# The story of Singapore Airlines and the Singapore Girl

Daniel Chan
*Deputy Head of Department/Group Head, Republic of Singapore Air Force, Singapore*

***Keywords*** *Airlines, Singapore, Brands, Differentiation, Strategy, Service quality*

***Abstract*** *Maps the strategic 50-year journey of Singapore Airlines (SIA) to identify the underlying factors that account for its extraordinary success and world-class stature. Both longitudinal and comparative research methodologies were employed. For the former, the approach taken was to systematically research SIA's historical development over the entire 50-year time period. SIA was studied from its very beginning and through all phases of its development to the present day. For the latter, SIA was compared with and benchmarked against other airlines. Its unique and successful product/service differentiation strategy, epitomised by the ephemeral Singapore Girl, has turned out to be enduring and difficult-to-match over the past 25 years and still shows no signs of letting up.*

## Introduction

The seed that was to blossom into the Singapore Airlines (SIA) of today was planted on 1 May 1947 when a Malayan Airways Airspeed Consul took off from Singapore on the first of three scheduled flights a week to Kuala Lumpur, Ipoh and Penang. Today, SIA is Singapore's best-known company, and rated consistently as Asia's "most admired company" (*Asian Business*, 1997, p. 24). Its smiling, willowy cabin attendant, outfitted in tight batik sarong kebaya designed by renowned fashion house Pierre Balmain, and marketed as the Singapore Girl, is now a well-known international service icon. In 1994, the year she celebrated her 21st birthday, the Singapore Girl became the first commercial figure to be displayed at the famed Madame Tussaud's Museum in London. Madame Tussaud's had unveiled the waxwork of the SIA's global marketing icon that year to reflect the ever-growing popularity of international travel.

SIA is widely reckoned by those in the airline industry, travellers as well as its competitors, as one of the very best airlines in the world, judging from the numerous industry awards it has won. According to the *Business Traveller – Asia Pacific*, SIA has become "the standard by which all other international airlines are judged" (*Business Traveller – Asia Pacific*, 1997a, p. 3). SIA also consistently leads the industry in profitability and rides through "rough and turbulent" times much better than most of its rivals. It has had an impressive and continuous profit streak since it took to the skies some 25 years ago; a track record almost unheard of in the brutally cyclical airline industry (*Asian Business Review*, 1996, p. 34). On 1 May 1997, SIA turned 50 and celebrated its Golden Jubilee Anniversary in grand style. It was a far cry from its humble beginnings in 1947 when it started life as part of Malayan Airways.

Journal of Management Development,
Vol. 19 No. 6, 2000, pp. 456-472.

## Research methods and overview

This research paper maps the strategic 50-year journey of SIA to identify the underlying factors that account for its extraordinary success and world-class stature. Both longitudinal and comparative research methodologies were employed. For the former, the approach taken was to systematically research SIA's historical development over the entire 50-year time period. SIA was studied from its very beginning and through all phases of its development to the present day. These included the fuel costs rises in the 1970s in which prices soared by 900 percent and the arrival in the region in 1986 of a strong United Airlines (which had just taken over the collapsed Pan American Pacific routes), which had an immediate and profound effect upon the posture of other major trans-Pacific airlines, triggering major changes in the Asia Pacific competitive environment (Harvard Business School, 1989a). The Gulf War and the post-Gulf War period was also one of the worst years for aviation in recent history. A rapid post-Gulf War travel recovery proved illusive as economic recession deepened in a number of major markets and airlines grappled with the reality of a slow climb back to profitability.

On the comparative aspect of the research, SIA was compared with and benchmarked against other airlines. The airlines used for comparison should not be any arbitrary companies, but good and well-respected airlines in the industry. Using an analogy, if SIA is considered in the airline industry to be in the gold medallist class, the comparison airlines chosen were in the same, silver or at the worst the bronze medallist class. They were quite clearly apart from the rest of the pack. In addition, those chosen had to have corporate histories as long as, or comparable with SIA's, and to have had practically similar opportunities to those of SIA, without attaining quite the same stature.

## Comparative and strategic benchmarking

For international strategic benchmarking, British Airways (BA) was chosen. BA, Europe's biggest airline, is widely regarded as a top international airline. In 1990, the leading American aviation magazine, *Air Transport World*, selected BA as the winner of its Passenger Service Award. BA, in 1997, unveiled a new corporate strategy. Its new global image represents a major makeover and rebranding of itself, involving the use of more than 50 different images from every continent. It was, however, hit by some controversy over its decision to scrap the "Union Jack" livery on its aircraft tails in its attempt to give it a more global airline image.

By virtue of its unique history, Malaysian Airlines System (MAS) was also included as a comparison airline. It is first of all a respectable company by airline industry standards, with a history as long as SIA's. In fact, it shared a common origin and history with SIA. Although it does not match up to the overall stature of SIA, it is nonetheless a good and well-respected company. SIA and MAS shared a common origin and history for about 25 years (the initial half of both SIA's and MAS's current life spans) until their mutual parting of ways on 1 October 1972. At that point in history, both SIA and MAS could be said, literally, to be given "the same shot in life." Therefore, MAS offers an unique case for comparison.

Both BA and MAS have corporate history as long as, or comparable with, SIA's. This criterion is important as it shows that BA and MAS, together with SIA, are not only good and well-respected airlines, but are also enduring organisations. This distinguishes them from airlines such as Pan-American (Pan-Am), once a world leader, which did not last.

## The common origin and shared history of SIA and MAS

In 1947, Malayan Airways was established and operated services between Kuala Lumpur, Singapore, Ipoh and Penang, using its fleet of twin-engined Airspeed Consuls. In May that year, when Malayan Airways first took to the skies, there were only five passengers onboard its twin-engined Airspeed Consul. With the flight crew having to attend to the flying of the plane, passengers had to help themselves with the only refreshment available onboard then – a flask of iced water. In 1963, it was renamed Malaysian Airways Limited. In 1966, both the Malaysian and Singapore Governments acquired joint majority control. The following year, it was renamed Malaysia-Singapore Airlines (MSA) Limited.

