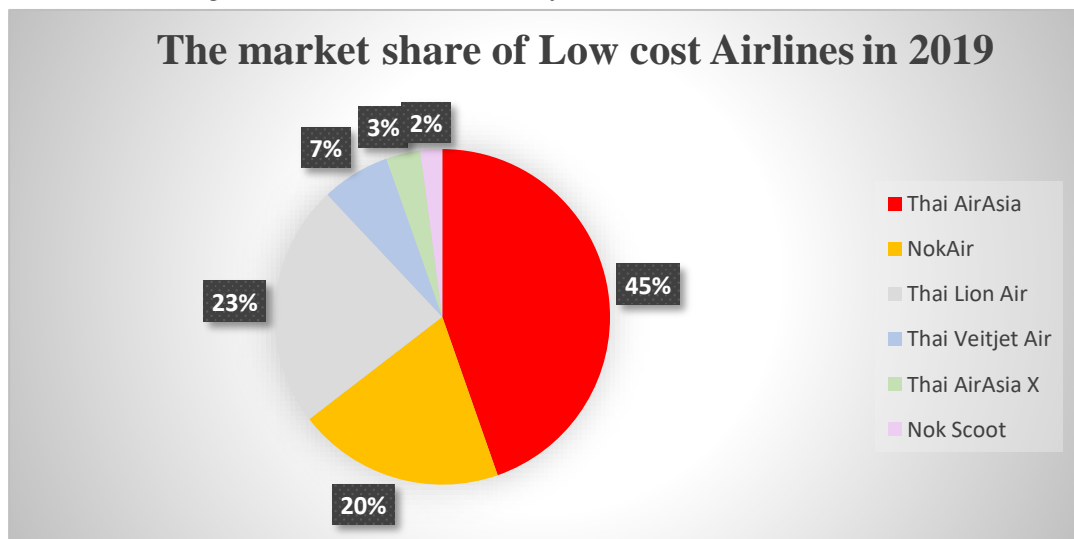
Figure 2 The total LCCs' passengers in Thailand



Source: AOT

Initially, only Thai Airways has provided direct flight, while other airlines provided connecting flights for example Don Mueang – Chiangmai route of Thai Airways can fly point to point, but Bangkok Airways need to stop by Sukhothai airport. Until 2002, the Thai government released an open sky policy that leads private airlines have started operations and available offered dominant destinations the same as Thai Airways (“Results tracking of environmental examination in 2019 of Phare airport”, 2020). The LCCs in Thailand have been commercially operated in December 2003 (“Air transportation statistics”, n.d.) and launched direct routes but offer lower prices that can attract consumers to travel by air transportation. Providing affordable prices by the LCCs influence demand in the LCC market increase every year which can illustrate in the form of the number of passengers of the LCCs.

Figure 3 The market share of LLCs in Thailand, 2019



Source: CAAT (NokAir, Annual Report 2019)

The growth of the market and profitability in Thailand influences new competitors entering the market to desire the market share and making profitability. Even some airline cannot reach their desire while some gain mostly of proportion in the market. In the present, when considering market share, Thai AirAsia holds the greatest portion as 45 percentage. Thai Lion Air holds 23 percentage that is the second rank of the market despite the company have been begun operating in Thailand 2013. While NokAir hold portion as 20 percentage of the market, which is the third rank.

In the aviation market, rivalry comprising of full-service carriers and low-cost carriers (NokAi, Annual Report 2019), which is a difference in providing services. Full-services airlines offer high ticket prices alongside with high-quality services, while LCCs offer affordable prices and selling separately for additional services. Competitive among LCCs have adopted a pricing strategy, which can offer the lowest price would be a leader in the LCCs market. Competition of airlines is divided into a domestic route and an international route. For the LCCs in Thailand, rivals for the domestic routes are Thai AirAsia, Nok Air, Thai Lion Air, and Thai VietJet Air. While competitors for international routes consist of Tiger Airways, Jet star Airways, Spring Airlines, Nok scoot, Thai lion air, Thai VietJet Air, and GoAir (Thai AirAsia, Annual Report 2019).

