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Review of Airline-within-Airline strategy: Case studies of the Singapore Airlines Group and Qantas Group

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ABSTRACT

The growth of the aviation industry has seen a rapid increase in low-cost carriers (LCCs) commencing operations, threatening the sustainability of a number of legacy airlines. The response to this challenge and threat has been for legacy airlines to create an airline-within-airline (AWA). This study reviews prior literature regarding the hotel industry and multi-brand strategy, and also uses case studies to examine the evolution of the AWA strategy at the Singapore Airlines Group and the Qantas Group between 2000 and 2016 in order to identify why these airlines operate AWAs successfully. High levels of autonomy, clear strategies, complimentary route networks, appropriate resources and minimal cannibalisation are identified as the primary attributes required for a successful AWA operation. Legacy airlines whose AWA strategy failed in the past often did not operate with all these essential attributes, which resulted in their AWAs undermining and competing directly with their own operations.

1. Introduction

Aviation is a fast moving, dynamic and ever changing industry that requires airlines to constantly be innovating and pre-empting events in order to remain competitive. Over the years the airline industry has been challenged by occurrences from within the industry such as industrial action and improved technology as well as from external sources (e.g. government directives, regulatory bodies, the environment and terrorism) (Doganis, 2006).

The advent of the low-cost carrier (LCC) in the early 1970s had a profound effect on the airline industry and the way that network airlines operated (Detzen et al., 2012). LCCs were nimble organisations that had clear future orientated strategies that could easily adapt to the changing market conditions. This was particularly important as it allowed for a sustained competitive advantage over rivals to be achieved (Pearson et al., 2015a,b). At the core of LCC strategies were simple streamlined product offerings, high capacity aircraft, mono-aircraft fleets, and efficient crewing methods (Button and Ison, 2008; Graham and Vowles, 2006). The cumbersome network carriers struggled to compete with these fast moving carriers with their low overheads and high customer satisfaction. As a result, these network carriers had to significantly alter their own operations in order to remain relevant and survive (Graf, 2005). Their response was to create an Airline-Within-Airline (AWA).

AWAs became a common method of competing with the world’s growing number of LCCs during the 1980s and particularly the 1990s (Doganis, 2006). However, the high failure rate of numerous AWAs over the years suggests that these operations are far more complicated than many network carriers originally believed. AWAs require a significant amount of resources, personnel and market understanding to be implemented correctly and allow for sustained operations to occur. The US network carriers, namely United Airlines, Continental Airlines, Delta Airlines and US Airways all created AWAs which would ultimately fail, primarily due to incorrect fleet choice, competing rather than complimentary networks, and a lack of vision and strategic direction from management; all of which are critical attributes of a successful AWA strategy (Morrell, 2005).

One of the first successful AWA cases was that of Jetstar, which was established in 2003 and is the low-cost subsidiary of the Qantas Group. Seven years later in 2010 the Singapore Airlines Group acquired a majority stake in Tigerair for low-cost short-haul operations. The following year, Scoot was created which would serve as the group’s low-cost medium to long-haul option. Tigerair became a fully owned subsidiary of the Singapore Airlines Group in 2016. All of these AWAs continue to be in existence, and allow their respective Group’s access to an ever increasing pool of lucrative budget travellers and middle income passengers that they would not have had access to if they relied on their previous premium-only strategies (Merket and Pearson, 2014).

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Ultimately, these AWAs have allowed the Qantas and Singapore Airlines Groups to attract short-haul and long-haul passengers at both ends of the price spectrum, which is a significant advantage over their competitors, particularly when premium demand softens during the periods of economic uncertainty.

At the core of the high failure rates for AWA strategy is the difficulty for the parent airline to successfully manage the concept of dual or multi-brand operations. If it is managed incorrectly, the result can include strategic incoherence, market cannibalisation and duplication of resources (Mason and Milne, 1994). Observing the actions of the hotel sector from the hospitality industry can yield insights into how and why this industry can succeed in offering a portfolio of brands to their customers while airlines struggle to offer more than one. Hoteliers offer numerous brand options in order to best meet their guests’ needs, as they recognise that a corporate city guest has differing expectations than that of a leisure guest. Therefore, the hotel operators create multiple brands that appeal to specific markets rather than expecting all groups to be satisfied with a single option. The same premise can be applied to airlines as the needs of low-cost passengers inevitably differ to those of premium passengers. In turn, airlines must alter their operations and create new brands and offerings to best meet the needs of different groups of travellers. This must be done in a sustainable manner to avoid causing confusion to passengers or cannibalising other parts of an airline’s operations, which was a significant issue with the early AWAs from the USA (Gados and Gillen, 2008; Morrell, 2005).

This article was undertaken using two qualitative research techniques, namely the content analysis of prior AWA literature which was then combined with two case studies of airlines operating AWA strategies successfully in the Asia-Pacific region. The literature was reviewed based on a set of pre-determined keywords that related to the AWA concept and strategy, the aviation industry, the hotel industry, and the multi-brand strategy. A total of 143 pieces of literature were reviewed in this study consisting of 94 journal articles, 12 books, and 37 other publications. The case studies of the AWA strategy are limited to the pre-determined Asia-Pacific airlines, namely those within the Singapore Airlines Group (Singapore Airlines, Silkair, Scoot and Tigerair) and those within the Qantas Group (Qantas and Jetstar) between 2000 and 2016. It is acknowledged that there can be some issues and limitations regarding the case study research method. The major issue being that a definitive solution or generalisation regarding the studied issues will not necessarily be identified, particularly if only one case study is presented (Crowe et al., 2011; Johnson, 1994; Tellis, 1997). This is mitigated in this article by undertaking a multi-case study approach which allows for the outcomes of each case study to be compared to one another in order to observe if the same or similar operating methods and strategies are present, improving the generalisability of the research finding into the real world context (Leonard-Barton, 1990; Yin, 1993).

This article contributes to the aviation literature by allowing for a better understanding of the AWA strategy that is adopted by the two airline groups in the following case studies (the Singapore Airline Group and the Qantas Group). Importantly, it highlights the critical attributes required for the AWA strategy to be successful and the common critical attributes that lead to the failure of AWA strategy and potentially undermine a parent airline and its subsidiary’s operation.

The article is structured as follows: Section 2 contains a literature review analysing AWAs, LCCs, airline management, and airline operations with a particular focus on strategy, as this is at the core of all successful AWA operations. The literature review will also be complemented with publications from the dual and multi-brand disciplines and the hotel industry due to their extensive understanding and proven track record of successful multi-brand hotel operations. Section 3 discusses and reviews two case studies of AWA strategy (the Singapore Airlines Group and the Qantas Group) in regards to their operations and AWA strategy from 2000 to 2016. Section 4 compares and contrasts the operations of the two airline groups, and also identifies the key operating factors from their successful AWAs, and how their AWA’s operations differ from other failure cases. Section 5 offers concluding remarks which revisits the core attributes of a successful AWA strategy.

2. Literature review

2.1. AWA emergence and concept

The AWA strategy has been a response strategy by a number of airlines around the world to combat the aggressive growth of LCCs that followed the deregulation of the airline industry between 1970 and 2000 (e.g. Barkin et al., 1995; Dunn, 2008; Gillen and Lall, 2004; Gross and Luck, 2016; Ramaswamy, 2002; Rose, 2012; Tan, 2016; Zhang et al., 2009). Network airlines believed that by creating an AWA, they would be able to deter the entry of LCCs into their home markets. They also sought to lower their own costs to a level which allowed them to compete more effectively against the new LCCs, whose operating costs could be up to 65% less than the legacy airlines (Doganis, 2001; Graham and Vowles, 2006; Harvey and Turnbull, 2006; Lin, 2012).

The AWA strategy in the airline industry involves the creation of separate business units that mirror the operations of LCCs, target passengers that prefer low-cost providers, and exploit the rapidly growing low-cost travel segment which mainline/legacy carriers had previously overlooked (Graham and Vowles, 2006; Morrell, 2005). An AWA would often initially operate a fleet consisting of one aircraft type that was handed down from the parent airline and reconfigured into a single class layout. Single class layouts ensured the maximum number of seats could be fitted to an aircraft, which lowered the per-seat cost for the AWA, as well as allowing for streamlined training and maintenance (Gados and Gillen, 2008). Routes allocated to AWAs often mirrored the LCC strategy in that they offered point-to-point services which appealed to passengers as they could avoid time consuming transfers at congested mainline carrier hubs. Ideally, the routes also complemented those of the parent airlines to minimise cannibalisation. Cannibalisation in the airline industry involves an airline offering a product that directly competes with one of its existing products in a negative way and was raised as a major issue by Gados and Gillen (2008).

Staffing the AWA could also be problematic as parent airlines, particularly in the USA, have traditionally moved staff from the mainline brands to the AWAs. This decision is inappropriate as the mainline staff can be operating under restrictive union contracts which prevent the substantial pay cuts required to become more competitive against the LCCs (Morrell, 2005). In certain cases, the unions would also limit AWA block flying hours and the amount of aircraft that they could operate, thus hindering the competitiveness of the AWA (Gados and Gillen, 2008). The most successful AWAs from around the world, such as Jetstar, Silkair and Germanwings, all operate with high levels of autonomy from their parent airline (Graf, 2005; Pearson and Merkert, 2014), have modern fleets, compliment their parent airlines’ route networks and have staff on separate contracts to their mainline counterparts.

2.2. AWA cases in the USA

Prior to the United States’ Airline Deregulation Act, the few LCCs that did exist were confined to their respective states (Gados and Gillen, 2008). LCCs were deemed by network carriers to be niche operators who posed minimal threat, and as a result the network carriers effectively ceded a growing market segment to the LCCs (Franke, 2004). However, post deregulation these LCCs, such as Southwest Airlines, expanded rapidly across the USA with their mono-aircraft narrow-body fleets and fast turnaround times of 15–20 min due to limited connecting passengers and luggage. Furthermore, these LCCs operated from secondary airports such as Houston-Hobby, Chicago-Midway and Dallas-Love Field, flew point-to-point services which bypassed congested and costly hubs, and used direct sales channels to reduce travel agent
commissions (e.g., de Wit and Zuidberg, 2012; Francis et al., 2006; Graham and Vowles, 2006; Klophaus, Conrady and Fichert, 2012; Morrell, 2005).