On 26 January 1971, both the Malaysian and Singapore Governments agreed to set up separate national airlines, and on 1 October 1972, Malaysia-Singapore Airlines ceased operations. In its place, Singapore Airlines (SIA) and Malaysian Airlines System (MAS) took to the skies.

## SIA's initial growth and expansion

The split of MSA on 1 October 1972 saw MAS taking over all the domestic routes while SIA took over the international network and all the Boeing jets in the MSA fleet (*Silver Kris*, 1997, p. 10). SIA was government-owned, and the Singapore Government viewed the airline as an investment in a portfolio held by the republic. Although SIA was a state-owned enterprise, it paid taxes, like any other company in Singapore, and was expected to be competitive and profitable. Without any domestic routes to monopolise, SIA had to strategise to survive.

Soon after the split, SIA embarked on an aggressive growth and aircraft and equipment acquisition programme. It acquired Boeing 747 Jumbo Jets, which went into service in 1973. In that same year, subsidiary Singapore Airport Terminal Services Ltd (SATS) was set up to provide ground services. In 1977, in conjunction with BA, it introduced the supersonic Concorde on the London-Bahrain-Singapore route. The maiden flight was on 10 December 1977. After three flights, however, disputes over airspace delayed regular Concorde service until early 1979. On 1 November 1980, the SIA/BA joint Concorde service between Singapore, Bahrain and London was, however, terminated.

SIA began cargo service from Singapore to San Francisco via Hong Kong, Guam and Honolulu in 1978. Passenger service on the route commenced the following year. In 1979, SIA took the unprecedented action of trading in the B-747s purchased just a few years earlier for more advanced, fuel-efficient versions of the same aircraft while simultaneously expanding the fleet in a record-setting S$2.1 billion order with Boeing Aircraft.

By 1979, it became the ninth largest airline in the world, up from the 57th position prior to the parting of ways with MAS, achieved on the back of a continuous average annual growth rate of 46 percent over its initial seven-year period (Harvard Business School, 1989b).

SIA shares were listed on the Singapore Stock Exchange on 18 December 1985, and a new corporate identity was unveiled on 28 April 1987. On 14 December 1989, SIA concluded a major world-wide alliance with SwissAir and Delta Airlines, covering wide-ranging co-operation and eventual exchange of equity. An MOU with Cathay Pacific Airways and Malaysia Airlines was signed on 22 December 1992 to form a joint venture to develop and operate a frequent flyer programme. Passages, the frequent flyer programme, was officially launched on 1 July 1993.

On 22 June 1994, SIA placed a US$10.3 billion order for 22 Megatop 747s and 30 Airbus 340-300E aircraft. The following year, on 14 November 1995, it ordered 77 B777 aircraft powered by Rolls-Royce Trent engines worth US$12.7 billion, including spares and spare engines.

SIA turned 50 on 1 May 1997. It had by then grown into a diversified group, totally transformed from its humble beginnings 50 years ago. On 7 May 1997, less than a week following its 50th birthday, it took delivery of its first Jubilee B777-200, which touched down at Changi Airport. Symbolically, this ushered in another new and challenging era for SIA.

## The power of an idea: a most successful product/service differentiation strategy

Within a year of the launch of SIA following the split of MSA on 1 October 1972, SIA began looking for new ways to differentiate itself. In 1973, SIA had in its service, some of the world's most modern aircraft. Its maintenance operations were generally recognised to be on a par with those of the world's major airlines. All its pilots and engineers were proficient and experienced, as there were no restraints from the unions on hiring Western crew members if SIA thought they were better.

The product/service differentiation strategy that SIA finally decided upon was based on in-flight service. The strategy, as summarised by its then SIA's advertising manager, who later became its manager of in-flight services, was:

> What we needed was a "unique selling proposition". Happily, we found it. Or perhaps I should say we found her, because the Singapore Girl has become synonymous with Singapore Airlines.
>
> SIA is an Asian airline, and Asia has a long tradition of gentle, courteous service. The Asian woman does not feel she is demeaning herself by fulfilling the role of the gracious, charming and helpful hostess. What we hope to do is translate that tradition of service into an in-flight reality (Harvard Business School, 1989b).

SIA was thus strategically positioned in the premium service, quality and value market segment of the international airline industry. SIA capitalised on Oriental charm with stewardesses of Chinese, Malay, Indian, and Eurasian ethnic backgrounds. By 1997, this resource pool within Singapore had, however, expanded to include Malaysia, Indonesia, India, Taiwan, China, Japan and Korea. In 1997, a third of its 5,800-strong cabin crew were non-Singaporeans (*The Sunday Times*, 1997a, p. 3).

SIA stewardesses were costumed in a specially designed version of the graceful Malay sarong kebaya, designed by renowned fashion house, Pierre Balmain. Passengers were treated to some of the best food on any airline, which is served with "lots of warm smiles, warm towels, and attention to details". It provided first-class, business-class and economy-class passengers with cocktails, fine wines, and in-flight motion pictures at no extra charge. Since its inception, SIA has always subscribed to a policy that "once a passenger pays for his or her ticket, there should be no more charges on the aeroplane". SIA now spend S$20 million a year on wines, with about 60 to 80 bottles of wine consumed per flight. International consultants who specialise in French, American and Australian wines are contracted to do wine-tasting twice a year for SIA, and they advise the airline on what to buy for its first, business and economy class passengers (*Straits Times*, 1997a, p. 22). According to SIA, the airline even receives letters from passengers asking for the names of wines that they took on SIA flights, with some asking where they can buy them (*Straits Times*, 1997a, p. 22).