- Asia Pacific's

Figure 4 Domestic and international LCC penetration rates for top 20 markets in the Asia Pacific: 2018 vs 2008

Rank	Country/Territory	2008	2018	2008	2018
		domestic penetration rate	domestic penetration rate	international penetration rate	international penetration rate
1	China	2%	10%	3%	14%
2	Japan	6%	17%	0%	26%
3	India	48%	70%	11%	23%
4	Indonesia	40%	53%	26%	40%
5	Thailand	32%	72%	11%	32%
6	Australia	19%	26%	7%	15%
7	South Korea	7%	53%	1%	35%
8	Malaysia	50%	57%	29%	51%
9	Hong Kong	N/A*	N/A*	3%	11%
10	Singapore	N/A*	N/A*	12%	31%
11	Vietnam	26%	56%	12%	33%
12	Taiwan	0%	0%	1%	18%
13	Philippines	45%	64%	15%	32%
14	New Zealand	0%	17%	4%	7%
15	Pakistan	0%	0%	1%	14%
16	Cambodia	N/A*	N/A*	14%	24%
17	Bangladesh	N/A*	N/A*	4%	11%

Rank	Country/Territory	2008	2018	2008	2018
		domestic penetration	domestic penetration	international penetration	international penetration
		rate	rate	rate	rate
18	Sri Lanka	N/A*	N/A*	10%	8%
19	Myanmar	0%	0%	13%	25%
20	Macau	N/A*	N/A*	21%	33%

Notes: ranking based on the size of the total market in 2018 (total seats for LCCs and FSCs combined).

*Domestic penetration rates not provided as there is no domestic market or the domestic market is not significant (less than 1 million annual passengers).

Source: CAPA – Centre for Aviation & OAG. (“LCCs in Asia Pacific: two decades of steady market share gains”, 2019)

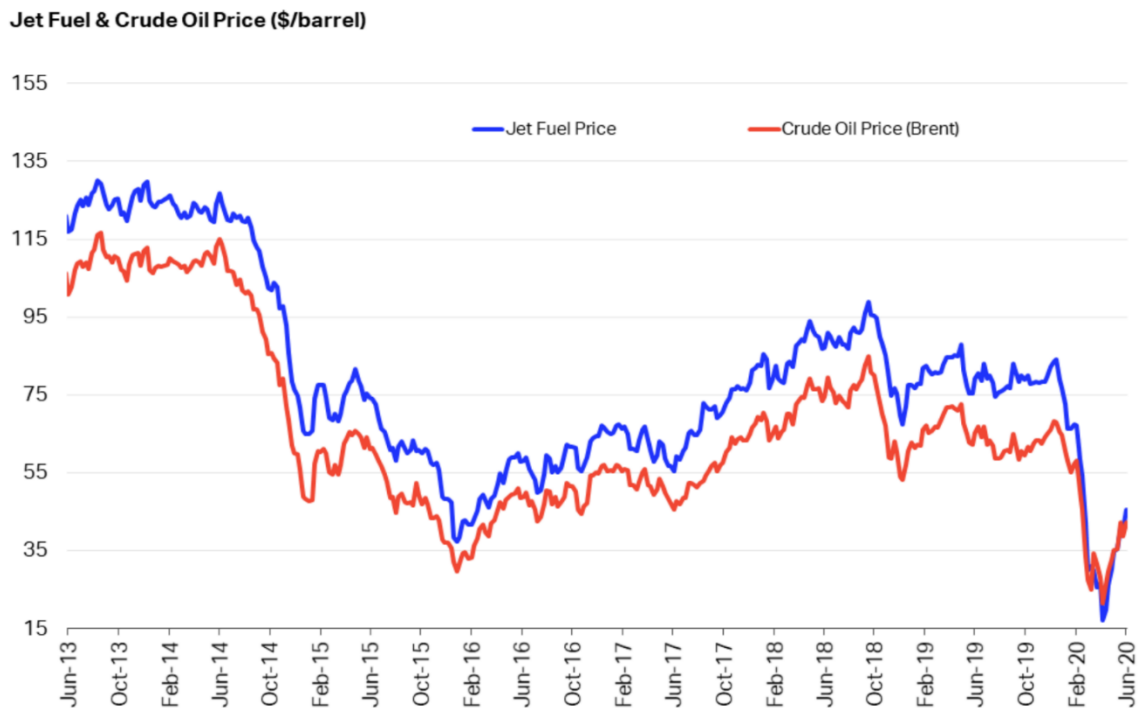
According to the Centre for Aviation (CAPA) that in 1998 the market seat capacity of LCCs in Asia had almost to zero. Only two low-cost airlines were operating in the Asia Pacific region which are Cebu Pacific from the Philippines and Freedom Air from New Zealand. In 2009, even having the growth of LCCs in Asia, but there was still the number of aircraft only 400. After that, the LCC market in the Asia Pacific has outstanding rapid growth in the region. In 2018 LCC market in Asia has grown and LCCs counted for 29 percentage of seat capacity, also made up 35 percent of global LCC seats. Then, it leads the Asia Pacific to become the world’s largest LCC market according to the announcement of CAPA in 2019 (“LCCs in Asia Pacific: two decades of steady market share gains”, 2019).