These actions enabled the LCCs to grow rapidly and operate in a flexible and dynamic manner that took the network airlines by surprise and forced them into action. By the early to mid-1990s, the US AWAs (Continental Lite, Delta Express, Shuttle by United and Metrojet) had all begun operations (Jarach, 2004). However, as observed by Graf (2005), Graham and Vowles (2006), Homsomombat et al. (2014) and O’Connell and Williams (2011), none of these AWAs survived more than a few years of operation and were responsible for significant losses at their parent airlines (see Table 1). In the case of Continental Lite, this AWA cost its parent airline US$120 million during their three years of operation. A number of strategic issues responsible for the demise of these AWAs were raised by Morrell (2005), including a lack of autonomy, separate branding, poor aircraft choice, union limitations, and incompatible networks.

Metrojet was the only AWA of this first group that had a separate name from its parent airline which reduced confusion and minimised the likelihood that passengers would expect a full service experience on-board. This was because passengers knew immediately from the name that this carrier offered a different product from the parent airline, US Airways. Calder (2002), Cronshaw et al. (1994) and Porter (1980) reiterated the importance of separate and clear branding from the parent organisation as it ensures that the products and services offered are not “Stack in the middle” and the consumer knows exactly what to expect. This is one of the major reasons why American Airlines and Northwest Airlines did not create their own AWAs, as they could foresee that passengers may become confused about their products and services, potentially harming their brands and reputations (e.g., Gilbert and Bower, 2002; Graham and Vowles, 2006; Lawton and Solomko, 2005; Mason and Milne, 1994; Morrell, 2005; Pilling, 2004; Porter, 1980; Porter, 1996).

The ideal solution for dealing with branding and autonomy issues is mentioned by Burgelman and Sayles (1986), Christensen (1997), Charitou and Markides (2003), Franke (2004), Graf (2005) and Gilbert and Bower (2002) who suggested that an entirely separate organisation be created, which had minimal ties to its parent brand besides sharing an overarching strategy. This ensured a cohesive and coordinated approach to each market segment is maintained (Gados and Gillen, 2008; Harvey and Turnbull, 2006; Hill, 1988). This approach enables an AWA’s offering to best meet the market needs, increasing the likelihood of customer loyalty and retention, allowing access to a greater pool of customers, and improving revenue gathering potential (Christensen et al., 2002; Hill, 1988; Sorenson, 2000).

Poor fleet choices were a major challenge that plagued the operations of the AWAs in the USA. The four initial AWAs all used second hand aircraft that were handed down from their parent airlines, primarily Boeing 737-200s and McDonal Douglas DC-9s. The second group of AWAs established by the major American carriers in the early 2000s (Delta’s Song and United’s Ted) operated more modern Airbus A320s and Boeing 757s (Morrell, 2005). The primary issues with these aircraft were that they were older and not as fuel efficient as those used by their low-cost competitors, who were flying new and modern aircraft with improved operating credentials. In some cases these second hand aircraft were still configured in dual cabin layouts, which were not ideal for low-cost operations as the seat density needed to be as high as possible in order to achieve the lower per seat costs on par with the low-cost competition (Morrell, 2005; Pearson and Merkert, 2014). High seat densities can only be achieved through mono-class layouts so it is essential that the first and business class cabins are omitted (Lindstad and Fauser, 2004; Williams, 2001).

The networks of the major AWAs in the USA often struggled to compliment those of their parent airlines. In the case of Denver based Ted, the AWA was merely cannibalising existing United Airlines’ traffic and not competing successfully against Frontier Airlines, who was the primary low-cost competitor at the airport, and one of the main reasons why Ted was launched. Ideally, the AWAs in the USA would have found niche markets that would not involve head to head confrontations with LCCs or cannibalise their parent airlines’ operations. Delta Airline’s second AWA, Song, was more successful in this respect as it primarily operated nonstop services between New York City and destinations in Florida, bypassing the major hub of Delta Airlines in Atlanta, which allowed Song to compete more effectively against the rival LCC, JetBlue (Gados and Gillen, 2008; Homsomombat et al., 2014).

Union limitations were the major issues for both Shuttle by United Airlines and Metrojet, and were likely one of the major reasons for each of their failures. In the case of Shuttle by United Airlines, the unions restricted the number of aircraft the AWA could operate; this aircraft restriction meant that the Shuttle by United fleet was limited to 130 Boeing 737 aircraft. Union restrictions placed on Metrojet limited the AWA to 25% of US Airways total block flying hours, which greatly reduced Metrojet’s aircraft utilisation rate and overall competitiveness (Gados and Gillen, 2008). For an AWA to be successful it is essential that it can operate with as much flexibility and autonomy as possible. Table 1 shows the first and second generations of US AWAs.

### Table 1

| Parent airline        | AWA               | Commenced operations | Ended operations | Aircraft utilised | Cabin configuration |
|-----------------------|-------------------|----------------------|------------------|-------------------|---------------------|
| Delta Airlines        | Delta Express     | 1996                 | 2003             | Boeing 737-200    | Single              |
| Delta Airlines        | Song              | 2003                 | 2006             | Boeing 757-200    | Single              |
| United Airlines       | Shuttle           | 1994                 | 2002             | Boeing 737-200/500| Dual                |
| United Airlines       | Ted               | 2004                 | 2009             | Airbus A320       | Dual                |
| Continental Airlines  | Continental-Lite  | 1993                 | 1995             | DC-9, Boeing 737-200/300/500 | Dual |
| US Airways            | Metrojet          | 1998                 | 2002             | Boeing 737-200    | Single              |

**Remarks:** Table information sourced from Morrell (2005) and Graf (2005).

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2.3. Dual or multi-brand strategy concept

Dual or multi-brand strategies have emerged as a result of intense competition and increased market saturation, which is forcing legacy organisations to look to innovation and new market segments in order to remain relevant and competitive (Claudiu-Catalin, 2014; Deng et al., 2007; Stowe and Xing, 2006). The concept is well known and effective in the fast moving consumer goods, automotive, and hotel industries, and more recently in the aviation industry (Uggl, 2015). There is the potential for a considerable amount of risk to be involved in this kind of strategy, however, Charitou and Markides (2003) suggested that this could be minimised if an organisation understands exactly what it aims to achieve with a dual or multi-brand strategy, and what their own internal capabilities are.

In order to determine this information, a SWOT (Strength, Weakness, Opportunity, and Threat) analysis and a cost-benefit analysis are ideal methods of situational analysis (Markides, 1999). The organisation can use this information to determine new market segments, additional customer needs, the ideal number of brands to offer, methods to spread risks across the brand portfolio, and achieve greater levels of operational efficiency (e.g., Abell, 1999; Aaker and...
Joachimsthaler, 2000; Albert et al., 2008; Barwise and Robertson, 1992; Chang and Wang, 2007; Douglas, Craig and Nijsen, 2001; Kang and Lee, 2014; Markides, 1999; Mason and Milne, 1994). The organisation can also utilise this information in a strategic and targeted manner to develop a brand-portfolio designed to achieve a competitive advantage. With a successful dual or multi-brand strategy, an organisation can offer products and services that meet the evolving needs of customers, thus improving loyalty and increasing market share (Aaker, 1996; Kekre and Srinivasan, 1990).

Care must be taken, however, to ensure that the multiple brands are complimentary rather than competing. To do this, the parent organisation must clearly define the scope of each of the brands to ensure there is minimal overlap. Furthermore, these brands must then avoid cannibalising each other’s target market, minimise the potential for confusion amongst customers through effective marketing, and not dilute their parent brands’ values and earnings potential (e.g. Asberg, 2015; Jiang et al., 2002; Jing et al., 2008; Kumar, 2003; Manga and John, 2010; Morrin, 1999; Shocker et al., 1994; Wang and Chung, 2015). To minimise the risk of these occurrences, Batey (2008) and Morgan and Rego (2009) suggested that only a limited number of brands should be offered and that each brand must have their own clear market segments with no overlap. In the airline industry, this could be an airline that only offers two distinctly branded airlines, one premium and one low-cost (i.e. the AWA strategy). A clear dual or multi-brand strategy that covers carefully selected market segments in a cost effective and efficient manner is a significant asset that can strengthen an organisation’s market position, provide increased flexibility during exogenous shocks, and act as a strong deterrent to competitors who may have been contemplating entering that market (e.g. Aaker and Keller, 1990; Bordley, 2003; Dev, Morgan and Shoemaker, 1995; Eisenhart and Galunic, 2000; Lancaster, 1990; Morgan and Rego, 2009; Shocker et al., 1994).

3. Case studies

3.1. Case study 1 – Singapore Airlines Group

Fig. 1 illustrates all the Singapore Airlines Group AWA brands. Fig. 1 shows all four AWA brands within the Singapore Airlines Group. Singapore Airlines and Silkair offer premium services to long-haul and short-haul destinations, while Scoot and Tigerair offer low-cost services to long-haul and short-haul destinations. Table 2 illustrates the seat capacity of the Singapore Airlines Group and Table 3 illustrates the flight networks of the Singapore Airlines Group for the period of 2010–2016.1

3.2. Singapore Airlines

Between 2000 and 2016 the Singapore Airlines Group experienced one of their most turbulent periods of operation, due to the intense competition and numerous exogenous shocks that took place (Ramaswamy, 2002). The group began 2000 recovering from the aftermath of the Asian Financial Crisis in 1999, which had had a crippling effect on the core Asian markets and the demand for premium travel. This was followed by acts of terrorism during 2001 in the USA, and in the resort city of Bali, Indonesia, during 2002. In the wake of the USA terrorist attacks, Singapore Airlines reduced flight frequencies to the USA by 11 weekly flights and Japan by 8 weekly flights (Singapore Airlines, 2002). This capacity was restored in 2002.