Service became the *raison d'être* for SIA, and at the heart of its service reputation was the Singapore Girl. Slogans like "A standard of service that even other airlines talk about" and "SIA: you are a great way to fly" were used regularly in its marketing. SIA has always been of the view that the key to its success was its "value or quality for the money". SIA's corporate philosophy of the airline industry since the late 1980s is best summed up by:

> The airline industry is, by its very nature, a service industry. In a free market, the success or failure of an individual airline is largely dictated by the quality of the service it provides (Joseph Pillay, Chairman SIA, Harvard Business School, 1989b).

In contrast, most airlines, though aspiring to achieve the same ideals, were not quite able to match the service reputation standard set and attained by SIA. Most had to confront the apparent contradiction between cutting costs and prices, on the one hand, and maintaining customer focus and delivering customer service, on the other. It was a challenge many found most difficult.

The plight or dilemma faced by most other airlines in the mid-1980s to early 1990s can be best summarised by the following:

> We're trying to get our cost base down. We're trying to find out why it is that, as we try to grow, somehow or other our costs rise faster than our revenue generation. How do you manage all those issues, get them under control, as well as keeping the people in the business focused upon delivering quality consistently over time? (Executive, BA Marketing and Operations, 1991, Harvard Business School, 1993).

> Today, there is the unrelenting near-fanaticism about being able to deliver customer service. It's the thing staff remember above all else. And the frustration they talk about now in terms of their ability to deliver that customer service and some of the difficulties that we as a company are having in trading – still needing consistent customer service, but also needing to do it at a cost (Executive, BA Marketing and Operations, 1991, Harvard Business School, 1993).

Into the 1990s, the situation was no better. In 1997, the International Air Transport Association (IATA) warned that the airline industry needed urgently to protect its yields and continue to drive unit costs down (*Business Times*, 1997a, p. 18). According to IATA's 1997 figures, collective net profits from international scheduled services fell from US$5.2 billion in 1995 to US$3 billion in 1996, and yields dropped six times compared to unit costs – 2.5 percent against 0.4 percent (*Business Times*, 1997a, p. 18).

SIA, on the other hand, was not saddled with this dilemma. It had developed a very strong market position. While keeping an eye on costs, its "quality and service-enhancement strategy" allowed it to command a relative market price premium position through "premium service, value and quality". Its enviable position can be summed up as follows:

> If others resort to cutting fares, we can certainly do the same and we have a far better financial strength to cut fares and last longer than anyone else. But we ask ourselves first whether it is necessary to do that . . . So far, we have no need to do that (S. Dhanabalan, Chairman SIA, 1997, *The Sunday Times*, 1997b, p. 32).

On competition, S. Dhanabalan reiterated SIA's long-standing strategy: "Strong competition is not new to SIA. Every now and then, some airline, in an attempt to gain market share, will resort to senseless heavy discounting. It is a short-term phenomenon. We take such competition in our stride" (*The Sunday Times*, 1997b, p. 32).

The Singapore Girl, the idealised version of the SIA cabin attendant, was the centrepiece in SIA's marketing strategy. Very high-quality photography was used in SIA's advertisements, and the Singapore Girl was always the central feature of the advertisements. The advertisements portrayed her in a number of settings and used a variety of themes to good effect.

The Singapore Girl strategy proved to be a powerful idea and turned out to be a phenomenal success. International Research Associates (INRA), a firm which conducted surveys (covering the area of advertising recall) in the Asia Pacific area triennially, found that SIA's advertising enjoyed steady increases in unaided recall in the three successive INRA surveys in advertisement recall it conducted in 1973, 1976 and 1979. The SIA advertisement recall was 21 percent in 1973. It rose up to 32 percent in 1976, and shot up to 50 percent in 1979. The average advertising recall of about 40 airlines studied over the same time period was only 9.6 percent (Harvard Business School, 1989b).

SIA's market research up to 1997 continues to attest to this:

> Around the world the Singapore Girl remains a very positive marketing icon. She evokes the very best in Asian charm and hospitality (Director, Market Research, SIA, *The Sunday Times*, 1997a, p. 3).

Although there were initial protests in some Western quarters in what was perceived to be sexist overtones in the advertisements, not everyone took offence at the advertising image. In a 1979 *Fortune* magazine article, "Flying high with the Singapore Girls", it was noted that "far from being repelled by the notion of becoming a 'girl', about 7,000 young Singaporean women applied last year for 347 openings in the hostess ranks of SIA" (Harvard Business School, 1989b). In the West, its acceptability in recent years had changed quite appreciably. In 1997, it was noted that:

> Her popularity in the West is such that it would be quite risky for SIA to attempt to change the image at a time when people there are getting used to her (Analyst, Goldman Sachs, *The Sunday Times*, 1997a, p. 3).

BA has its "The World's favourite airline" and other airlines their own catchy slogans, but none of these has been able to capture the imagination and the unaided advertising recall to the extent that SIA had with its Singapore Girl and associated slogans.

Only BA came anywhere close. In April 1983, BA introduced a widely publicised global advertising campaign to boost its corporate image worldwide. The campaign included the well-known 90-second Manhattan Landing TV commercial created by the Saatchi & Saatchi (S & S) advertising agency. The results of research following implementation showed increases in unaided awareness and recall of BA in almost all markets, especially the USA. The campaign improved consumer recognition of BA's size and passenger volume. BA's image also improved as a modern, progressive company performing better than it had in the past. However, recall of the slogan "The world's favourite airline" was poor. Negative perceptions of BA, especially regarding poor customer service, were not corrected. Research results suggested that the campaign did not convey any feeling of warmth or caring (Harvard Business School, 1993).