In the present, Lion and AirAsia are current the two largest LCC groups in Asia, even both two companies began lately of the Asian LCC sector which Lion started operating in 2000 and AirAsia followed in 2001. In 2018, the rate of LCC break into the Asia Pacific market is now high to the global LCC penetration rate that counted as 33 percent of domestic seat capacity and 13 percentage for international seat capacity (“LCCs in Asia Pacific: two decades of steady market share gains”, 2019). However, the LCC penetration rate in the Asia Pacific is depending on the market conditions due to some markets in Asia have the highest LCC penetration rates in the world while others have low LCC penetration rates (AFM Editorial Office, 2020).

South Korea is one of the LCC markets in Asia that has rapidly grown in the LCC penetration rates. From 2008 to 2018, South Korea has the highest growth both of domestic penetration rate and international penetration rate, which has grown as 46 percentage from 7 to 53 and 34 percent from 1 to 35 percentage, respectively. While Sri Lanka is opposite for international penetration rate decreased 2 percentage, counter to other countries tend growing up. For domestic penetration rate, nine countries have counted as 0 percentage of seat capacity, or the domestic market is not significant may be due to their geography and less of demand. Even the LCC market in Thailand is not the highest growth but still has outstanding growth. For domestic penetration rate has grown as 40 percent from 32 to 72, and 21 percentage from 11 to 32 for international penetration rate.

- The fuel prices and crude oil prices

Figure 5 The fuel prices and crude oil prices



Source: International Air Transport Association (IATA)

The jet fuel price is depending on changing crude oil price that means if crude oil prices increase, jet fuel prices also increase. Likewise, declining in crude oil prices will incur a decrease in jet fuel prices. In the aviation business, jet fuel price is the main cost. Changing fuel prices can provide either benefits or incremental costs. For

example, airlines received benefits from decreasing jet fuel prices in 2014, and airlines suffered from an incremental cost from an increase in jet fuel prices in 2018. Moreover, policy from the government can become a support and obstacle such an increase of jet fuel excise tax, which will lead to incremental cost for airlines.

- The demand of the tourism industry in Thailand

The growth rapidly of population urbanization is expanding economic activity, along with a rising of wealth reinforces a wider range to consume goods by huge numbers of new consumers. Over two-thirds of the population growth in the global middle class will come from China, India, and other developing countries (Bain & Company, 2020). Approximately 50 million new middle-class consumers will from Indonesia, Malaysia, the Philippines, Thailand, and Vietnam, including Southeast Asia middle-class disposable income is forecasted as \$300 billion by 2022. The growth is propelled by access to the digital economy, which allows them to approach outside their visible community by the online world including people who can move out of poverty and see the possibilities for themselves (Bain & Company, 2019). Technology and innovation will also increase in new forms like iPads and Twitter by investment in soft innovations for the result of an increase in total consumption, including the consumption of nonphysical value (Bain & Company, 2020).

Table 6 The number of international tourist arrivals (Million)

Region	2013	2014	2015	2016	2017	2018	2019
World	1,102	1,147	1,202	1,244	1,333	1,409	1,460
Africa	55	56	54	58	63	69	73
Americas	170	183	194	201	211	216	220
Asia and the Pacific	254	270	285	307	324	348	361
Europe	572	582	611	622	677	716	745
Middle East	51	56	58	55	58	60	61

Source: UNWTO, International tourist arrivals 2013-2019

Tourism not only drives the growing economy but also advocates millions of people who have worked including be a crucial part of attainment 17 Sustainable Development Goals (SDGs) of the UN. According to the United Nations World Tourism Organization (UNWTO), identified that the tourism industry has grown continuously. There are many factors that influence the expansion of the tourism

industry including globalization which has economic integration for bargaining power, capital flow, and market expansion. Along with an increase of urbanization even rising civilization and business opportunities but may cause cultural assimilation and urban cluster. Also, an increase of populations, wealth, and new middle class along with flourishing technology devices facilitates convenience to travel by digital devices which support the blooming of the tourism industry has more demand (Ministry of sports and tourism, 2015).

