

Au Lac Airways

A pioneer in the new Vietnamese private aviation industry

Hoa Nguyen and Dr. Susan Jensen

College of Business & Technology, University of Nebraska at Kearney

UNIVERSITY OF
Nebraska
Kearney

Overview

Au Lac Airways is a pioneer in the 'new frontier' of the Vietnamese airline industry. As Vietnam transitions from a planned economy and communist structure into a market based economy, tremendous opportunities are emerging for private business. The Vietnamese aviation sector is predicted to grow 10-15% annually, largely driven by tremendous tourism demand. Au Lac Airways will be the first private airline in the Vietnamese market and will compete directly with Vietnam Airlines. As the current sole airline provider in the nation, Vietnam Airlines is owned and operated by the government, and has suffered from poor customer service and recent management scandals. As the government encourages private investment and enterprise, Au Lac Airways will capitalize on the booming economic growth in Vietnam and Southeast Asia, and take advantage of the strong increase in demand for air transportation.

The name Au Lac Airways reflects the rich heritage of the Vietnamese culture and draws from ancient creation myths. All Vietnamese are believed to have descended from Lac Long Quan (the king of the land of Lac, or Vietnam) and Au Co (the angel of the blue sky).

The concept of Au Lac Airways includes:

- enabling each passenger to custom design their flight options and amenities.
- ticket pricing that is composed of a base fare plus additions for selected passenger-selected features.
- premium onboard service with a well trained and polite crew, and
- Using information technology to apply the mass customization and just-in-time inventory techniques as a way to reduce cost and improve efficiency.

As a new player in the market, Au Lac Airways will use advanced information technology to maximize market potential. Au Lac Airways will also cooperate as part of a "skyteam" with other airline competitors. This approach will help Au Lac to more effectively leverage its capabilities and resources.

With its primary operations based in Ho Chi Minh City, Au Lac Airways will provide passenger service to airports located in Hanoi, Haiphong, Da Nang, Nha Trang, Vinh, Hue, Singapore, Hong Kong, Bangkok, Kuala Lumpur, Seoul, and Osaka, as well as Paris, London, Berlin, and Los Angeles and San Francisco.

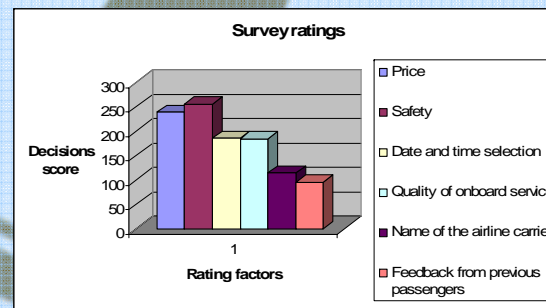
Abstract

Au Lac Airways represents an exciting new opportunity for both investors and for Vietnam. As the first privately owned and operated passenger airline in Vietnam, Au Lac Airways will utilize sophisticated information technology to reduce operating costs and enhance customer service. While the business climate in Vietnam has historically been very unattractive, recent changes in the political leadership and philosophy now make it very viable to launch a new venture in Vietnam. The booming growth in the tourism industry (and the government's current strong support of both the tourism and airline industry) suggest very favorable prospects for Au Lac Airways. The business model for Au Lac Airways is detailed in this business plan created as part of the Student Summer Research Program.

Primary Market Research Survey

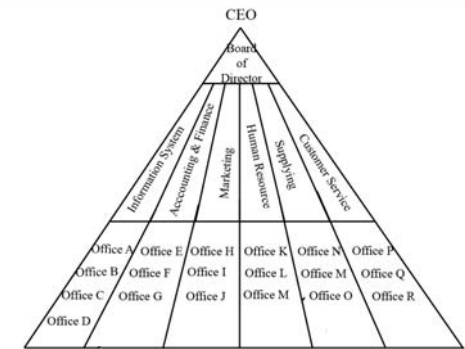
A primary market research survey was created and distributed as a way to gain a stronger understanding of market demand and preferences. Data from this survey was used to determine desired airport locations, amenities to be provided, and marketing emphases.

The 51 respondents represented a diverse demographic group (and were consistent with the target market of Au Lac). Overall findings indicated a strong preference for air transportation (relative to other modes available), and provided information on travel patterns and preferences. This survey also helped identify the factors deemed most important by customers when purchasing air travel. As shown in the table below, safety was the most important concern, followed by price, quality of onboard service, availability of flight times, followed by name recognition and feedback from prior passengers. Au Lac Airways' equipment and procedures enhances its ability to ensure the customer's safety, while providing a cost-effective and quality customer service. The main competitor, Vietnam Airlines, has suffered from a poor safety and on-time flight record, and has been the target of numerous customer complaints regarding quality of service. With its commitment to customer service, dedication to quality, and strong management team, Au Lac Airways is well positioned to serve the Southeast Asia market.



Management Model

The administrative model of Au Lac Airways will be based on the pyramid form, with the CEO at the top of the pyramid. The departments immediately below the CEO will be organized as cross functional teams. This will enable sharing of expertise and enable strategic flexibility.



Selected References

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- Turban, Efraim, *Information Technology for Management: Transforming Organizations in the Digital Economy*, Fifth Edition, Wiley.
- RMA Annual Statement Studies – Financial Statement Benchmark 2005-2006.*
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