For 1984-1985, BA developed a follow-up commercial to Manhattan Landing called Lunar Landing. The 1983-1984 campaign was then re-rationalised as the first part of a multi-stage programme to rebuild BA's image, indicating that the Manhattan Landing commercial was designed as an attention-grabber. As part of the overall image programme, BA began changing the livery on its entire fleet in 1984 (Harvard Business School, 1993). In 1997, it again unveiled a new corporate identity representing a major makeover and rebranding of itself with another change of its livery on its fleet.

Some 25 years or so on since its first introduction to the world, the Singapore Girl, far from being a fashionable passing fad, has become even more popular and entrenched. In 1994, the year she celebrated her 21st birthday, the Singapore Girl became the first commercial figure to be displayed at the famed Madame Tussaud's Museum in London, which had unveiled the waxwork of the SIA's global marketing icon that year to reflect the ever-growing popularity of international travel. Today SIA cabin hostesses enjoy a social status and glamour comparable to Singapore's entertainment stars and models. It is an extraordinary and singular success story for an airline product/service differentiation strategy. No other airline can boast of such a successful product/service differentiation strategy that spans 25 years, and which still shows no signs of letting up.

## Customer focus, innovation, creative service and service excellence

On an SIA flight in 1996, a Chinese couple travelling in first-class with their children and nanny had refused the food served. When asked, the man of the family replied: "We are just not used to these and would prefer a bowl of instant noodles." Since then, every SIA flight carries a supply of instant noodles for those customers who find in-flight cuisine not quite to their taste (*Asian Business*, 1996, p. 40). In addition, first-class and business-class passengers flying out of Singapore can now pre-order certain Singapore local fare prior to their flight to be served to them onboard. These are just some examples that illustrate the constant drive by SIA to introduce new ideas to improve customer service, in its customer focus to win customer satisfaction and even delight.

There is of course nothing high-tech or sophisticated about instant noodles nor Singapore local fare, but these examples highlight the creative customer service even in simple things that has won SIA wide praise (*Asian Business*, 1996, p. 40). This has become a hallmark of SIA's service excellence. In 1972, SIA was the first airline to introduce free food and alcoholic drinks on its flights.

SIA has recognised that in this highly competitive market, any advantage gained by one airline over others will be short-lived, and ideas that are new will become commonplace in a matter of months. However, it noted that the important thing is to always stay in the forefront both in service and in technology (*Asian Business*, 1996, p. 40).

This strategy of SIA focuses primarily not on reducing costs, but on enhancing quality or service and preventing customer problems from arising. SIA has succeeded most uniquely with this type of strategy in the airline industry, a strategy commonly employed in service businesses that command premium prices with high margins, businesses in which there is a high degree of repeat business, with word-of-mouth praise by customers as a most important marketing channel.

It has been argued by some that an organisation should be conservative in its promises regarding service excellence to prevent customer expectations becoming too high. High expectations, so that argument goes, increase the potential for customer dissatisfaction. Such prescriptions, however, serve only companies with modest ambitions. In SIA's case, it was very different. It had a bold strategic vision and aspiration of being a top airline, not just any ordinary good airline. Through its careful market positioning and delivering its service promise, SIA could be said to be the very first airline in the international airline industry to have succeeded in developing such a powerful and enduring image of quality service that has resulted in its acquiring a sustainable competitive advantage. Its ability to sustain this advantage, even as its competitors seek to develop comparable service capability, had been buttressed by the fact that it was the first to earn and attain the quality-service position and image in the market and in customers' minds.

High service quality standards need to be developed systematically over time. Although sustaining a competitive advantage based on service quality is possible, this requires unrelenting effort on the part of an organisation to continually improve its service. This was achieved in SIA's case.

As part of SIA's strategy to differentiate itself on the basis of superior customer service, it was able successfully to generate a vision of service excellence throughout the organisation. Such an organisation-wide energising vision of service excellence is a powerful source of competitive advantage in top class service organisations. Such a strength can be the bedrock of a quality and service-based sustainable competitive advantage. A service organisation that does not have such a shared vision and culture of service excellence will have a tough task acquiring it, as it cannot be bought. It must be built, as in SIA's case.

In SIA's case, setting exceptionally high customer service standards generated a positive spirit and culture that had many follow-on results. Customer service went beyond the mechanics involved in efficiently providing a service onboard. Pride, zeal, and motivation were some of the positive service hallmarks that flowed from the shared vision and culture of service excellence, and the results were impressive. Unlike robots or machines, where differences in performance are largely rooted in technical specifications, human beings are subject to major performance variation. The SIA's vision and culture that hold exceptionally high customer service standards as a strategic objective to be attained were a most important factor accounting for its exceptional performance.

To support this service excellence strategy, SIA adopts a most rigorous quality control system and process for staff recruitment and selection, as well as a rigorous training and service policy (*Asian Business Review*, 1996, p. 34). For example, SIA has one flight attendant for every 22 seats, the highest in the world and well above the industry average. Cabin crew must be under 26 and are employed on a five-year contract after making it through a very selective three-stage interview process that includes a social function.

Previously, all cabin crew would complete a six-month training course before they could be allowed to serve a customer. However, this has now been compressed into an intensive four-month course, which is still considered to be the longest and most comprehensive programme of any major airline. In comparison, Cathay Pacific, for instance, conducts only a seven-week intensive training programme on technical, safety and interpersonal skills.