Table 7 The number of international tourist arrivals in Thailand

Year	ASEAN	China	Hong Kong	Japan	Korea	Taiwan	India
2013	680,758	476,765	72,854	162,888	128,162	46,006	89,518
2014	437,269	360,023	18,778	97,639	100,650	26,081	59,927
2015	586,997	561,921	35,990	121,828	153,075	46,660	79,764
2016	8,585,251	8,757,646	751,264	1,439,510	1,464,200	522,273	1,194,508
2017	9,322,508	9,806,260	821,064	1,544,442	1,709,265	573,077	1,415,197
2018	10,191,391	10,535,241	1,015,749	1,656,101	1,796,426	687,748	1,598,346
2019	10,626,511	10,994,721	1,045,198	1,806,340	1,887,853	789,923	1,995,516

Source: Ministry of sports and tourism, Tourism statistics 2013-2019

Aviation business has causally related to the tourism industry, which means that if the tourism industry decelerated from changed environment determinants, aviation business will affect both directly and indirectly to its operations. Another factor is the growth of low-cost airlines which encourage tourist behavior has more travel due to the ability in offering low ticket prices. International tourist arrivals in Thailand are increasing in many regions especially, tourists from East Asia region such as ASEAN, China, Hongkong, Japan, South Korea, Taiwan, and India which is beneficial to LLCs in Thailand that provides short-haul flight.

Thailand has increased the revenue from the tourism industry every year and has contributed to travel and tourism accounts for 21.6 percent of GDP in 2018, so the tourism industry inevitably became crucial to the Thai economy (Surawattananon, 2019). Tourism Authority of Thailand (TAT) is an organization of Thailand under the Ministry of Tourism and Sports, which has duties to promote Thailand's tourism industry. For instance, it launched events along with measures for activating international tourism by providing Free Visa on Arrival and launched Travel Thailand with 100 Baht event for urging domestic tourism. Whereas tourism has a sensitivity of

changing environments such as natural calamity, unstable political, and the volatile exchange rate.

Table 8 The GDP, Policy rate and the exchange rates of Thailand in 2013-2019

	The growth of GDP (%)	Policy rate (%)	USD/THB
2013	2.69	2.25	32.86
2014	0.98	2	32.9
2015	3.13	1.5	36
2016	3.36	1.5	35.8
2017	4.02	1.5	32.57
2018	4.13	1.75	32.3
2019	2.4	1.25	31

Source: Bank of Thailand (BOT) and the National Economic and Social Development Council (NESDC)

A continuing global economic slowdown due to the effect of global fluctuation such trade war, collecting and raising VAT in various countries, protracted protests in Hong Kong, U.K. has economic slowdown from unstable of BREXIT, and baht is continuously trended to appreciation. These are negative factors from an economic slowdown that encourages cautious spending and undermine confidence in the tourism market. Thus, the government launched measures to support the tourism sector and incentivize spending including TAT associated with touristic enterprises released priced promotion and touristy package for stimulus economic and increase domestic travel. However, people are still worried about the unstable economy, and spending only necessary, also have changed travel behavior by reducing length days of travel. Whereas Thai tourist has a preference in travel oversea because supportability from market environmental factors such pricing strategy, expansive new routes especially, appreciate of baht currency that leads people to feel worth the money than domestic travel (“Situation of tourism and market trend in 2019-2020: reversing incidents in 2019”, n.d).

- Descriptive analysis

To analyze strategies of Thai AirAsia and NokAir, the Ansoff Matrix is applied to scrutinize different four aspects of strategies. The revenue and number of passengers are a performance measure that strategies are effective. However, high revenue and the number of passengers cannot identify that company has profit, so

considering the cost is an important part. The cost comprised of fixed cost and variable cost which might be affected by changing environmental factors, for example, an increase of demand in the LCC market which is a factor driving the growth of LCCs business. Therefore, investigation encompasses determinants of environment that might affect the revenue of the companies concurrent with their strategies concurrent will allow attaining why two companies have different levels of market share and profitability.