In the wake of the Bali bombings, the Singapore Airlines Group began a large marketing push in order to help increase air traffic demand back to the region. The Severe Acute Respiratory Syndrome (SARS) broke out in Asia in 2003 and had a negative effect on Singapore Airlines’ services primarily to China and Hong Kong. On average, demand for air travel in the Asia-Pacific region fell 10–50% during the most affected months of April and May 2003. Hong Kong experienced the largest decline in air travel demand at 68% during these months (Abdulla et al., 2004; Singapore Airlines, 2003; World Tourism Organisation, 2003). At its worst the SARS outbreak saw load factors across the Singapore Airlines Group decline to 49.2% (Singapore Airlines, 2002). Following the containment of SARS, large marketing campaigns were again launched to attract passengers and tourists back to Singapore itself and the region as a whole.

The global financial crisis (GFC) in 2008 resulted in some of the most significant network cuts at Singapore Airlines; however, it was necessary to ensure the capacity best met the level of air transport demand. A network wide capacity reduction of 10–11% was implemented along with the suspension of several routes.

Singapore Airlines was hindered again from April 2009 when the H1N1 virus broke out and spread rapidly throughout Asia and then across the rest of the world. Throughout this operating period, the airline initiated a number of marketing campaigns in an effort to stabilise passenger numbers, which included offering low fares to a variety of destinations, and encouraging more travel via the airline’s frequent flyer program.

New aircraft such as the Boeing 777 and Airbus A380 have allowed the Singapore Airlines’ fleet to remain relatively young by allowing older aircraft such as Airbus A310s and Boeing 747-400s to be retired. This in turn improves dispatch reliability, decreases the amount of maintenance and overhaul required to operate at higher daily utilisation levels, improves passenger comfort and allows for new innovations to be launched (Heracleous and Wirtz, 2010, 2014). The on-board lounge area on the Airbus A340-500 was one of Singapore Airlines’ many notable innovations, and was introduced for the nonstop USA services to Los Angeles and New York’s Newark Airport. Additional innovations launched over the period observed included inflight internet, email services, telephone and fax check-in options, personal inflight entertainment options in all classes, flat-bed seats in premium cabins and fully enclosed suites on the airline’s flagship A380 fleet in place of traditional first class seats (Fan and Lingblad, 2016; Heracleous and Wirtz, 2014; Ramaswamy, 2002; Singapore Airlines, 2005). These initiatives and fleet development continued to reinforce Singapore Airlines as the premium long-haul arm of the group and its continuous innovation strategy ensured it remained a market leader in the region (Chan, 2000; Heracleous et al., 2004; Heracleous and Wirtz, 2009).

Challenges for Singapore Airlines and the group as a whole have arisen from intense competition from LCCs in the Southeast Asian market such as Air Asia, Cebu Pacific, and Lion Air, and from the Middle Eastern airlines, namely Emirates Airline, Etihad Airways, and Qatar Airways (Fan and Lingblad, 2016; Vespermann et al., 2008). The latter three carriers posed a considerable threat to Singapore Airlines’ European, Australasian and Indian services, particularly as their premium cabin offerings and high levels of service quality mirrored those of Singapore Airlines (Fan and Lingblad, 2016; Nataraja and Al-Ali, 2011; Singapore Airlines, 2014, 2016). These Middle Eastern carriers flew similar networks to Singapore Airlines and provided compelling transit options between Australia and Europe at their respective hubs of Dubai, Abu Dhabi, and Doha. Furthermore, these carriers were also taking a large portion of the lucrative Europe–Asia traffic from those continents’ legacy airlines (Vespermann et al., 2008; O’Connell and Williams, 2011). This is due to these carriers’ unique geographic positioning which is within eight hours flying time of a large portion of the world’s population (O’Connell and Williams, 2011). Singapore Airlines responded to this threat by announcing additional product and service enhancements including on-board wireless internet (Wi-Fi), premium economy, and a refurbishment program for their Boeing 777 aircraft (Singapore Airlines, 2015).

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1 The selected analysis period considers the inception of Scoot in 2012.
Silkair (a subsidiary of the Singapore Airlines Group) was positioned as the premium regional arm of the Singapore Airlines Group, serving 25 destinations within a six hour radius of Singapore with a fleet of 11 narrow-body, dual class Airbus A319 and A320 aircraft (Heracleous and Wirtz, 2009; Singapore Airlines, 2005). Its marketing efforts were focused on Silkair being the leading leisure airline in Southeast Asia for quality. This focus on service quality meant that Silkair’s cabin crew joined their Singapore Airlines counterparts in a customer service program in an effort to improve their offering to passengers (Singapore Airlines, 2008). Silkair’s continued efforts in this area were recognised when they were presented with the title of ‘Best Regional Airline’ in 2008 for the 9th time from the TTG Asia Travel Awards (Singapore Airlines, 2009).

Group network adjustments meant that Silkair was transferred flights to Penang (Malaysia), Hyderabad (India), Shenzhen (China) and Surabaya (Indonesia) from Singapore Airlines, as part of the latter’s overhaul to better align capacity and product and service offerings with changing market demands. This ability to shift flights between two carriers is a significant advantage of the AWA strategy in that it allows for the Singapore Airline Group to profitably and sustainably remain in a market when conditions and air traffic demand changed, or when they may not have been able to meet customer needs if only a single brand was present.

In 2003, Silkair’s operations were complimented with those of Tigerair Singapore following the Singapore Airlines Group acquiring a 49% stake in the carrier (Heracleous and Wirtz, 2009; Singapore Airlines, 2004). This was a significant and strategic decision by group management as it was the beginning of the group’s AWA expansion strategy which would involve an individual airline targeting each of the four primary travel segments (i.e. premium long-haul, premium short-haul, long-haul low-cost, and short-haul low-cost) (Heracleous and Wirtz, 2009).

### 3.3. Silkair

Silkair (a subsidiary of the Singapore Airlines Group) was positioned as the premium regional arm of the Singapore Airlines Group, serving 25 destinations within a six hour radius of Singapore with a fleet of 11 narrow-body, dual class Airbus A319 and A320 aircraft (Heracleous and Wirtz, 2009; Singapore Airlines, 2005). Its marketing efforts were focused on Silkair being the leading leisure airline in Southeast Asia for quality. This focus on service quality meant that Silkair’s cabin crew joined their Singapore Airlines counterparts in a customer service program in an effort to improve their offering to passengers (Singapore Airlines, 2008). Silkair’s continued efforts in this area were recognised when they were presented with the title of ‘Best Regional Airline’ in 2008 for the 9th time from the TTG Asia Travel Awards (Singapore Airlines, 2009).

### 3.4. Tigerair

Tigerair was positioned to primarily serve low-cost short-haul leisure markets within a four hour radius of Singapore (Singapore Airlines, 2004). This decision demonstrated that management at the Singapore Airlines Group was aware of the threat that LCCs posed in the region particularly towards Silkair, as well as the large untapped low-cost
Table 3
Flight network of the Singapore Airlines Group.

| Countries           | Destinations (2010)                  | Destinations (2012)                  | Destinations (2014)                  | Destinations (2016)                  |
|---------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| The Americas        |                                      |                                      |                                      |                                      |
| United States       | Houston - Los Angeles - New York-JFK - San Francisco | Houston - Los Angeles - New York-JFK - San Francisco | Houston - Los Angeles - New York-JFK - San Francisco | Houston - Los Angeles - New York-JFK - San Francisco |
| Brazil              | Sao Paulo                            | Sao Paulo                            | Sao Paulo                            | Sao Paulo                            |
| Europe              |                                      |                                      |                                      |                                      |
| Denmark             | Copenhagen                           | Copenhagen                           | Copenhagen                           | Copenhagen                           |
| France              | Paris                                | Paris                                | Paris                                | Paris                                |
| Germany             | Frankfurt - Munich                   | Munich                               | Munich                               | Munich                               |
| Greece              | Athens                               | Athens                               | Athens                               | Athens                               |
| Italy               | Milan - Rome                         | Rome                                 | Rome                                 | Rome                                 |
| Netherlands         | Amsterdam                            | Amsterdam                            | Amsterdam                            | Amsterdam                            |
| Russia              | Moscow                               | Moscow                               | Moscow                               | Moscow                               |
| Spain               | Barcelona                            | Barcelona                            | Barcelona                            | Barcelona                            |
| Switzerland         | Zurich                               | Zurich                               | Zurich                               | Zurich                               |
| Turkey              | Istanbul                             | Istanbul                             | Istanbul                             | Istanbul                             |
| United Kingdom      | London - Manchester                  | London - Manchester                  | London - Manchester                  | London - Manchester                  |
| Africa              |                                      |                                      |                                      |                                      |
| Egypt               | Cairo                                | Cairo                                | Cairo                                | Cairo                                |
| South Africa        | Cape Town - Johannesburg            | Cape Town - Johannesburg            | Cape Town - Johannesburg            | Cape Town - Johannesburg            |
| The Middle East     |                                      |                                      |                                      |                                      |
| United Arab Emirates| Abu Dhabi - Dubai                    | Abu Dhabi - Dubai                    | Abu Dhabi - Dubai                    | Abu Dhabi - Dubai                    |
| Australia           | Adelaide + Brisbane + Melbourne + Perth + Sydney | Adelaide + Brisbane + Darwin + Gold Coast | Adelaide + Brisbane + Darwin + Gold Coast | Adelaide + Brisbane + Darwin + Gold Coast |
| New Zealand         | Auckland - Christchurch              | Auckland - Christchurch              | Auckland - Christchurch              | Auckland - Christchurch              |
| Asia                |                                      |                                      |                                      |                                      |
| Bangladesh          | Doha                                 | Doha                                 | Doha                                 | Doha                                 |
| China               | Beijing - Chengdu - Chongqing - Guangzhou | Beijing - Changsha - Chengdu - Chongqing | Beijing - Changsha - Chengdu - Chongqing | Beijing - Changsha - Chengdu - Chongqing |
|                    | Guiyang + Haikou + Kunming + Nanjing | Shanghai + Shenzhen + Xiamen         | Shanghai + Shenzhen + Xiamen         | Shanghai + Shenzhen + Xiamen         |
| Hong Kong           | Hong Kong                            | Hong Kong                            | Hong Kong                            | Hong Kong                            |
| Macau               | Macau                                | Macau                                | Macau                                | Macau                                |
| Nepal               | Kathmandu                            | Kathmandu                            | Kathmandu                            | Kathmandu                            |
| Taiwan              | Taipei ±                              | Taipei ±                             | Taipei ±                             | Taipei ±                             |
| Pakistan            | Karachi - Lahore                    |                                     |                                     |                                     |
| North Asia          |                                      |                                      |                                      |                                      |
| Japan               | Fukuoka + Nagoya + Osaka + Tokyo    | Fukuoka + Nagoya + Osaka + Sapporo + Tokyo | Fukuoka + Nagoya + Osaka + Sapporo + Tokyo | Fukuoka + Nagoya + Osaka + Sapporo + Tokyo |
| South Korea         | Seoul                                | Busan                                 | Seoul                                | Seoul                                |
| South & Southeast Asia | Bandar Seri Begawan         | Bandar Seri Begawan                     | Bandar Seri Begawan                     | Bandar Seri Begawan                     |
| Cambodia            | Phnom Penh + Siem Reap              | Phnom Penh + Siem Reap               | Phnom Penh + Siem Reap               | Phnom Penh + Siem Reap               |
| Christmas Island    | Christmas Island                    |                                      |                                      |                                      |
| East Timor          | Dili ±                              | Dili ±                               | Dili ±                               | Dili ±                               |