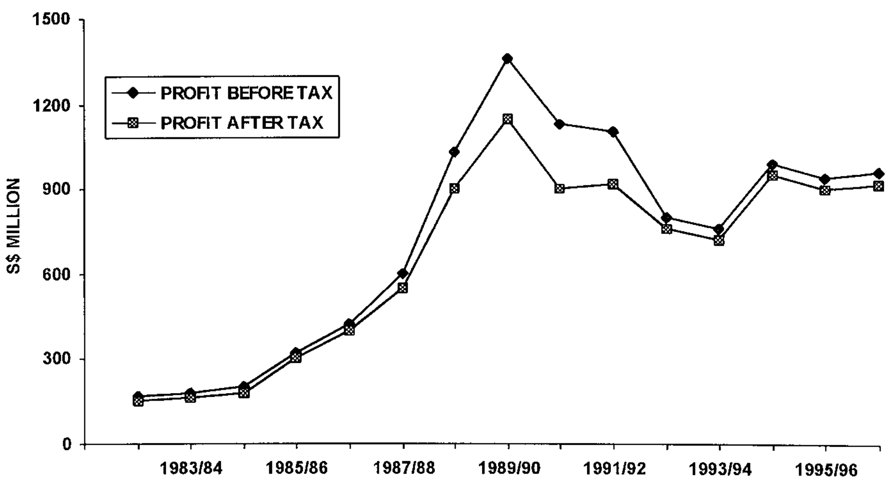
The aim of SIA's training is to provide gracious service reflecting warmth and friendliness, while maintaining an image of authority and confidence in the passengers' minds. Each month, thousands of young ladies would apply for the airline's rigorous course that emphasizes safety training and encompasses beauty tips, discussions of gourmet food and fine wines, and the art of conversation.

SIA is also at the forefront of service innovation through technology. For instance, it introduced Electronic Ticketing for flights from Singapore to Kuala Lumpur and Penang (and vice versa) on 1 October 1997. About two weeks earlier, on a flight from Singapore to Tokyo on 15 September 1997, it had launched a revolutionary innovation in in-flight entertainment with the introduction of the WISEMEN system, offering passengers full control over their viewing and listening options. With WISEMEN, passengers will be able to choose from 15 movies, 20 short features and about 50 CDs. This is over and above the current SIA's in-flight entertainment system, Krisworld, which already had 22 video channels, 12 audio channels and ten games channels. Internet check-in for First Class, Raffles Class and PPS Club Members flying out of Singapore was introduced on 20 November 1996.

## SIA's profitability track record

Just as well-known as its product/service differentiation strategy, as well as its creative service and service excellence, but certainly less familiar, is SIA's profitability track record. Since its inception in 1972 some 25 years ago, SIA has had an uninterrupted profit track record. *Asian Business Review*, in an article piece on Asia's Great Companies, noted that its financial track record is almost unheard of in the brutally cyclical airline industry, and touted it as the "World's most profitable airline" (*Asian Business Review*, 1996, p. 34).

Its profitability track record in the last 15 years is summarised as shown in Figure 1. Its profitability track record is even more astounding considering that it is the national airline of a small country that is essentially just a city, of only 647 square kilometres and 3.6 million population, with no domestic routes to monopolise. Yet, despite this it has managed to consistently deliver profits in one of the world's most cyclical industries.




**Source:** Singapore Airlines (1992, 1997a)

**Figure 1.** Profits before and after tax

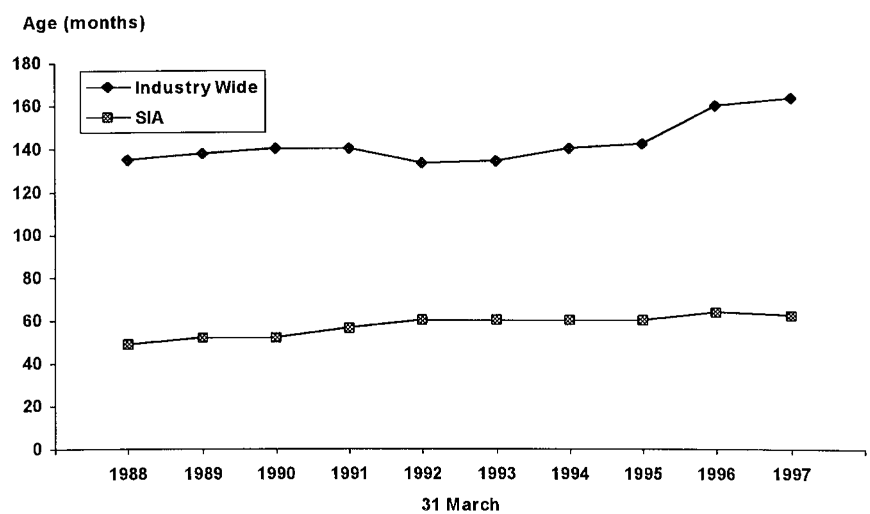
SIA has an established practice of keeping its fleet young and modern (Singapore Airlines, 1997b, p. 5). This, made possible by the airline's strong cash flow position, has allowed it to maintain a fuel-efficient fleet that averages just over five years of age without resorting to heavy borrowing or costly leasing deals.

The fleets of most other international carriers are more than twice as old as SIA's. SIA's fleet is in fact the youngest in the world, not taking into account the couple of small regional airlines that have just started up.

The average fleet age of SIA and those in the industry are summarised as shown in Figure 2.

For SIA, this strategy which entails heavy capital costs, however, translates to significant savings through minimising aircraft downtime and minimising maintenance costs. Newer aircraft are also faster and more fuel efficient, and are perceived by passengers to be safer. For instance, the B747-400 is 10 percent more fuel efficient than its predecessor. For SIA, this means a significant saving as about 15 percent of the company's expenditure is on fuel (*Asian Business Review*, 1996, p. 34).

