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.

Keywords: Airline Development Process, Business Model, Internal Marketing, Internal Service Quality, Supplier Relations

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. 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 in-
dustry’s booming.

In contrast with the growth, the Asian
airlines are facing an increasing risk of bank-
ruptcy. 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 ex-
ternal 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 as-
pects. 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 sup-
pliers build a close relationship, these could
have far-reaching implications, not only for both
parties, but also for the operations of the mar-
et. 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 qual-
ity 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 partner-
ship 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 re-
search 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 two
propositions for future research. The argument
and idea on the synergy model will be described
next. Finally, the method and directions for
future research are also provided.
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