Airline strategy during Covid-19 outbreak: A case study from Air Asia

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Abstract

Corona Virus Disease 2019 (Covid-19) is an epidemic that has affected all aspects of life, especially transportation and tourism. The operational mode of transportation has strict requirements from both the passenger and operator side to carry out health protocols and support the Government's efforts to prevent the increase in the positive rate of Covid-19 with a large-scale social restriction (PSBB) policy. On the other hand, these regulations impact the decisions of tourists and passengers to postpone or even cancel their trips. So this research was conducted with qualitative descriptive analysis method by describing the object of research based on related data and information. In general, this description can explain the phenomena relating to how AirAsia Indonesia is dealing with the Covid-19 pandemic. The data are taken from the World Health Organization (WHO), the Central Statistics Agency on tourism and transportation developments in Indonesia, and the AirAsia Indonesia Annual Report. The results found that there was a decrease in passengers, both domestic and International, due to the Covid-19 pandemic. So AirAsia Indonesia's strategy is to maintain the Company's performance by launching Unlimited passes, AVA Chatbot, Super ASEAN, and opening six new flight routes.

Keywords: Covid-19, strategy, AirAsia

1. Background

The end of 2019 marked the beginning of a new phenomenon that occurred throughout the world, namely cases of the emergence of a virus characterized by a respiratory disorder called Coronavirus or covid 19. The Covid-19 pandemic is reported to have begun to spread throughout the world, including Indonesia, and spread through people and goods using flight routes. And international services, this is in accordance with the Chinese Government’s report to the United Nations (Sohrabi et al., 2020). Then on March 11, 2020, the World Health Organization notified the whole world that after the announcement regarding Covid-19 as a global pandemic, this virus is zoonotic, which means it is transmitted between animals and humans. With the increasing number of patients indicated to be infected with Covid, it continues to increase every day (Sohrabi et al., 2020).

Coronavirus Disease 2019 (COVID-19) is a virus caused by SARS-CoV2, which belongs to a large family of viruses that cause infectious diseases and is often referred to as the Corona Virus. This virus was first discovered in Wuhan, China, in December 2019. The spread of Covid-19 is very fast and widespread because it can be transmitted through human-to-human contact. The SARS-COV2 virus is

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a new type of Coronavirus that causes an epidemic, first reported in Wuhan, China, at the end of 2019. In humans, it usually causes respiratory tract infections, ranging from the common cold to serious diseases such as Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS) (*Media Informasi Resmi Terkini Penyakit Infeksi Emerging*, 2020). Common symptoms experienced in the form of fever of approximately 38°C, dry cough, and shortness of breath.

There are several other symptoms that can also appear in Covid-19 infection, although less frequently, namely diarrhea, headaches, conjunctivitis, loss of the ability to taste or smell, and rashes on the skin. These symptoms of Covid-19 generally appear within two days to 2 weeks after the patient is exposed to the Coronavirus. Some patients infected with the Coronavirus can experience a decrease in oxygen without any symptoms. This condition is called happy hypoxia. This virus can attack anyone, such as elderly adults, children, and infants, including pregnant women and breastfeeding mothers. Because it is easily transmitted, the Coronavirus is also at high risk of infecting medical personnel who treat Covid-19 patients. Therefore, medical personnel and people who have contact with Covid-19 patients need to use Personal Protective Equipment (PPE).

Data on the spread of Covid-19 is still at a high rate, which is approximately 215 countries affected by COVID, and Indonesia is ranked 23rd with a total of 244,676 cases, with details of new cases (1 day) of 3,989 people and a total of 3 deaths. 90% or 9,553 people, with details of new death (1 day) 105 people. The percentage of healing reached 72.47% or around 177,327 people with details of newly recovered (1 day) as many as 2,977 people and those who were still sick or undergoing isolation as many as 57,796 people. The number of cases of the Covid-19 pandemic in the world continues to change, and it is recorded that in several countries, there has been a decline in cases of the Covid-19 pandemic, but there are also some countries that are still experiencing failures in dealing with the Covid-19 pandemic. The progress of the Covid-19 pandemic case can be seen through calculations from the Worldometers which recorded 217,913,843 active cases, 4,423,984 deaths and 194,788,510 recovered victims. So with the many cases of the Covid-19 pandemic in the world, several countries have implemented policies not to visit other countries and use public transportation, including air routes, and this has an impact on the decline in passengers on air transportation, including AirAsia airlines, which suffer a lot of losses due to the Covid-19 pandemic.