(continued on next page)
| Countries       | Destinations (2010)                                      | Destinations (2012)                                      | Destinations (2014)                                      | Destinations (2016)                                      |
|----------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| **Indonesia**  | Bali/Denpasar  a  Bali/Kap ten  b  Jakarta  a,c  Manado  b  Mataram  b  Medan  b  Palembang  b  Solo City  b  Surabaya b | Bali/Denpasar  a  Bali/Kap ten  b  Jakarta  a,c  Manado  b  Mataram  b  Medan  b  Palembang  b  Pandan g  b  Pekanbaru  b  Praya  b  Solo City b  Surabaya b  Ujung Praya b | Bali/Denpasar  a,c  Bali/Kap ten  b  Bandung  b  Jakarta  a,c  Makasar  b  Manado  b  Medan  b  Palembang  b  Pekanbaru  b  Praya  b  Solo City  b  Semarang  b  Surabaya  a,c  Surakarta  b  Yogyakarta  b | Bali/Denpasar  a,c  Bali/Kap ten  b  Bandung  b  Jakarta  a,c  Makasar  b  Manado  b  Medan  b  Palembang  b  Pekanbaru  b  Praya  b  Solo City  b  Semarang  b  Surabaya  a,c  Surakarta  b  Yogyakarta  b |
| ** Laos**      | --                                                      | --                                                      | --                                                      | --                                                      |
| ** Malaysia**  | Kota Kinabalu  b  Kuala Lumpur  b,c  Kuching  b,c  Langkawi  b,c  Penang  b,c  Yangon  b | Kota Kinabalu  b  Kuala Lumpur  b,c  Kuching  b,c  Langkawi  b,c  Penang  b,c  Yangon  b | Kota Kinabalu  b  Kuala Lumpur  b,c  Kuching  b,c  Langkawi  b,c  Penang  b,c  Yangon  b | Kota Kinabalu  b  Kuala Lumpur  b,c  Kuching  b,c  Langkawi  b,c  Penang  b,c  Yangon  b |
| ** Myanmar**   | --                                                      | --                                                      | --                                                      | --                                                      |
| ** Philippines**| Cebu  b  Davao  b  Luzon Island  b  Manila  a,c  | Cebu  b  Davao  b  Luzon Island  b  Manila  a,c  | Cebu  b  Davao  b  Luzon Island  b  Manila  a,c  | Cebu  b  Davao  b  Luzon Island  b  Manila  a,c  |
| ** Thailand**  | Bangkok  a,c  Chiang Mai  b  Hat Yai  b  Krabi  b  Phuket  b,c  | Bangkok  a,c  Chiang Mai  b  Hat Yai  b  Koh Samui  b  Krabi  b  Phuket  b,c  | Bangkok  a,c  Chiang Mai  b  Hat Yai  b  Krabi  b  Koh Samui  b  Phuket  b,c  | Bangkok  a,c  Chiang Mai  b  Hat Yai  b  Krabi  b  Koh Samui  b  Phuket  b,c  |
| ** Vietnam**   | Da Nang  b  Hanoi  a,c  Ho Chi Minh City  a,c  | Da Nang  b  Hanoi  a,c  Ho Chi Minh City  a,c  | Da Nang  b  Hanoi  a,c  Ho Chi Minh City  a,c  | Da Nang  b  Hanoi  a,c  Ho Chi Minh City  a,c  |
| ** Indian Sub-Continent** | **India** | Ahmedabad  b  Bengaluru  a,c  Chennai  a,c  Coimbatore  b  Delhi  b  Hyderabad  b  Kochi  b  Kolkata  b  Mumbai  b  Shamshabad  b  Thiruvanantapuram  b  Tiruchirappalli  b  Vishakhapatnam  b  | Ahmedabad  b  Bengaluru  a,c  Chennai  a,c  Coimbatore  b  Delhi  b  Hyderabad  b  Kochi  b  Kolkata  b  Mumbai  b  Thiruvanantapuram  b  Tiruchirappalli  b  Vishakhapatnam  b  | Ahmedabad  b  Bengaluru  a,c  Chennai  a,c  Coimbatore  b  Delhi  b  Hyderabad  b  Kochi  b  Kolkata  b  Mumbai  b  Thiruvanantapuram  b  Tiruchirappalli  b  Vishakhapatnam  b  | Ahmedabad  b  Amritsar  b  Bengaluru  a,c  Chennai  a,c  Coimbatore  b  Delhi  b  Hyderabad  b  Jaipur  b  Kochi  b  Kolkata  b  Lucknow  b  Mumbai  a,c  Thiruvanantapuram  b  Tiruchirappalli  b  Vishakhapatnam  b  |
| ** Maldives**  | Male  a  | Male  a  | Male  a  | Male  a  |
| ** Sri Lanka** | Colombo  a  | Colombo  a,c  | Colombo  a,c  | Colombo  a  |

**Summary**

| Total destinations | 102 | 109 | 120 | 131 |
|--------------------|-----|-----|-----|-----|
| Singapore Airlines only | 52  | 46  | 43  | 40  |
| Silkair only       | 26  | 27  | 27  | 34  |
| Tigerair only      | 6   | 4   | 13  | 17  |
| Scoot only         | 3   | 5   | 8   | 32  |
| Overlapping destinations | 18  | 29  | 32  | 32  |
| % of overlapping destinations | 17.6% | 23.8% | 26% | 24.4% |

**Source:** Official Airline Guide (2017).

a denotes Singapore Airlines.
b denotes Silkair.
c denotes Tiger Airways.
d denotes Scoot.
travel market which the group’s current offerings did not adequately cover. Tigerair operates a fleet of Airbus A319 and A320 aircraft and Boeing 737s.

Tigerair, like its fellow group airlines, faced hardship due to the GFC and H1N1 virus, which resulted in an aircraft being transferred to the Australian Tigerair operation, where market conditions were more favourable (Tigerair, 2010). However, Tigerair was still able to achieve carefully managed growth, particularly in China, Thailand and Southern India. This additional care was required due to over-capacity being prevalent in the region (Tigerair, 2014).

Singapore Airlines Group acquired the remaining 51% of Tigerair in October 2014, making the airline a full subsidiary of the Singapore Airlines Group (Singapore Airlines, 2015; Tigerair, 2015). Following this acquisition of the remaining portion of Tigerair, the group embarked on a restructuring effort in order to improve Tigerair’s operating performance. These efforts were focussed on fleet management, punctuality, network adjustments, and operational practices which would allow the airline to compete more effectively in the region by offering a competitive low-budget product that is profitable (Tigerair, 2012, 2016).

3.5. Scoot

One of the most critical developments to occur during the observed period was the introduction of Scoot, the final airline to be added to the Singapore Airlines Group’s AWA strategy, allowing for medium to long-haul low-cost flights to be launched to destinations where the existing Singapore Airlines and Silkair products would not be suitable, or where the market was large enough to support a carrier at either end of the price spectrum (Singapore Airlines, 2012).

Scoot began operations with a fleet of second-hand Boeing 777 aircraft leased from Singapore Airlines, and later transitioned to an all new Boeing 787 fleet. This transition to the Boeing 787 fleet reinforced the long-term commitment of the Singapore Airlines Group in entering the low-cost long-haul market, and the realisation that in order to be competitive in this challenging low-cost segment then the most efficient and modern aircraft are a necessity, a decision that the US carriers did not make with their respective AWAs which in turn left their carriers with suboptimal aircraft that did not perform as competitively as their modern low-cost competitors equivalents. The operations and key decisions made at Scoot are managed completely independently from Singapore Airlines (Singapore Airlines, 2011). Scoot’s target low-cost market is within a six to eight hour radius of Singapore and includes destinations in Australia, China and Japan. The service to Athens which launched in 2017 was an exception. In addition, Scoot applied for an anti-trust immunity agreement with Tigerair in an effort to improve and strengthen coordination, pricing, and connectivity between the two airlines and allow for seamless passenger journeys (Singapore Airlines, 2015; Tigerair, 2014, 2015). This resulted in an increase in transfer passengers between the two airlines. A further development is the integration of the two airlines’ booking systems to create a single platform and further reduce operating costs.