Most airlines use a combination of different financing schemes for their aircraft with the core fleet usually on long-term leases to minimise interest costs. SIA is, however, about the only major airline in the world to finance aircraft internally. Although there were times in the past when SIA financed aircraft using operating leases, these were primarily because of tax considerations. SIA has always viewed it as advantageous for an airline to own aircraft outright, as excess capacity can be disposed of expeditiously should a rapid downturn occur in the economy. In this way, the cost of maintaining underutilised aircraft can be avoided. SIA is very active in the used-aircraft




**Source:** Singapore Airlines (1997a)

**Figure 2.**
Average age of SIA fleet

market. In the last 17 years, SIA has in fact sold off 69 of its older aircraft at a total value of US$1.69 billion. To have flexibility, SIA makes it a high priority to negotiate options on new aircraft purchases and deliveries:

> We aim for steady growth, not haphazard fits and starts. We do not try and outguess the economy. It is only through advanced planning, focused on consistent growth, that the whole organisation can function efficiently. We need to train pilots, buy new aircraft, expand facilities, design new aircraft configurations and move forward in 100 other areas of the company (Dr Cheong Choong Kong, CEO, SIA, 1996, *Asian Business Review*, 1996, p. 34).

SIA's strategy can therefore be described as one of steady growth, and of taking the long-term strategic view. It does not simply react to cyclical and transient market conditions. It invests in capacity and increases route frequency only when it is confident that there is the market. This means that operations are not necessarily cut back when yields indicate a downward trend or when a particular business is struggling during its start-up or infancy stage.

SIA is also well governed and managed. Every sector of the business is monitored and managed at the "macro" level as well as the "micro" level. Comprehensive reporting flows through the company as a matter of routine. Problems or issues are investigated and examined expeditiously. For example, if there is a decline in market share, it would check out a competitor's aggressive fare discounting or a change in the popularity of flight patterns. At the "micro" level, for example, service is monitored by compliments and complaints per 1,000 passengers, check-in queue time, baggage collection wait or promptness of response by flight attendants (*Asian Business Review*, 1996, p. 34).

SIA also runs an ongoing programme of cost-cutting, and every two years it conducts a Towards Optimal Productivity programme which reviews the way the company operates and finds ways to do things better (*The Sunday Times*, 1997c, p. 32).

SIA's strategy of having separate subsidiaries to run and manage its business strategic units has contributed favourably to profitability. SIA's data processing division was moved from Singapore to Bombay to cut costs. Vertical integration and expansion through the formation of its Singapore Engine Overhaul Centre allowed the company to become self-sufficient in engine maintenance and reduce costs. Subsidiary SilkAir is run as a separate airline with its own brand and its own strategy, concentrating on secondary destinations within the region, and not major cities like London or New York, or places as far away as Japan. It is a different product with a different clientele. For example, SilkAir does not have a First Class.

The freight business is becoming increasingly important for SIA. Although it is currently contributing about 20 percent to the group's revenue, it is set to grow. This may increase to 25 percent within the next few years. SIA now has five Boeing 747-400 dedicated freighters, known as Mega Arks. This is the most modern Boeing 747 and SIA is the largest operator of the freight version in the world. Including underfloor space on passenger aircraft, SIA has a weekly capacity of 126 million freight ton kilometres. Its growth in market shares surpassed its growth in freight volumes. For example, SIA now holds

11.3 percent of the Australian freight market, second only to national carrier Qantas. The new Superhub Air Freight Terminal at Changi Airport is one of the largest freight handling facilities in the world. With six levels of storage and processing hangars, it has a total surface area of 33,000 square metres.

SIA is also a major shareholder in Singapore Aircraft Leasing Enterprise (SALE), a company with a declared strategic vision to be among the world's top three aircraft leasing companies by the turn of the century. In November 1997, two of the Government of Singapore's investments arms, Government of Singapore Investment Corporation (GIC) and Temasek Holdings announced that they will take up strategic stakes in SALE through injecting US$62.5 million each for 14.5 percent stakes in SALE. The company's original shareholders, SIA and US-based Boullioun Aviation Services Inc., will remain major shareholders, with each party holding a 35.5 percent interest. This latest development lends weight and boosts the prospects of SALE's aspiration to be one of the world's top three aircraft leasing companies.

In financial year 1996, SIA posted group profits of S$732 million (*Asia Aviation*, 1996, p. 18). For the financial year 1997, SIA posted interim net profits for the six months to 30 September 1997 nearly 10 percent higher to S$616 million, more than most analysts had expected (*Business Times*, 1997b, p. 7). The 9.9 percent rise in earnings was due to better yields and lower costs, a strong recovery in the cargo market and lower fuel prices (*Straits Times*, 1997b, p. 88). SIA's strong showing exceeded the expectations of many analysts. The consensus full-year forecast by analysts polled was S$1.14 billion with estimates ranging from S$1.07 billion by CS First Boston to S$1.3 billion by Union Bank of Switzerland (*The Estimate Directory*, 1997). This works out to be an average forecast of 10 percent full-year net profit growth for SIA by the 32 analysts polled.

## SIA's strategic vision and its rise on the world stage

> Of all things I've done, the most vital is coordinating the talents of those who work for us and pointing them toward a certain goal (Walter Elias Disney, Founder, Walt Disney Company, 1954).

> Far better to dare mighty things, to win glorious triumphs, even though checkered by failure, than to take rank with those poor spirits who neither enjoy much nor suffer much, because they live in the gray twilight that knows not victory, nor defeat (Theodore Roosevelt, 1899).

The SIA story parallels and reflects the visionary, "can-do" and energising spirit embodied in the above quotes. SIA was able to have a highly focused and energising strategy that engages its people, reaching out to them and "grabbing them in the gut," to produce spectacular results over its 50-year history. No airline can boast and match this in terms of overall impact and sustainability. Comparison with its "twin sister" airline, MAS, in which they share a common first 25 years, demonstrates starkly what SIA has achieved in the last 25 years.

Only BA came close in comparison to SIA's achievement. It had a purple patch in the 1980s. After suffering through years of poor market perceptions during the 1970s and before, BA, in the span of a decade through the 1980s, was able to radically improve its financial strength, convince its work force of the paramount importance of customer service, and dramatically improve its perception in the market.

