

Chapter 8

The Development of Synergy Model on Internal and External Suppliers for Asian Airlines Industry

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ABSTRACT

This paper examines the airline industry to develop a synergy model in internal and external suppliers for Asian airlines industry. An extensive literature review is conducted to present a synergy model to develop Asian airline competitiveness, safety and service quality. The literature review is highlighted to seek the relationships between internal marketing and internal service quality and identify whether the relation of supplier can moderate them. The review reveals that a synergy model based on internal marketing, internal service quality and supplier relations can overcome the Asian industrial phenomenon, especially in maintaining the service consistency and competitiveness. This model is needed for developing airline service and safety. Research in airline business is critical, as the quality of the airline service is declining in contrast with this industry's growth. This paper provides insight into two important suppliers needed for the success of the airline industry.

INTRODUCTION

In the age of mobility, the global economy is driving the growth of air travel more than ever before. There is a hyper competition in the airline business. Markets have been fundamentally

transformed by the emergence of new business models which demand a better service (Rhoades & Waguespack, 2008), information system capabilities (Cunningham et al., 2005), and supplier relationship (Ahmed et al., 2006). The future of the global airline business is expected to be profitable.

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In addition, Asia Pacific will become the largest world aviation market over next 20 years, since it has one-third of the world air traffic (Boeing, 2010). In other words, Asian countries have the biggest potential to lead the global airline growth in the near future. Ten to dozens of new air carriers have been popping up across Asia to reach the demand of the industry's booming.

In contrast with the growth, the Asian airlines are facing an increasing risk of bankruptcy. This is probably due to the fact that the management spends a lot of time focusing on the airline infrastructure, soaring fuel costs, investments, competitor thus overlooking the role of internal and external suppliers towards the success of an organization. Indeed, a string of deadly accidents have raised fresh concerns about service and safety, from board and ground crew, pilot shortages and the quality of budget airlines. Aircrafts of accidents in Asia have been increasing and have injured and killed people (e.g., Indonesia and Thailand).

Consequently, the airline service and safety quality will suffer when the internal and external suppliers give less attention towards the airline service process. Most of the international airlines employ thousands of people (Frost & Kumar, 2000). As the airline expands, so does their staff population. Generally, when this happens, employee matters somehow fall by the wayside and are replaced by more pressing issues such as company growth and maximizing profits (Heskett et al., 1994). Subsequently, the organization loses touch with the individual worker within the organization. Thus, in order to achieve the growth and profit objectives, research into employee issues cannot be ignored (Berry et al., 1994). Scholars have stated that the delivery of high quality service becomes a marketing requirement in tandem with the increase of the competitive pressures on an air carrier (Ostrowski et al., 1993).

Besides, the external supplier also plays considerable role in the success of an airline. Air China for example assigns its employees to work closely with supplier on various aspects. This effort is to

meet the organization's economically and socially objectives (Ahmed et al., 2006). Managing supplier relationship gives many benefits. If many buyers and suppliers build a close relationship, these could have far-reaching implications, not only for both parties, but also for the operations of the market. Strongly bonded relationships could form an effective barrier to entry for new entrants, and switching partners may have all sorts of repercussions, apart from purely financial ones. The real competition is not between a company and a company but between a supply chain and a supply chain (Christopher, 1992).

It is hard to find a study on how internal and external airline suppliers worked together to improve competitiveness, safety, and service quality. It is argued that the role of internal and external suppliers in an airline service quality must be studied. This is to construct the competitiveness of Asia airlines and improve service and safety quality. This paper focuses on the issue of the airline business and how they can build a synergy relationship with suppliers to enhance safety and service quality. Hence, building a high quality long-term relationship with internal and external suppliers is not an easy endeavor.

This study utilizes the literature review to find the link of the model based in internal and external suppliers. The model is necessary to develop the Asian airline competitiveness. In fact, the Asian region still consists of many developing countries that need strong partnership to survive and compete in airline industry.

This paper is organized as follows. First, it gives a review of related literature on the airline industry, internal marketing, internal service quality and supplier relations. This approach attempts to underpin the model based on the literature. The essence of this approach is to identify the research gap, contextualize the research agenda and build an understanding of the theoretical concepts (Rowley & Slack, 2004). The relationships between these constructs have conceptualized on synergy model. Based on this model, the researchers then proposed

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