3.6. Case study 2 – Qantas Airways Group

Fig. 2 shows the two airlines within the Qantas Group. Qantas offers full service premium services to long-haul and short-haul destinations, whereas Jetstar offers low-cost services to long-haul and short-haul services to air passengers. Table 4 illustrates the seat capacity of the Qantas Group, and Tables 5 and 6 show the international and domestic flight networks of the Qantas Group for the period of 2010–2016.

3.7. Qantas

The Qantas Group’s operations were influenced by a number of events in both their external and internal markets. Externally, the US terrorist attacks in 2001 hampered demand for air services to the USA which resulted in Qantas reducing its services to Los Angeles and temporarily suspending flights to New York. These flights later returned to normal service levels in early 2002 (Qantas Airways, 2002). Qantas’s domestic services were also impacted negatively by this event due to the large number of international travellers that connect onto its onward domestic flights. The Bali bombings in 2002 heavily decreased demand to the resort city, which is incredibly popular with Australian tourists (Smyth et al., 2009). Air travel demand was further hampered in Southeast Asia and the Pacific region during 2003 and 2004 as a result of the outbreak of SARS and the Boxing Day Tsunami (Abdulla et al., 2004; Liu et al., 2011). These events in close proximity to one another resulted in Qantas reducing their flight operations by 20% across its international network in order to better reflect the lower demand for air travel. Some of the Asian routes most affected by SARS in particular faced reduced demand of up to 45% (Qantas Airways, 2003). Heavy marketing was undertaken in an effort to re-grow the affected markets through a number of campaigns such as, ‘Back to Thailand’ and SARS recovery fares.

The GFC in 2008 combined with the H1N1 virus during 2009 and sustained high fuel prices saw a network wide decline in passenger travel (Qantas Airways, 2008). This resulted in a number of Qantas routes being suspended in order to increase operational sustainability. For routes that remained in service, a number were transferred to Jetstar (its low-cost subsidiary) in order to improve their respective operating performance. This was particularly apparent in New Zealand, where all of Qantas’ domestic services transitioned to Jetstar, and also in Cairns where the flights previously operated by Australian Airlines, such as services to Osaka and Nagoya, also became Jetstar flights (Qantas Airways, 2009; Whyte and Lohmann, 2015). It was these types of decisions and strategies such as allocating specific destinations to a specific airline within the group that has ensured the longevity of the Qantas AWA operation. This is because there is a clear delineation between each carrier’s roles in the group - Qantas focuses its attention on the premium markets such as Sydney while forgoing leisure routes such as those radiating from north Queensland to Jetstar. This is in stark contrast to United’s Ted brand in the USA, which was based out of Denver (a United Airlines hub) and did not serve markets that were in any way different from mainline United, this in turn increased the risk of cannibalising United’s routes. Ted was now in direct competition with its parent airline, which in turn weakened both airlines’ respective brands because there were no clear product differences between the two carriers (Morrell, 2005).

The group’s trans-Tasman services to Christchurch were impacted and reduced as a result of the 2010 and 2011 Christchurch earthquakes which cost the airline AUD$15 million in losses (Qantas Airways, 2010, 2011). Japanese services also faced lower air travel demand following the earthquake and Tsunami in that region during 2011 which cost the airline an estimated AUD$45 million in losses (Qantas Airways, 2011). Furthermore, Trans-Pacific and Tasman flights were either cancelled or required to undertake time consuming circuitous routes in the wake of the 2011 Chilean volcanic eruption (Qantas Airways, 2011).

Internally, the bankruptcy of Ansett Australia during 2001 provided Qantas with an opportunity to grow significantly in a number of domestic and regional markets (Homsombat et al., 2014). Qantas Link responded to this opportunity by adding an additional five Bombardier Q300 aircraft and six Boeing 717 aircraft to its fleet to help fill the void (Qantas Airways, 2002). Furthermore, the floods and cyclone in Queensland in January of 2011 impacted flights and tourist arrivals to Brisbane and other regional Queensland destinations; however, a full schedule was still offered (Qantas Airways, 2011).

Positioning wise, Qantas has marketed itself as the premium airline and achieved this by focussing on continuous innovation, quality, reliability, and offering at least two if not three on-board classes of travel (Homsombat et al., 2014; Qantas Airways, 2006). Between 2000 and 2006, Qantas implemented a number of innovations to remain ahead of
neighbouring competitors, such as individual in-flight entertainment for each passenger across all international classes of travel, lie-flat “Sleeper Seats” and improved dining in international business class. On the ground, Qantas introduced a self-service check-in option which reduced processing times to less than one minute, which proved popular with business travellers (Qantas Airways, 2002, 2003). Additional innovations were launched during 2008 in conjunction with the arrival of the Airbus A380 and included a new economy class seat design, a new first class suite, a refreshed business class seat, and a new premium economy cabin. Every seat in the A380 also had access to internet, email and SMS services (Qantas Airways, 2008, 2009).

A further part of the premium positioning involved Qantas operating to global cities of importance. Over the years, a number of services to international cities were announced and launched including Beijing, San Francisco and Shanghai (Qantas Airways, 2001, 2002, 2004, 2005). Qantas continuously monitored its route network to ensure it remained viable and that the routes complemented one another (Qantas Airways, 2003). A major network overhaul from 2011 included the launch of services to Dallas and Dubai. The development of these two routes was a reflection of Qantas’ new focus for its international network, whereby the airline would serve destinations that had a strong alliance partner at the other end that could help transfer passengers to their onward destinations seamlessly (Qantas Airways, 2011). Qantas’ partner in Dallas was American Airlines and in Dubai this was Emirates (Qantas Airways, 2012).

3.7.1. Australian Airlines

In 2002, the Qantas Group launched Australian Airlines, its first AWA that provided mono-class full service long-haul economy flights to leisure destinations in Asia (Forsyth, 2003; Qantas Airways, 2002) (see Fig. 3). The airline’s main purpose was to operate flights that were previously served by mainline Qantas, as well as destinations that Qantas itself would not be able to achieve acceptable returns on (Francis et al., 2007). This AWA venture was independently managed from Qantas; however, it aimed to complement the existing mainline Qantas services (Qantas Airways, 2002).

Australian Airline’s was based in Cairns and flight operations commenced in October of 2002 with a fleet of four Boeing 767s (Qantas Airways, 2002). Destinations included Fukuoka, Nagoya, Osaka, and Sapporo in Japan; these Japanese services were further supplemented with flights to other Southeast Asian cities, including Bali, Hong Kong and Singapore (Qantas Airways, 2002). Due to the concentration of Australian Airlines’ routes in the Asian region, its performance was hindered by events including SARS in 2003, Indonesia travel warnings in 2002 and the Asian Tsunami in 2004 (Qantas Airways, 2005). Australian Airlines’ operations ceased in June 2006 and was merged into the Qantas brand; many flights were later transferred to Jetstar (Qantas Airways, 2006).

3.8. Jetstar

In May 2004, the Qantas Group launched Jetstar as its second AWA brand (Figs. 2 and 3 illustrate all the Qantas Group AWA brands).

Table 4
Seat Capacity of Qantas Group.

| Airlines                | Seats | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | CARG  |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Qantas (International services) | First class  | 0.06  | 0.07  | 0.06  | 0.03  | 0.03  | 0.02  | 0.03  | −13.63%|
|                         | Business class | 0.38  | 0.40  | 0.42  | 0.42  | 0.41  | 0.42  | 0.45  | 2.81%  |
|                         | Economy class | 3.05  | 3.12  | 3.08  | 3.19  | 3.16  | 3.21  | 3.55  | 2.55%  |
| Qantas (Domestic services) | First class  | –     | –     | –     | –     | –     | –     | –     | –      |
|                         | Business class | –     | –     | –     | –     | –     | –     | –     | –      |
|                         | Economy class | 1.28  | 1.38  | 1.46  | 1.48  | 1.75  | 1.95  | 2.12  | 8.72%  |
| Jetstar (International services) | First class  | –     | –     | –     | –     | –     | –     | –     | –      |
|                         | Business class | –     | –     | –     | –     | –     | –     | –     | –      |
|                         | Economy class | 1.64  | 1.80  | 1.80  | 2.16  | 2.01  | 1.82  | 1.76  | 1.14%  |
| Qantas (Domestic services) | First class  | –     | –     | –     | –     | –     | –     | –     | –      |
|                         | Business class | –     | –     | –     | –     | –     | –     | –     | –      |
|                         | Economy class | 27.48 | 27.43 | 29.66 | 30.25 | 29.82 | 29.24 | 29.08 | 0.95%  |
| Jetstar (Domestic services) | First class  | –     | –     | –     | –     | –     | –     | –     | –      |
|                         | Business class | –     | –     | –     | –     | –     | –     | –     | –      |
|                         | Economy class | 11.14 | 12.37 | 13.42 | 15.12 | 15.64 | 15.67 | 15.60 | 5.79%  |

Source: Official Airline Guide (2017). All seat figures above are presented in millions.
Jetstar was initially a domestic only LCC operating a fleet of second hand Boeing 717 aircraft to major leisure destinations in New South Wales and Queensland. These Boeing 717s were rapidly replaced with more efficient Airbus A320 aircraft. This is in contrast to the early US AWA examples that retained their initial second hand aircraft, such as inefficient Boeing 737-200 and BAe 146 aircraft, through to the end of their operations. This decision suggests that these AWAs were only intended to be a short term exercise, whereas the decision by the Qantas Group to purchase brand new aircraft for Jetstar’s operations suggests a higher level of long term commitment towards the low-cost brand. Later, the airline would commence flying to both short-haul and long-haul international leisure destinations with both Airbus A320s, A330s and later Boeing 787s (Danaher et al., 2011; Gross and Luck, 2016; Homsombat et al., 2014; Qantas Airways, 2004). Jetstar’s purpose was to complement existing Qantas operations, allowing the group to compete more effectively with LCCs such as Virgin Blue and Tigerair Australia, and provide the group with an airline in each of the two remaining core travel markets (short-haul and long-haul low-cost air travel), as well as opening up air travel to the new and rapidly growing price-sensitive/budget market segment (Homsombat et al., 2014; Qantas Airways, 2003; Whyte and Prideaux, 2008; Whyte and Lohmann, 2015).