4. Results

- Industry analysis

- PEST analysis

Policy from the government is a crucial factor to advocate business opportunities in the aviation industry. After 'Open sky policy' was released in Thailand in 2002, with the purpose that provides transportation by air at low prices. The growth of demand in low-cost carriers is continuously increased nonetheless airlines need a supportive policy from their government either direct or indirect encouragement. For instance, the growth in the Asia-Pacific and the ASEAN region of airlines might suffer from some prohibition about air transportation, so the government can support by relaxing some conditions such as minimal restrictions on migration. Moreover, stimulation demand in the tourism industry both domestic and international consumers is alternative to support the aviation industry such as promoting with incentive tourism campaigns. However, in circumstance of political conflicts could affect adversely to business operation and demand in the aviation market. For example, insurgent protestation might lead to the closure of the airport and insecurity in the travel of passengers.

From an economic perspective, demand in the tourism market can be changed from fluctuation in global external factors such as trade war, collecting and raising VAT, and protracted protests which can incur economic slowdown and cautions spending. Although, baht currency is appreciating the number of international tourist arrivals in Thailand is continuously growing up contrary Thai tourists will gain benefits from the exchange rate and have a preference for travel oversea. Other than effect to the demand in the tourism market, also affect directly to airlines' business.

Due to the diversity of business, incomes and expenses came from various currencies such most of the maintenance contracts, aircraft lease contracts, jet fuel supply contracts, insurance contracts, and all the purchase of aircraft spare parts contracts. Changing in the exchange rates either depreciating or appreciating can lead to an adverse impact on the company's business. Another important factor is jet fuel price which is the most portion of the cost of the airlines. An increase in jet fuel price will be adversely for airlines that need to tolerate increment costs and gain lower net profit or influence airlines suffer from the loss. While airlines will receive benefits in the lower cost from declining jet fuel price. Exchange rates and fuel prices depend on global economic conditions which are beyond the Company's control or predictability. Both two factors could become major obstacles to reaching optimal profits. Therefore, airlines should have the policy to hedge themselves against the volatility of the exchange rate and oil price, which the purpose alleviates risks.

The social environment is also an important factor for airlines' business. Even though has high competition in the LCC market and could result significantly in the decrease in profit margin, but the growth of demand in air travel has continuously increased. According to the number of passengers who commuted with low-cost carriers either in Thailand or overseas illustrate the growth of demand every year. In the current, transportation by air can save time than other modes and viability of low-cost airlines, which can provide affordable ticket prices to a wide range of customers' incomes. Capability in response to customers' need of LCCs drive demand in the market raising not only in Thailand but also in other countries. Besides, the tendency of the tourism industry still growing up because of the growth of globalization, urbanization, and digital lifestyle in many economic areas that increase the number of wealthy populations who have purchasing power higher than in the past.

Proliferating technology is inevitable nowadays. People will get utility from technology even stay at home through many devices such as smartphones and twitter. The growth rapidly of technology facilitates companies in promoting their products and services via advertisement both direct and indirect. Spending their time on technology devices of people can increase chances in receiving information from companies such as word of mouth by serviced users on the internet, product

placement in television programs, and billboards advertising. These promoting can build awareness in the brand for consumers. Furthermore, the expansion of more sales channels via digital channels will give easing to customers in access to sales and distribution. Especially, reservation tickets in advance through website and application can provide convenience to customers. Also, buying additional services or requesting for special requirements.

- Porter's five forces analysis

The LCC market is an oligopoly market that has continuous growth of demand in the LCC market attract new entrants into a competition and generate to have many airlines in the market, which has led to fierce competition in the LCC market. Besides the threat of new entrants, suppliers for low-cost carriers such oil companies, aircrafts lessors, and aircrafts manufacturers which are large companies and have potential in business negotiation, may affect in business operations of airlines. Internal rivalry for low-cost carriers is comprised of low-cost airlines and full-service airlines. Premium airlines competing by providing high-quality service meanwhile low-cost airlines focus on cost leadership or pricing strategy. Even pricing strategy has potential in an incentive for customers but may has a consequence of customers changing in preference to other airlines due to undercutting by competitors and consumers ease in substitution to the airline which can provide lower in price. Moreover, diverse airlines also provide alternatives to consumers for deciding on purchasing services that mean various choices with less of a difference in price lead consumers in this market to have bargaining power and comfortable change to other brands in the next purchasing if the airline cannot respond customers' satisfaction and make them feel not worth the money lost.