On 10 September 1981, a special bulletin was issued to BA staff:

> British Airways is facing the worst crisis in its history . . . unless we take swift and remedial action we are heading for a loss of at least £100 million in the present financial year. We face the prospect that by next April we shall have piled up losses of close to £250 million in two years. Even as I write to you, our money is draining at the rate of nearly £200 a minute.
>
> No business can survive losses on this scale. Unless we take decisive action now, there is a real possibility that British Airways will go out of business for lack of money. We have to cut our costs sharply, and we have to cut them fast. We have no more choice, and no more time . . . (Roy Watts, BA Chief Executive, 1981, Harvard Business School, 1993).

In less than ten years, BA had lifted itself out of bankruptcy to become one of the world's most respected airlines. The financial crisis of 1981 and the drive to ready itself for privatisation had given the people of BA a focus that led to many changes. After its privatisation in 1987, BA made globalisation a major thrust. In 1987, BA took a 26 percent stake in Galileo International, an advanced reservation system also supported by KLM Dutch Airlines and Swissair. That same year, BA struck up a partnership with United Airlines, allowing each carrier to extend its route coverage without stretching its resources. In early 1988, BA finally beat Scandinavian Airlines System (SAS) to acquire British Caledonian. In December 1989, BA concluded a deal with Sabena World Airlines through which it secured a 20 percent stake in the Belgian carrier. All in all, the steps bolstered BA's global power and prepared it for what analysts expected to be a post-1992 European marketplace in which only the strongest carriers would survive.

However, into the 1990s, BA faced an increasingly perplexing problem of how to maintain its momentum and recapture a focus that would allow it to meet new challenges. And in looking for a new focus, BA management dealt with the seemingly unattractive need of trying to get its staff to identify with an issue as glamourless as cost-cutting. Yet, without improving on its productivity and profits, while maintaining or improving upon its customer service, BA's continued success in an increasingly competitive global marketplace could not be guaranteed.

By 1997, BA had been turned around dramatically, from an overall deficit of £544 million for 1983 to a pre-tax profit of £640 million announced in May 1997 (*Straits Times*, 1997c, p. 56). However, in the summer of 1997, BA was hit by a strike by cabin crew. Profits plunged, compounded by a stronger sterling. Its stake in Galileo International was sold off (*Straits Times*, 1997d, p. 55).

In an era marked increasingly by competitive rankings, SIA has been voted regularly by both the airline industry and travellers alike as one of the best airlines in the world. It is the winner of more industry awards than any other airline. The New York-based *Conde Nast Traveller* magazine, for example, in 1997 again named SIA The Best Airline for the ninth time in ten years in the magazine's annual Readers' Choice Awards Poll (*Straits Times*, 1997e, p. 33). *Conde Nast Traveller*, a monthly magazine with a circulation of more than 800,000 worldwide, hands out yearly awards to airlines, hotels, cruise lines and others in the travel industry. In 1997, to mark the tenth anniversary of the awards, it also presented its first-ever Hall of Fame awards to four recipients, "individuals, who over the decade, have put a particular stamp on the best in modern travel." Winning the Hall of Fame award in the airlines category was SIA's CEO, Dr Cheong Choong Kong, who was honoured for a decade of "outstanding leadership and for transforming the standards of in-flight service in the 1980s" (*Straits Times*, 1997e, p. 33).

1997 also saw SIA again named The World's Best Airline for the fourth year running in the Zagat Airline Survey. A major consumer survey company in the US, Zagat surveyed 10,000 frequent travellers to rate 61 major air carriers. *Air Transport World*, in 1994, called SIA "the World's No. 1 airline over the last two decades."

Accolades also came in for SIA from Europe. At the Seventh Espace Voyages Professionals (Business Travel Fair) in Paris in October 1997, SIA was announced the top airline in the only business travel survey, Baromètre Voyages d'Affaires, in the long-haul category. In the British-based 1997 *Executive Travel* magazine awards, SIA swept the Airline of the Year, Best Airline to the Far East, Best Long Haul Airline, Best Ground Check-in Staff and Best Airport Lounges awards.

Closer to home in the Asia-Pacific, 1997 marks the sixth straight year in which SIA has walked away with the overall Best Airlines Award in the *Business Traveller – Asia-Pacific* awards. BA clinched the seventh position. Its positions for 1996 and 1995 were sixth and seventh, respectively. MAS dropped to the 32nd position in 1997, down from its 18th and 26th positions in 1995 and 1996, respectively (*Business Traveller – Asia Pacific*, 1997b, p. 40).

SIA's performance in competitive rankings of all companies in Asia is just as impressive. In all the annual Asia's Most Admired Companies (AMAC) surveys conducted by Asian Business since the inception of the AMAC Polls in 1991, SIA has been voted either first or second. In the three most recent Asian Business AMAC Polls (1995 to 1997), which covered some 250 major companies across Asia, it consolidated its position by emerging the clear winner. BA and MAS were placed at the 117th and 206th positions in 1997, respectively (*Asian Business*, 1997, p. 24).

A 1997 research report by the London-based Travel and Tourism Intelligence on a study of the Asian civil aviation industry concluded that SIA is set to remain Asia's leading carrier for the next decade (*Straits Times*, 1997f, p. 6). MAS saw its previous position slip, and was reckoned to need several more years to recover. The research report, which profiled 18 major airlines in the region, attributed SIA's lead to its unique combination of profitability, market leadership in in-flight entertainment, its reputation for quality and the advantages of its Changi Airport base.