The arrival of Airbus A330s allowed for the launch of Jetstar’s long-haul dual cabin product which included a business cabin that was similar to domestic business class offered on Qantas flights with recliner seats, improved catering, and complimentary inflight entertainment, all of which was located in a small cabin at the front of the aircraft (Qantas Airways, 2005). The Airbus A330 enabled Jetstar operated a highly regarded aircraft due to their improved fuel efficiency, operating credentials and passenger comfort (Qantas Airways, 2014).

In 2015, Jetstar made a major announcement stating that the airline would commence regional/domestic operations in New Zealand with services to New Plymouth, Nelson, Napier and Palmerston North from Auckland, and Nelson from Wellington with a fleet of five Bombardier Q300s. These flights compete directly with Air New Zealand and Qantas Airways, commencing in late 2015 with the full network being implemented by February 2016 (Qantas Airways, 2016).

| Countries | Destinations (2010) | Destinations (2012) | Destinations (2014) | Destinations (2016) |
|-----------|--------------------|--------------------|--------------------|--------------------|
| **Long-haul destinations** | | | | |
| **Europe:** | | | | |
| United Kingdom | London a | London a | London a | London a |
| Germany | Frankfurt a | Frankfurt a | – | – |
| North & South America | | | | |
| United States | Honolulu b, Los Angeles b, New York b, San Francisco a | Dallas a, Honolulu b, Los Angeles b, New York a | Dallas a, Honolulu b, Los Angeles b, New York a | Dallas a, Honolulu b, Los Angeles b, New York a |
| Canada | – | – | – | Vancouver a |
| Argentina | Buenos Aires a | Buenos Aires a | – | – |
| Chile | – | Santiago a | Santiago a | Santiago a |
| Africa | | | | |
| South Africa | Johannesburg a | Johannesburg a | Johannesburg a | Johannesburg a |
| **The Middle East** | United Arab Emirates | – | – | Dubai a |
| North Asia | | | | |
| China | Shanghai b | – | Shanghai a | Shanghai a |
| Hong Kong | Hong Kong a | Hong Kong a | Hong Kong a | Hong Kong b |
| Japan | Osaka b, Tokyo-Narita a, b | Osaka b, Tokyo-Narita a, b | Osaka b, Tokyo-Narita a, b | Osaka b, Tokyo-Narita a, b |
| **South & Southeast Asia** | | | | |
| India | Mumbai a | – | – | – |
| Indonesia | Denpasar-Bali b, Jakarta a, b | Denpasar-Bali b, Jakarta a, b | Denpasar-Bali a, b, Jakarta a, b | Denpasar-Bali a, b, Jakarta a |
| Philippines | Manila a | – | Manila a | Manila a |
| Singapore | Singapore a, b, c | Singapore a, b, c | Singapore a, b, c | Singapore a, b, c |
| Thailand | Bangkok a, b, Phuket b | Bangkok a, b, Phuket b | – | – |
| Vietnam | Ho Chi Minh City a, b | – | – | – |
| **Short-haul destinations** | | | | |
| New Zealand & South Pacific | | | | |
| New Zealand | Auckland a, b, Christchurch a, b | Auckland a, b, Christchurch a, b | Auckland a, b, Christchurch a, b | Auckland a, b, Christchurch a, b |
| Fiji | Nadi b | Queenstown a, b, Wellington a | Nadi b | Nadi b |
| New Caledonia | Noumea a | Noumea a | Noumea a | Noumea a |
| Papua New Guinea | Port Moresby a | Port Moresby a | Port Moresby a | Port Moresby a |
| **Summary** | | | | |
| Total destinations | 27 | 29 | 25 | 29 |
| Qantas only | 14 | 15 | 11 | 16 |
| Jetstar only | 5 | 6 | 5 | 4 |
| Overlapping destinations | 8 | 8 | 9 | 9 |
| % of overlapping destinations | 29.6% | 27.5% | 36% | 31% |

Source: Official Airline Guide (2017).

a denotes Qantas.
b denotes Jetstar.
### Domestic flight network of the Qantas Group.

| Country | Destinations (2010) | Destinations (2012) | Destinations (2014) | Destinations (2016) |
|---------|---------------------|---------------------|---------------------|---------------------|
| Australia | Adelaide a,b Albury a Alice Springs a Armidale a Ayers Rock a Ballina a Barcaldine a Biloela a Blackall a Blackwater a Brisbane a Broome a Bundaberg a Cairns a Canberra a Charleville a Clancurry a Coffs Harbour a Darwin a Dubbo a Emerald a Gladstone a Gold Coast a Gove a Hamilton Island a Hervey Bay a Hobart a Horn Island a Kalgoorlie-Boulder a Karratha a Learmonth a Lord Howe Island a Mackay a Melborne a Melbourne Avalon a Mildura a Moranbah a Moree a Mount Hotham a Mount Isa a Newcastle a Newman a Olympic Dam a Paraburdoo a Perth a Port Hedland a Port Lincoln a Port Macquarie a Prospect a Rockhampton a Roma a Sunshine Coast a Sydney a Tamworth a Townsville a Wagga Wagga a Weipa a | Adelaide a,b Albury a Alice Springs a Armidale a Ayers Rock a Ballina a Barcaldine a Biloela a Blackall a Blackwater a Brisbane a Broome a Bundaberg a Cairns a Canberra a Charleville a Clancurry a Coffs Harbour a Darwin a Dubbo a Emerald a Gladstone a Gold Coast a Gove a Hamilton Island a Hervey Bay a Hobart a Horn Island a Kalgoorlie-Boulder a Karratha a Learmonth a Longreach a Lord Howe Island a Mackay a Melbourne a Melbourne Avalon a Mildura a Moranbah a Moree a Mount Hotham a Mount Isa a Newcastle a Newman a Nhulunbuy a Olympic Dam a Paraburdoo a Perth a Port Hedland a Port Lincoln a Port Macquarie a Prospect a Rockhampton a Roma a Sunshine Coast a Sydney a Tamworth a Toowomba a Townsville a Wagga Wagga a Weipa a | Adelaide a,b Albury a Alice Springs a Armidale a Ayers Rock a Ballina a Barcaldine a Biloela a Blackall a Blackwater a Brisbane a Broome a Bundaberg a Cairns a Canberra a Charleville a Clancurry a Coffs Harbour a Darwin a Dubbo a Emerald a Gladstone a Gold Coast a Gove a Hamilton Island a Hervey Bay a Hobart a Horn Island a Kalgoorlie-Boulder a Karratha a Learmonth a Longreach a Lord Howe Island a Mackay a Melbourne a Melbourne Avalon a Mildura a Moranbah a Moree a Mount Hotham a Mount Isa a Newcastle a Newman a Nhulunbuy a Olympic Dam a Paraburdoo a Perth a Port Hedland a Port Lincoln a Port Macquarie a Prospect a Rockhampton a Roma a Sunshine Coast a Sydney a Tamworth a Toowomba a Townsville a Wagga Wagga a Weipa a | Adelaide a,b Albury a Alice Springs a Armidale a Ayers Rock a Ballina a Barcaldine a Biloela a Blackall a Blackwater a Brisbane a Broome a Bundaberg a Cairns a Canberra a Charleville a Clancurry a Coffs Harbour a Darwin a Dubbo a Emerald a Gladstone a Gold Coast a Gove a Hamilton Island a Hervey Bay a Hobart a Horn Island a Kalgoorlie-Boulder a Karratha a Learmonth a Longreach a Lord Howe Island a Mackay a Melbourne a Melbourne Avalon a Mildura a Moranbah a Moree a Mount Hotham a Mount Isa a Newcastle a Newman a Nhulunbuy a Olympic Dam a Paraburdoo a Perth a Port Hedland a Port Lincoln a Port Macquarie a Prospect a Rockhampton a Roma a Sunshine Coast a Sydney a Tamworth a Toowomba a Townsville a Wagga Wagga a Weipa a |

| Summary | Total destinations | Qantas only | Jetstar only | Overlapping destinations | % of overlapping destination |
|---------|--------------------|-------------|--------------|--------------------------|-----------------------------|
|         | 58                 | 39          | 5            | 14                       | 24%                         |
|         | 60                 | 43          | 4            | 13                       | 21.6%                       |
|         | 60                 | 41          | 5            | 14                       | 23%                         |
|         | 59                 | 40          | 3            | 16                       | 27%                         |

Source: Official Airline Guide (2017).

a denotes Qantas.
b denotes Jetstar.
On the ground, Jetstar introduced its self-service check-in option with kiosks and automated bag drops in a number of cities, thus reducing check-in times for passengers and operating costs for the airline (Qantas Airways, 2015). A lounge product was also launched at the airline’s largest hub at Gold Coast Airport in an effort to improve the airline’s appeal to the business travel market. Access to the lounge was complimentary to passengers travelling in Jetstar’s business class or available to any passengers for a fee. Jetstar also retained its domestic flights at Gold Coast Airport and its other major international gateways in an effort to make transfers to international flight simpler and faster (Qantas Airways, 2009).

In conjunction with Qantas, the two airlines provide comprehensive, convenient and competitive schedules and product and service offerings for both the domestic and international travel markets, with networks that cover all the major business and leisure routes in Australia, and key overseas destinations (Qantas Airways, 2013).

4. Comparison of AWA strategy at the Singapore Airlines and Qantas Groups

4.1. Routes operated

The Singapore Airlines and Qantas Groups have acknowledged and overcome the issue of route cannibalisation raised by Gados and Gillen (2008) by incorporating multi-brand strategy solutions discussed by Batey (2008) and Morgan and Rego (2009). The strategies include the implementation of stringent route management processes that help to avoid overlap with other carriers in the group, being the sole operator on a route where possible, and ensuring their AWAs operate to carefully selected destinations that fit their target markets and allow for strategic future growth.