- Competitive pricing in the LCC markets

However, competitive pricing among low-cost carriers may gain adverse results such as changing the cost. Fluctuation environment factors and business operations may drive the operating cost up and affect the profitability of companies. Under this situation that the cost is growing up force companies deciding on strategies between increasing their prices to handle incremental cost or remaining their prices according to pricing strategy.

Consumers in the low-cost carrier market have characteristic as a favorable behavioral intention in value of the money, changing in price brings the consequences of changing preference behavioral customers. An increase in prices influences consumers to substitute with other transportation modes, which can provide lower prices to them and airlines will gain lower in the revenue (L) because of a decrease of customers. Also, an increase in prices while its competitor chooses to remain prices could affect adversely to the airline that the number of customers and the revenue are reduced (R) because consumers in the market may change to competitor airlines which can offer lower prices. However, tolerating incremental cost (C) will prevent the loss of the market share and the revenue to its competitor either within the aviation industry or other transportation industries. Additionally, remaining their prices while its competitors increase in price will provide advantages to the airline for incentive customers from its competitor airlines and gain additional customers and revenue (A).

The prisoner dilemma is applied to understand this circumstance in the payoff matrix (Table 9). Suppose in the market has two potential airlines, airline A and airline B, provide the same original and destination.

Table 9 The payoff matrix of two airlines

A \ B	Increase	Remain
	Increase	L, L
Remain	A, R	C, C

Therefore, each airline will choose their best strategy that is "Remain" for expecting to receive additional customers and revenue, then they have fallen into (remain, remain) scenario which is the equilibrium for both airlines. Fierce competition by pricing strategy in the market leads to bearing the cost in which companies are inevitable and cannot immediately increase prices for recompense

added cost. Thus, cost management becomes a crucial part of the company in controlling and trying to reduce the cost instead of an increase in prices.

- Strategy analysis
 - Ansoff matrix
 - Thai AirAsia
 - Market Penetration

Regularly launches advertisements and diversity of channels can build awareness in brand to consumers in a wide range, also enhance possibly that advertising can reach to the targeted group of the company. Besides, releasing promotions three to four times throughout the year can attract consumers in the market who have a preference for low price tickets, and creating a memorial of the brand usually offers low price ticket that may be discount additionally to 0 THB per flight according to the promotion. However, during an increase in oil price customers may pay for the fuel surcharges. The firm will charge the fuel price separately from fares for international routes, then compensate for incremental cost due to a raising of oil price.

- Product Development

Thai AirAsia has continuously expanded a fleet to increase an available seat and frequency of flight. Expanding fleet will support strength in market share, especially the firm available increase frequency of flight in popular route, also has potential in-flight schedule management in aircrafts utilization. The company currently has a total of 63 aircraft which are an Airbus A320 and A321 family aircraft. These two-family aircraft are a proven track record of reliability in short-haul. Moreover, the company also gains many benefits from relying on a relationship with AIRASIA BERHAD including orders for aircraft. AAB will consolidate required aircraft from each member of the AirAsia Group. Then, AAB will send the order to the aircraft manufacturer, which enables the company to get great discounts. Furthermore, the company can access the information technology used within the AirAsia Group, also gain support such as airport ground services in some airports, accessibility to spare parts kept by AAB, maintenance, fuel hedging, a website for

selling tickets, ticket reservation software and AirAsia BIG Loyalty Program. Additionally, the company used natural hedging concurrent with financial instruments for handling fluctuation of the foreign exchange rate. These operations encourage Thai AirAsia to have effective administration and a cost advantage among other low-cost airlines.

- Market Development

Thai AirAsia usually opens new routes by focusing on potential markets especially South-India, Indochina, and South of China and Japan which are less competitive areas. Extension of route network provides an opportunity to increase the sales for the company. However, opening a new route is not always successful, some of them cannot make the profitability which can become a cost burden instead. The firm will close or reduce frequency if a new route cannot make profits during a trial period. On the contrary, the company will support more for popular routes such as an increase in frequency flight. Thus, an extensive route network and immediate adaptation when the result did not according to expected show effective management of the company.

