



**Riara School of Business**  
*Nurturing business innovators*  
**SEPTEMBER – DECEMBER 2019 TRIMESTER**  
**EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION**

**RBA 403: STRATEGIC MANAGEMENT**

**DATE: 10<sup>TH</sup> DECEMBER 2019**

**TIME: 2 HOURS**

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**GENERAL INSTRUCTIONS:**

Students are NOT permitted to write on the examination paper during reading time.  
This is a closed book examination. Text book/Reference books/notes are not permitted.

**SPECIAL INSTRUCTIONS:**

1. Write your REGISTRATION NO. Clearly on the answer booklet(s).
2. Answer Question ONE and ANY other TWO questions.
3. Questions in all sections should be answered in answer booklet(s).
4. Marks allocated to each question are shown at the end of the question.
5. PLEASE start the answer to EACH question on a NEW PAGE.
6. For the questions, write the number of the question on the answer booklet(s) in the order you answered them.
7. Write your answers in paragraph form unless stated otherwise.
8. Keep your phone(s) SWITCHED OFF at the front of the examination room.
9. Keep ALL bags and caps at the front of the examination room and do not refer to any unauthorized material before or during the course of the examination.
10. You are only allowed to leave the examination room 30minutes to the end of the Examination.

## **Air Asia –Now everyone can fly**

Air Asia has skillfully created new untapped markets of travelers which could not afford to fly before. To date the Air Asia group has carried 10 million passengers in 2006 .With one- way fares as low as a US\$ 2.50, (200 Kenyan Shillings /-) thousands of Asians who in the past would have taken a bus, train or a boat now are persuaded to fly.

Air Asia kept its costs low with short-haul flights, a high rate of aircraft utilization and a fast turnaround rate. Income is derived from the sales of tickets and food and drinks on board, a lucrative cargo service, and marketing tie-ups with other companies. A motivated and empowered workforce will serve the customers better and engage in various ways to improve the company's efficiency profitability.

Air Asia has "smallest airline office in the world" has no compartmentalization so everyone knows exactly what is going on and can give and receive help whenever required. All staff in the office uses the same entrance and exit to promote a group identity and casual dressing is encouraged to reduce the 'power distance' between ranks. The Air Asia office is located where employees can have hands-on experience such as bag handling and ticketing so that they understand the various aspects of the business and can handle complaints and feedback competently.

Being a low-cost carrier the cost structure is of utmost importance but this must not come at the expense of customer safety and service. Air Asia controls its cost mainly in fuel consumption, aircraft usage and in areas where costs do not add value. For example it understands that the fuel consumption of a plane waiting for take-off will be considerably high at big busy airport where queues are frequent. In most international airports catering to large aircraft, the runways are usually very long which means more fuel will be used for taxiing and taking off. In addition this adds to the wear and tear of the aircraft and increases maintenance and replacement costs. This leads to the Air Asia's preference to operate from secondary and smaller airports also means that they enjoy lower landing and parking fee compared to larger international airports. Air Asia concentrates on just two types of plane, the Boeing 738-300 and Airbus 320. This means the technical team can stay focused and become experts in the operations and maintenance of the fleet. Air Asia use Online ticket booking leads to ticketless travel where a customer simply presents his or her identity card or passport for checking in to board flights. This makes travelling much more convenient, helps to keep costs low. In August 2003, Air Asia became the first airline in the world to introduce sms booking.

The entire vibrant image of the airline is enough to make its low-fare passengers feel welcome and honored every time they walk down the red carpet to their plush leather seats. The atmosphere is informal, relaxed and warm, like being in a familiar place surrounded by friends and people who care. Travelers are seduced by simple honest charm of Air Asia and are induced by its value offering of safe and comfortable flights. To differentiate from the more sober full-cost carriers, Air Asia presents a fun image from a cheerful aircraft interior to an informal friendly service for all travelers. Its paperless purchasing system offers hassle-free booking which benefits the airline and its customers by reducing administration and communications costs which in turn results in competitive low-cost pricing. The online system also allows yield management of seat and flight availability as the demand can be monitored in real time and the most competitive pricing can be computed.

To win the hearts of customers outside Malaysia, Air Asia makes every effort to brand itself as a localized airline with Thai Air Asia in Thailand and Indonesian Air Asia in Indonesia. Its web site' speaks'' the native language of the country it operates in which boasts of being the first on Asia to offer multi-ASEAN language service, besides English and Chinese.

### **QUESTION ONE Compulsory 30 marks**

#### **QUESTION ONE**

- a) Discuss any **FIVE** tactics employed by Air Asia **(5 Marks)**
- b) Explain **FIVE** DOMINANT FEATURES exhibited in the airline industry **(5 Marks)**
- c) Discuss any **FIVE** Key Successful Factors needed to operate in the Airline industry **(5 Marks)**
- d) What are the impact of any **FIVE** Driving Forces that play within the airline industry **(5 Marks )**
- e) Describe any **FIVE** resource strengths lacking in Kenya Airways but are in Air Asia **(5 Marks)**
- f) Draw a perceptual mapping depicting the intense airline competition JKIA **(5 Marks)**

## QUESTION TWO

- a) With a diagram Explain the Value chain process of an aviation industry (10 Marks)
- b) Draw and Analyze the BCG matrix in portfolio management (10 Marks)

## QUESTION THREE

- a) Discuss FIVE merits of adopting a Strategic Business Unit as an organizational structure (10Marks)
- b) Using valid examples explain how is the Porters Generic strategies are applied airline industry in Kenya (10 Marks)

## QUESTION FOUR

- a) Airline companies like Kenya Airways and Emirates buy from manufacturers like Boeing and Airbus Powerful. Are Boeing and Airbus powerful suppliers to the airline industry? Discuss (10 Marks)
- b) What FIVE strategies can Kenya Airways employ to return it into profitability (10 Marks)