It is evident that the Singapore Airlines Group operates a route network with minimal overlap between carriers. This is achieved by each of the AWAs having a specific market segment to target (Heracleous and Wirtz, 2010). Silkair offers premium flights within a six hour radius of Singapore, Tigerair offers low-cost flights within a four hour radius, and Scoot offers low-cost flights primarily within a 6–8 h radius; however, Scoot’s Athens route will be an exception. Singapore Airlines operates both short-haul and long-haul full service flights to the major premium cities worldwide.

At the Qantas Group, Jetstar’s route network is centred on leisure destinations including Bali, Gold Coast, and Phuket. Qantas previously operated flights to some of these markets but no longer does due to their premium products being unsuitable for the market requirements, or their cost structure prohibits acceptable returns due to fierce low-cost competition (Whyte and Lohmann, 2015). Jetstar has the advantage of being the sole operator on routes including Sydney-Phuket and Melbourne-Honolulu which have allowed Jetstar to command higher, but still competitive ticket prices. In contrast, Qantas is focussed on operating to premium global cities including Dubai, London, and Los Angeles where there is strong business and first class travel demand and leisure demand. Collectively, the two airline groups successfully operate to a combination of business and leisure destinations with minimal risk of the AWAs cannibalising each other’s passenger market.

However, there can be network overlap between group carriers in certain markets. This is evident in both the Australian domestic and the New Zealand markets for the Qantas Group and Asian cities such as Bangkok, Kuala Lumpur and Hong Kong for the Singapore Airlines Group. In these markets, the demand on certain routes such as Sydney-Gold Coast, Sydney-Auckland and Singapore-Bangkok is large enough that there is room to offer a premium and low-cost product with minimal risk of diluting the other airline’s share in the group (Whyte and Lohmann, 2015). However, there is often still a dominant carrier and whether the route traffic is primarily business or leisure passengers will dictate which carrier that is. On the Sydney-Gold Coast route, Jetstar offers up to nine daily flights compared to Qantas which offers between three and four daily flights. On the Sydney-Auckland route, Qantas offers up to five daily flights versus Jetstar’s single daily flight. On the Singapore-Bangkok route, the flights are split evenly between the full service and low-cost members of the Singapore Airlines Group due to Bangkok being both a strong business and leisure destination. Singapore Airlines operates the route with six daily flights, Tigerair operates four daily flights, whilst Scoot operates ten weekly flights to the Bangkok’s secondary low-cost Don Mueang Airport.

There are occasional instances where multiple premium airlines from the same group are present on a route. At the Singapore Airlines Group this occurs on the Singapore-Bangalore route. On this route, Silkair operates a supplementary flight that operates five days a week departing at 7 am whilst Singapore Airlines offers a daily flight departing at 8 pm, thus providing greater choice and convenience for passengers requiring a premium service. It is also possible that air traffic demand on this route is not large enough to support additional wide-body services from Singapore Airlines, which in turn makes Silkair an appropriate choice to grow the premium market further, without risking over-capacity which is prevalent in many Southeast Asia markets.

Both airline groups exploit the flexibility that the AWA strategy provides and transfer routes between group carriers should conditions in a market change. A recent resurgence in air traffic demand from the Japanese market to Australia has prompted Qantas to relaunch its own flights from both Brisbane and Melbourne to Tokyo-Narita Airport. In Melbourne, Jetstar withdrew its Tokyo flights and in Brisbane the new Qantas flights supplemented existing Tokyo operations that Jetstar flew from the nearby Gold Coast Airport. A similar undertaking took place in New Zealand where Christchurch had been a solely Jetstar destination, except for a daily Qantas flight to Sydney, for a considerable period of time. However, as the Christchurch market conditions improved, Qantas resumed flights from both Melbourne and Brisbane during 2016, supplementing Jetstar flights (Qantas Airways, 2016). The flexibility that the AWA strategy provides the Qantas Group with the means to ensure the most appropriate airline serves each market (Qantas Airways, 2015).

Likewise, Singapore Airlines has also transferred routes between group carriers, particularly during periods of market uncertainty or where declines in demand require significant capacity adjustments (Singapore Airlines, 2014). This has occurred in the Penang (Malaysia) and Shenzhen (China) markets whereby Singapore Airlines has ended its own operations and transferred the two destinations to Silkair. This transfer of flight services ensured a more appropriate product was able to be deployed which better reflected the new market needs as well as ensuring that the Singapore Airlines Group retained a presence in these markets and did not cede market share to rival low-cost and premium carriers.

4.2. Product and service offerings

The product and service offering between group airlines are kept clearly apart and the decision to do this aligns with the beliefs of Porter...
suites

Qantas utilise the smaller Boeing 737 aircraft as well as ensuring the desired service level can be consistently provided, illustrating the shared attributes of the hotel and airline industries. Going forward to compete effectively (Kwun, 2010; Luo and Rui, 2009), the airlines that can foresee changes and adopt innovation and product differentiation (product separation) is noticeable at the AWAs of both airline groups as they have invested considerable resources on providing check-in kiosks, internet and mobile check-in services, automatic bag drop, and self-boarding technology at selected airports. This technology is also available for the premium airlines in each group, however it is supplemented with a high level of staff interaction and recognition, premium airport lounges, and body aircraft. Importantly, the smaller aircraft allow both airline groups to offer a higher frequency of service to key destinations without the risk of over-capacity, which is essential when the low-cost competitors offer increasingly comprehensive schedules. Tables 8 and 9 illustrate the seat pitch on-board all aircraft across both airline groups to ensure they remain competitive against increasing full service competition from other carriers such as Etihad, Lion Air. Both groups have evaluated each of the markets that their AWAs serve and have in turn undertaken continuous innovation and product differentiation (Fan and Lingblad, 2016; Heracleous and Wirtz, 2014). This has ensured that their offered products and services match the expectations of the passengers that each individual AWA targets. To remain as competitive as possible, each of the airline group’s has launched a major new cabin product every decade on average, and commenced a refreshment program of existing products more regularly. Major product enhancement milestones at each of the two groups between 2000 and 2016 included the launch of “Suites Class”, inflight email services and wireless internet connection, personal inflight entertainment units across all travel classes, premium economy class, and self-service check-in kiosks at key airports across each group’s network (Qantas Airways, 2002; Ramaswamy, 2002; Singapore Airlines, 2015).

Further differentiation (product separation) is noticeable at the Singapore Airlines Group in regards to the two premium airlines whereby Silkair with their smaller and less elaborate business cabin and only a recliner seat but with increased seat pitch over the economy cabin is deployed on a large portion of the intra-Asia services, whereas Singapore Airlines’ wide-body aircraft fitted with lie-flat seats or even suites may not necessarily be appropriate or sustainable for all the routes that these two airlines operate. The other on-board services, such as catering, are also paired back to better reflect the passenger needs as well as ensuring the desired service level can be consistently provided on the shorter stage lengths of their regional flights.

The situation is similar at the Qantas Group whereby the Trans-Tasman, Pacific Island, Ball and selected Singapore routes served by Qantas utilise the smaller Boeing 737 aircraft fitted with a recliner business cabin with increased seat pitch in a smaller private cabin, which is in contrast to the lie-flat cabin offered on their larger wide-body aircraft. Importantly, the smaller aircraft allow both airline groups to offer a higher frequency of service to key destinations without the risk of over-capacity, which is essential when the low-cost competitors offer increasingly comprehensive schedules. Tables 8 and 9 illustrate the seat pitch on-board all aircraft across both airline groups and their respective AWAs. Table 10 compares and contrasts the key success and failure attributes of the AWA strategy.

In regards to the low-cost AWAs at each of the two airline groups, Scoot, Tigerair and Jetstar, all place a strong focus on automation and self-service from booking to boarding. This helps lower their operating costs and allows passengers to be processed as quickly as possible. This is essential for minimising turnaround times, increasing operational reliability and allowing extra flight rotations each day. Further amenities at these low-cost airlines such as checked luggage, on-board dining and inflight entertainment are available at additional costs to individual passengers rather than being complimentary (Whyte and Lohmann, 2015). This is in line with the standard LCC business model (Button and Ison, 2008; Graham and Vowles, 2006). The focus on automation is apparent at the AWAs of both airline groups as they have invested considerable resources on providing check-in kiosks, internet and mobile check-in services, automatic bag drop, and self-boarding technology at selected airports. This technology is also available for the premium airlines in each group, however it is supplemented with a high level of staff interaction and recognition, premium airport lounges, and

| Table 7 | Shared Attributes of the Hotel and Airline Industries. |
|---------|----------------------------------------------------------|
| International operations | High risk |
| Low-cost competition threat | Exposed to exogenous shocks |
| Fragmented markets | Need for continuous innovation |
| Different customer demands | Autonomy |

(1996) who suggested that a separate division is a more meaningful way to disrupt the competition. This approach is the same as that of the hotel industry and helps ensure that the most suitable products are selected which avoids cannibalisation, duplication of resources and increases the respective airlines and hotels ability to grow market share (Barley, 2003; Barney and Hesterly, 2008; Kekre and Srinivasan, 1990; O’Neill and Matilla, 2004). Holverson and Revaz (2006) believed that by undertaking extensive market research a greater understanding of how fragmented a market was could be gained. The outcome of this research would allow numerous brands to then be offered to the market, and a product and service offering to be selected that best meet a specific market’s geographic and demographic needs (Gilmore and Pine, 2002; Kandampully and Suhartanto, 2000; Wang and Chung, 2015). However, like the hotel industry, it is critical that the airlines regularly monitor the markets they serve and the respective product offerings as market needs change and investment in new technology and comfort will be necessary to continue to compete effectively (Kwun, 2010; Luo and Rui, 2009). The airlines that can foresee changes and act on them in the timeliest manner will be in an ideal position going forward to compete effectively against the competition. Table 7 illustrates the shared attributes of the hotel and airline industries.