- Diversification

Thai AirAsia provides other services to generate additional revenue in diverse services including advertising space, AirAsia cargo, AirAsia car rental, and island and city transfer. Providing advertisements space and airfreight can increase more revenue to the company while there is a fixed cost that is an inevitable cost per flight. Also, can increase targeted group in new markets which may further expand its business. For car rental and transfer services are connecting transportation that accommodates travel to passengers. Also, support passengers conveniently plan their trip and allocate time. These various services can reach both regular customers and new customers.

- NokAir

- Market Penetration

NokAir has outstanding services among low-cost carriers by providing major of the services even in economy class. That is providing beverage and internet connection in-flight, including gives minimum weight baggage without additional

payment separated from a fare. Because of the company's policy determined ticket prices by including the cost of provided services. This marketing strategy leads to NokAir is different from other low-cost airlines. Moreover, making an interline cooperation agreement for establishing Nok Scoot airline with Scoot airline, associating with Value Alliance, and making a codeshare agreement with Thai smile encourage the airline to have an advantage in connection route in domestic and region. However, offering ticket prices including other services may adversely result due to consumers in the LCC market have a preference at lower prices.

▫ Product Development

NokAir has expanded its fleet for support expansion route network and has market share by increasing frequencies flight. Also, improving flight schedule, time of operation, and investment in spare parts warehouse in the airport for providing punctual flight services to customers. However, the expansion of its fleet followed by an increase in maintenance cost. The airline leased aircraft with an international lessee, which may affect from fluctuation in the exchange rate. NokAir has an independent business operation and administrations including does not rely on relationships with Thai Airways. The company has its operation system, advanced ticket system, check-in system, payment system, and training program. These factors can become the additional cost for the company and difficult to have an advantage cost airline. Therefore, NokAir has the 'Turnaround Plan' for the sustainable growth of the company. In the current, the airline is trying to reduce the cost which is the first stage of the plan by reducing squadron. The performance of this stage shows with decreased the cost, but the revenue also decreased due to capability in cabin factor reduced. However, NokAir has purchased fuel and implemented a hedging contract by partial hedging with Thai Airways according to Thai Group's policy to gain bargaining power at fuel price and change ticket price for compensation effect from increased oil prices, respectively.

▫ Market Development

NokAir does not have a strategy to rely on the original market both domestic and international to prevent the risk from changing political, accident, disaster, and

insecurity may affect to demand of international tourists. The airline has penetrated in China, India, and Japan for international routes, also increase more routes in domestic. The expansion route network can increase the utilization rate of aircraft and reduce the operated cost of the company. However, the firm has performance tracking to examine the quantity of demand in each route that is proper with aircraft and frequencies flight. This assessment will allow the company to plan to improve effectively using aircraft and gain optimal profits.

▫ Diversification

NokAir also provides two additional services for continuous travel that are Fly 'n' Ride service which facilitates passengers with an air-conditioned car in traveling to destinations that the airline did not directly provide service and Fly 'n' Ferry service which transfers passengers to island by ferry. Theses connecting transportation will facilitate passengers in planning trips. Moreover, the airline also provides cargo and other additional revenue such as distribution products and services related to aviation including e-commerce business, in which these services can respond differently needed of both regular customers and new customers.



- Comparison strategies of Thai AirAsia and NokAir

Table 10 Comparison strategies of Thai AirAsia and NokAir

Strategy	Thai AirAsia	NokAir
Advertising and marketing	<ul style="list-style-type: none"> - Allocates budget for advertising - Regularly launches promotion campaigns 	<ul style="list-style-type: none"> - Does not have certain plans for advertising and marketing
Ticket prices	<ul style="list-style-type: none"> - Separates major services from the ticket price - Fuel surcharge policy will be applied when fuel price increased 	<ul style="list-style-type: none"> - Provides major services such as beverage in-flight and minimum weight baggage including with ticket price
Operation	<ul style="list-style-type: none"> - Relies on a relationship with AirAsia Berhad, and accesses supportive services and the information technology including benefits in purchasing aircrafts 	<ul style="list-style-type: none"> - Independently operates and has its operation system
Risk management	<ul style="list-style-type: none"> - Implements fuel hedging with AirAsia Berhad - Implements natural hedging for the foreign exchange rate fluctuations 	<ul style="list-style-type: none"> - Implements partial hedging with Thai Airways for handling fluctuation in fuel price - Implements forward contract in fuel price and the exchange rate
Other services	<ul style="list-style-type: none"> - Offers advertising space, cargo, and connecting transportation by car and ferry 	<ul style="list-style-type: none"> - Offers cargo, and connecting transportation by car and ferry