In 1997, it was noted by *Business Traveller-Asia Pacific* that:

> Singapore's excellence in the world of international aviation remains so unquestioned that it's become an article of faith. Through a combination of constant product development, consistent and excellent in-flight service and what is probably the most ambitious and extensive fleet-renewal programme in the world, SIA has become the standard by which all other international airlines are judged. That pre-eminence in the sky had been buttressed on the ground by an urban infrastructure that, whether you're talking in Asian or global terms, is second to none. Changi Airport . . . (*Business Traveller – Asia Pacific* (1997a)).

SIA's ratings given by other airlines, including those of its competitors, were also very favourable:

> SIA is a world-class airline and we respect it greatly. It is still very competitive. Other carriers are always interested in what SIA is doing (Ian Gay, Regional General Manager of Qantas-BA Alliance, 1997, *The Sunday Times*, 1997d, p. 3).

> SIA is an airline that sets trends, is profitable and well-managed, and takes a personal interest in its passengers (Mike Simon, Emirates Head of Communications, 1997, *The Sunday Times*, 1997d, p. 3).

## Conclusion

In its 50-year history, SIA has come a long way. It has become an industry leader and innovator, setting standards to which other airlines aspire. At 50, it is still riding high as it begins a new chapter of its corporate journey. On the occasion of its 50th Anniversary Celebration, it was thrown a new challenge by the Prime Minister of Singapore to "scale a new peak" (*Straits Times*, 1997g, p. 5). Six days later, the first of the 77 Jubilee B777-200 aircraft that SIA has ordered from Boeing touched down at Changi Airport. In October 1997, SIA announced that it is considering inviting foreign talent to join its board of directors, to reflect the international nature of its business. This is to underline its global character and to stay ahead of the competition. A month later, its HQ moved into its new HQ building in the heart of the city's downtown. It has also embarked on a major exercise to change its corporate culture to prepare for the global competition in the new millennium.

In October 1997, SIA Chairman, S. Dhanabalan revealed that SIA is gearing up for a new era of heightened competition where tailor-made in-flight service, for the increasingly demanding passenger, will be the norm. He noted that: "one of the changes we see is that passengers will refuse to be compartmentalised into one average unit. Each person will have his own particular needs and he will want service that is tailored to meet those particular needs." On SIA's future direction, he pointed out that: "Basically, it has to be service, and better service. Others have learned that what differentiates one airline from another is service. They have wised up to it and have also starting improving their service. The challenge is therefore to keep ahead of the pack" (*The Sunday Times*, 1997b, p. 32).

On how SIA intends to keep ahead, S. Dhanabalan revealed that: "The crew will have to be equipped to meet the special needs of passengers. They would have to be . . . We are constantly reviewing procedures and training methods . . . so that when people fly, SIA will be the preferred airline" (*The Sunday Times*, 1997b, p. 32).

S. Dhanabalan further stressed that, while customer satisfaction was seen in the many awards the airline received, SIA would not take this for granted. For all its international flights, SIA crews are now being prepared to be conversant with and to make announcements in the languages of the countries it flies to.

In November 1997, SIA hired McKinsey & Company to conduct a 12-week management review. Its plans for more expansion and to become more global are well underway. Judging from its past track record, as well as the concerted and systematic way it has anticipated and prepared itself for the new competition and changes to come, the prospect of it continuing with its winning streak looks good.

**References and further reading**

*Asia Aviation* (1996), "SIA posts strong $732m group profit", June, p. 18.

*Asian Business* (1996), "Asia's most admired companies 1996: creative service is secret of success", May, p. 40.

*Asian Business* (1997), "Asia's most admired companies, 1997", May, p. 24.

*Asian Business Review* (1996), "Asia's great companies: why SIA is the world's most profitable airline", December, p. 34.

*Business Times* (1997a), "Airlines told to stop slashing fares or industry will suffer", November, p. 18.

*Business Times* (1997b), "SIA posts surprise 10 percent rise in interim earnings to $616m", 25-26 October, p. 7.

*Business Traveller – Asia Pacific* (1997a), "Fast-lane flyers", October, p. 3.

*Business Traveller – Asia Pacific* (1997b), "The leading airlines 1997 ", October, p. 40.

Harvard Business School (1989a), "Cathay Pacific Airways (A)", Vol. 9, pp. 144-89.

Harvard Business School (1989b), "Singapore Airlines (A)", 9-687-022, Rev. 3/89, 13 September.

Harvard Business School (1993), "Changing the culture at BA", 9-491-009, 13 September.

*Silver Kris* (1997), "The birth of SIA", October, p. 10.

Singapore Airlines (1992), *Annual Report 1991/92*, p. 124.

Singapore Airlines (1997a), *Annual Report 1996/97*, pp. 72-3.

Singapore Airlines (1997b), *Annual Report 1996/97*, p. 5.

*Straits Times* (1997a), "Asian air passengers taking to wine", October, p. 22.

*Straits Times* (1997b), "SIA's first-half net profits up 10 percent to $616m", October, p. 88.

*Straits Times* (1997c) "Singapore and SIA must adapt to meet competition", July, p. 56.

*Straits Times* (1997d), "Crew strike, strong sterling erode BA's profit", November, p. 55.

*Straits Times* (1997e), "Changi Airport, SIA voted tops by travel magazine", September, p. 33.

*Straits Times* (1997f), "SIA poised to maintain edge in Asia", September, p. 6.

*Straits Times* (1997g), "PM: climb new peak to give first-class service", May, p. 5.

*The Sunday Times* (1997a), "Non-Asian SIA girls?", August, p. 3.

*The Sunday Times* (1997b), "Tailor-made in-flight service to usher in new era: an interview with SIA Chairman S. Dhanabalan", October, p. 32.

*The Sunday Times* (1997c), "SIA recruits cabin crew who speak passengers' languages", October, p. 32.

*The Sunday Times* (1997d), "Even No. 1 must do better to stay ahead of the competition", August, p. 3.

*The Estimate Directory* (1997), October, pp. 144-89.