Qantas and Singapore Airlines Groups’ approaches to their different customer demands Autonomy

The Singapore Airlines and Qantas Groups’ approaches to their markets that their AWAs serve and have in turn undertaken continuous innovation and product differentiation (Fan and Lingblad, 2016; Heracleous and Wirtz, 2014). This has ensured that their offered products and services match the expectations of the passengers that each individual AWA targets. To remain as competitive as possible, each of the airline group’s has launched a major new cabin product every decade on average, and commenced a refreshment program of existing products more regularly. Major product enhancement milestones at each of the two groups between 2000 and 2016 included the launch of “Suites Class”, inflight email services and wireless internet connection, personal inflight entertainment units across all travel classes, premium economy class, and self-service check-in kiosks at key airports across each group’s network (Qantas Airways, 2002; Ramaswamy, 2002; Singapore Airlines, 2015).

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| Table 8 | Qantas Group On-Board Seat Pitch by Travel Class. |
|---------|-------------------------------------------------|
| Aircraft | Economy class | Premium economy class | Business class | First class |
| A380 a | 31 in. | 38–42 in. | 78 in. | 79 in. |
| A330-200 a | 31 in. | | 60–78 in. | – |
| A330-300 a | 31 in. | | 73 in. | – |
| B747-400 a | 31 in. | 38 in. | 60 in. | 79 in. |
| B787-9 a | 32 in. | 34 in. | 46 in. | – |
| B777-300 | 30–31 in. | – | 37 in. | – |
| B737-800 b | 30 in. | – | 37 in. | – |
| B787-8 b | 30 in. | – | 38 in. | – |
| A320 b | 29 in. | – | – | – |
| A321 b | 29 in. | – | – | – |

Remarks:  

a denotes Qantas  
b denotes Jetstar.

| Table 9 | Singapore Airlines Group On-Board Seat Pitch by Travel Class. |
|---------|-------------------------------------------------|
| Aircraft | Economy class | Premium economy class | Business class | First class |
| A380 b | 32 in. | 38 in. | 55 in. | 81 in. |
| A330 b | 32 in. | – | 60 in. | – |
| A350 b | 32 in. | 38 in. | 60 in. | – |
| B777-200 a | 32–34 in. | – | 50–60 in. | 60 in. |
| B777-200ER a | 32–34 in. | – | 57–76 in. | – |
| B777-300 b | 32 in. | – | 60 in. | 71 in. |
| B777-300ER b | 32 in. | 38 in. | 51–55 in. | 71–81 in. |
| B787-9 a | 31 in. | 34–36 in. | 38 in. | – |
| A319 b | 31 in. | – | 40 in. | – |
| A320 b | 31 in. | – | 40 in. | – |
| B737-800 c | 30 in. | – | 34 in. | – |
| A319 b | 30 in. | – | – | – |
| A320 b | 30 in. | – | – | – |

Remarks:  
a denotes Singapore Airlines  
b denotes Silkair  
c denotes Scoot  
d denotes Tigerair.

(C. Raynes, K.W.H. Tsui)
they were created to exploit the low-cost travel segment and the

for being created, and a distinct market segment to serve. Primarily,

is the emphasis placed on ensuring that each AWA had a clear purpose

preferential treatment at all stages of the journey for certain passengers.

4.3. Purpose of the establishment of AWAs and ensuring their operational sustainability against low-cost competition

At the core of the success of the AWA strategy at both airline groups is the emphasis placed on ensuring that each AWA had a clear purpose for being created, and a distinct market segment to serve. Primarily, they were created to exploit the low-cost travel segment and the growing LCCs in the Asia-Pacific region that each airline group acknowledged would be difficult to compete against and serve passengers with their premium product and service offering. The desire to establish the AWA strategy in Asia-Pacific was also compelling as the market was experiencing a surge in air travel demand of at least 5.5% per annum on average (ICAO, 2012). This surge can be attributed to increased low-cost competition, a growing middle class with disposable income and poor surface transport options which increased the appeal of air travel as a safe and convenient mode of transportation. ICAO expects this growth rate to continue until 2032 (Ahmad, 2010; Bowen, 2016; Pearson et al., 2015a,b). The result of this considerable low-cost segment growth was that the two airline groups needed to somehow specifically tailor their respective product and service offerings to meet the less premium needs of this growing price-sensitive passenger group, but in a sustainable manner. This was too difficult to achieve with their parent airlines only having premium configured aircraft, higher crewing costs and more comprehensive on-board service offerings. Thus, the appeal to create and deploy the AWA strategy as a competitive response with aircraft and products and services that were designed exclusively to meet the needs of this new low-cost market segment was highly desirable.

To ensure the operational sustainability of the individual AWAs at each group was the need for each AWA to have a significant amount of autonomy. This high level of autonomy (i.e. independent management) is achieved by creating a separate airline (a subsidiary) within the same group as the parent airline (Gados and Gillen, 2008). In turn, this strategy allowed the subsidiary airline to manage their critical operations such as branding, staff training (e.g. pilot recruitment), route network and fleet selection separately from the parent airline, which in turn allowed them to make decisions that best met their respective market needs.

This high level of autonomy allowed the AWAs of the Singapore Airlines Group and the Qantas Group to overcome the challenging issue of offering a product that is “Stuck in the middle”, a concept which Cronshaw et al. (1994) and Porter (1980) suggested occurs when the product and services offered are neither full service nor low-cost. The result of being “Stuck in the middle” is that consumers become confused about what they are purchasing and can struggle to find value in the offered products and services. The two groups’ respective AWAs overcame this issue by being branded completely separately from their parent airlines (i.e. Scoot vs. Singapore Airlines rather than Continental-Lite vs. Continental), and they clearly advertise their own separate product and service offerings to their respective target markets. However, each AWA still adheres to their groups’ overarching strategic objectives, this ensures minimal cannibalisation and duplication of resources occurs. This has minimised the risk of passengers becoming confused or disappointed in regards to what airlines they are travelling on, or the type of on-board products and services they are expecting as the branding and respective marketing is so distinct and individual with no obvious ties to the parent airlines. This high level of autonomy has allowed the AWAs of both airline groups to focus all their resources on their intended market segments, whilst still operating in a cohesive and coordinated manner alongside their parent airlines and their respective strategies, which Gados and Gillen (2008), Harvey and Turnbull (2006) and Hill (1988) agreed is of significant importance as it allows for a stronger competitive response to be used against the rapidly growing low-cost competition.

5. Conclusion

The AWA strategy can be a useful strategic management tool for airlines to combat the continuing growth of LCCs as well as providing additional flexibility during exogenous shocks and industry downturns. However, should this strategy be adopted, it must be approached with caution as it can be a costly drain on resources as well as potentially harm an airline group’s brand and reputation if implemented incorrectly. The Singapore Airlines Group and the Qantas Group have successfully proven that dual or multiple airline brands can be operated simultaneously without damaging other airlines within the same group, which in turn has allowed the two groups to successfully compete against the fierce low-cost competition in the Asia-Pacific region. This strategy has given each group increased operational flexibility to tailor their respective products and services to individual market segments rather than expecting the markets to accept a single premium product which they could only offer previously.

However, this desirable result could only be achieved due to the significant amount of resources, knowledge and careful strategic planning that went into the creation of each airline group’s respective AWAs. Both the Singapore Airlines Group and the Qantas Group have avoided the mistakes made by the US legacy carriers (e.g. United Airlines, Continental Airlines, Delta Airlines and US Airways) when operating their AWAs in the 1990s and early 2000s by ensuring their have a clear market purpose, operate with a high degree of autonomy, utilise separate branding to avoid confusion amongst passengers and fly complimentary route network to their parent’s, rather than ones that compete. As a result, these AWAs are nimble and are more akin to their low-cost competitors than their US predecessors ever could have been, this in turn has allowed the Singapore Airlines Group and Qantas Group to strategically capitalise on this previously challenging market segment in a profitable and sustainable manner.

The high level of autonomy shown in the AWAs of the two airline groups being reviewed is at the centre of their success, as it has allowed their AWAs to make their own decisions that will affect their operations which ensures their interests and requirements are met, as well as making sure that they offer the most suitable products and services and aircraft to their respective markets. The AWAs of these two airline groups have recognised that they cannot satisfy every market segment which has prompted them to forgo certain segments, this was one of the major concepts that the past AWAs in the USA failed to grasp and ultimately was a principle reason for their demise.

A successful AWA strategy in the airline industry also draws several
similarities from the operations of the hotel industry, which also employs a multi-brand approach. The hotel industry regularly reviews their product and service offerings and undertakes continuous innovation to ensure that they maintain a competitive and fresh portfolio that appeals to a wide variety of guests. This approach of the hotel industry is needed for the AWA strategy in the airline industry and, importantly, both the Singapore Airlines and Qantas Groups have demonstrated they are prepared to undertake continuous innovation in order to retain their competitive advantage. Both groups have regularly updated their seat and onboard products and services at least every five years.

This study contributes to the growing amount of aviation literature which is focused on the AWA strategy by using two 21st century airline case studies to illustrate the critical attributes required for this strategy to be successful against the rapid growth of the low-cost airline segment in the Asia-Pacific region. It further illustrates the common attributes that can lead to the AWA strategy failing and potentially undermining the parent airline's operations.

With adequate resources, careful strategic planning, and a clear strategy of the specific passenger market segments to target, the AWAs of both the Singapore Airlines Group and the Qantas Group have been able to thrive and provide their parent airlines and respective groups access to the new and growing low-cost market segments and expansion to new destinations that would not have been possible by only offering premium products and services. With continued innovation and monitoring of the volatile and challenging aviation market conditions, the AWAs of the two airline groups are believed to have the necessary resources and capabilities to continue to be successful in the future. This proves that when an AWA strategy is implemented correctly, it is a useful and competitive strategy and management tool to use against rival airlines, both premium and particularly low-cost.

Appendix A. Supplementary data

Supplementary data to this article can be found online at https://doi.org/10.1016/j.cstp.2018.12.008.

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