5. Conclusion and recommendation

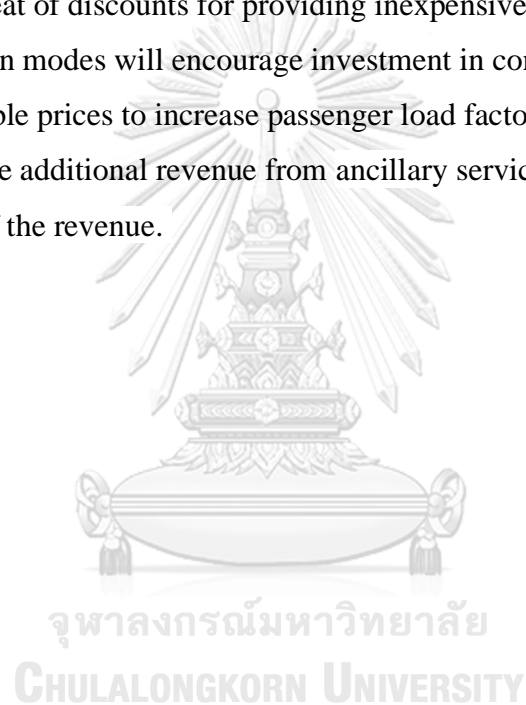
This research aimed to investigate the business strategies of Thai AirAsia being leading in the LCC market in Thailand. The study emphasizes different operating businesses under the same external environment and competitive pricing in the industry.

Thai AirAsia has a ticket pricing strategy by separating additional services from fare prices. This strategy will provide the airline available to offer low prices. While NokAir has ticket prices policy including major services such as beverage in-flight and minimum weight baggage. Furthermore, under the situation of an increase in jet fuel price which influencing their cost raising. Thai AirAsia has fuel surcharge policy in international routes for compensating the incremental costs including fuel hedging and bargaining power in purchasing fuel from being a member of the AirAsia Group. Increasing ticket prices provide consumers have changing preference behavior and may change to competitors airlines or other transportation modes which can offer lower prices.

The sustainable growth of airlines should expand the route network and increase flight frequencies for maintaining market share and reducing the risk in depending on regular customers, so expansion fleet is necessary. Thai AirAsia has continuously expanded its fleet every year that incurs effective responding to either blooming in demand of international tourist arrivals in Thailand and activating domestic tourist demand in providing various routes. Additionally, relying on the relationship with AirAsia Berhad or “AAB” gains benefits to the airline has bargaining power in purchasing and leasing aircraft, also can access to spare parts kept by AAB. Including utility from being a member of AirAsia Group that provides airport ground services in some airports, the information technology used within the AirAsia Group, and maintenance. NokAir has not relied on relationships with Thai Airways but has independent business implements and its operation such as leasing aircraft from international lessors. The airline also has expanded its fleet whereas followed by the huge cost in maintenance due to the airline needs to invest adequately spare parts warehouse in the airport. The expansion of its fleet provides adverse results that are the incremental cost and following as the loss.

Ticket pricing strategy and expansion fleet according to the growth of demand along with relying on relationship with AirAsia Berhad or “AAB” provide Thai AirAsia facilitates in managing the cost and revenue to have an advantage in cost amid other LCCs in the market. This advantage is influencing the airline to have the capability to generate different levels of profitability when compare to NokAir who began business at the close time.

However, Thai AirAsia also suffered from the loss in 2019, due to the economic slowdown that leads people to have cautions spending the money. Offering promotion or a great of discounts for providing inexpensive prices when compared to other transportation modes will encourage investment in consumers' demand. Providing affordable prices to increase passenger load factor will increase the sale along with possible additional revenue from ancillary services even fare prices cannot generate a huge of the revenue.



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VITA

NAME Punjarod Toppoopha
DATE OF BIRTH 20 November 1996
PLACE OF BIRTH Bangkok
INSTITUTIONS ATTENDED Ramkhamhaeng University
HOME ADDRESS 119/336 Moo 5 Rama II road, Pantainorasingh sub-district, Samutsakorn



จุฬาลงกรณ์มหาวิทยาลัย
CHULALONGKORN UNIVERSITY