![Figure 1. Graph of Trends in Covid-19 Cases in Indonesia 27 May – 01 June 2020](image-url)
Source: Gugus Tugas Covid-19 end Beritasatu, 2020
If we look at the graph, it can be seen that the number of positive cases of COVID-19 in Indonesia is increasing every day. This incident prompted the Indonesian Government to extend the PSBB period, which was originally only 14 days, from April 1 to April 23, 2020, to June 4, 2020. The policy is still continuing in some areas because President Jokowi gave a decision to regional leaders to implement the PSBB policy according to local conditions. (Permatasari, 2021).

The COVID-19 pandemic in 2020 caused a major shock to the global economic system (Permatasari, 2021). The World Health Organization (WHO) recorded a total of 114 million positive cases around March 2021, up from around 75 million cases at the end of 2020. Community activities in all sectors immediately stopped, and this was immediately felt in the tourism sector. On September 1, 2020, the 7th President of Indonesia stated that the second quarter of Indonesia's growth was a minus, and if the third quarter experienced the same thing, there would be a recession. Data from the Central Statistics Agency recorded a decline of 88.45% (YoY) in the number of foreign tourists in Indonesia in the fourth quarter of 2020. This has caused an economic downturn and can be seen from the decline in the Composite Stock Price (JCI) by 6.5% on March 9, 2020 (Puspasari, 2020), so that on March 10, 2020, to maintain the stability of stock prices on the Indonesian stock exchange, the implementation of Trading Halt system. With the emergence of the Covid-19 pandemic, many companies have terminated ape relationships or went bankrupt due to a very significant decline in sales and services so that the Company's cash flow has stopped (Gayetri et al., 2020). The Indonesian economy grew negatively for two consecutive quarters in 2020, despite showing improvement, namely -5.32% (YoY) in the second quarter and -3.49% YoY in the third quarter, then to a level of -2.19% (YoY) in the fourth quarter of 2020. Overall, so far this year, Indonesia has grown by -2.07%. It should be reported that this contraction is still more helpful than some of Indonesia's trading partners, such as Singapore, which contracted by 3.8%, and the European Union, which contracted by 4.8% (Puspasari, 2020). Even so, Indonesia's inflation rate is still under control and assisted by the Indonesian Government's National Economic Recovery Program (PEN) to encourage the realization of state expenditures in the fourth quarter of 2020, amounting to Rp 732.75 trillion. Apart from Indonesia's economic growth, the impact of Covid 19 has hit several companies, especially the tourism sector, which have been completely dismissed because international traffic is not allowed or leaving the city (Kemenparekraf/Baperekraf Republik Indonesia, 2021). In Indonesia, domestic flights actually experienced a decline in March 2020, coinciding with the first case of Covid-19 in Indonesia, and the biggest decline was at Soekarno-Hatta Airport 71.4%, Sultan Hasanuddin Airport 70.8%, and Juanda International Airport 61% (Annual Report AirAsia Indonesia, 2020).

The International Air Transport Association (IATA) estimates that the world aviation industry’s losses during the COVID-19 pandemic in 2020 will reach US$ 118.5 billion or around Rp. 1,650 trillion. This figure is far from the original estimate released by IATA in June 2020, which was 'only' US$ 84.3 billion. In its latest report, IATA said that the revenue of airlines worldwide in 2020 will fall by 60% due to the corona pandemic, which has hit the aviation sector. World airline revenues in 2020 are estimated to be only around US$ 328 billion, which refers to 290 airlines from various countries (Anwar, 2020). In comparison, the aviation industry itself has experienced a lot of growth over the last few years, especially growth caused by the tourism sector and demand for cargo around the world. So that in the aviation industry, it can be seen that they have made the aviation industry one of the most important development sectors contributing to social development and economic growth by employing millions of skilled and semi-skilled people either directly or indirectly, and it is considered to be able to reduce the number of unemployed (Dube et al., 2021).

The airline companies that were directly affected by the COVID-19 pandemic, for example, the Air Asia Group company, Air Asia Group is an airline company from Malaysia that also has a subsidiary in Indonesia. This Company reported a loss of Rp. 2.8 billion compared to the Company's profit in 2019, which reached Rp. 113.94 million. In terms of routes, as of December 2020, the Company served
22 routes, consisting of 17 domestic routes and five international routes. The number of routes has decreased compared to 41 routes as of December 2019, consisting of 17 domestic routes and 24 international routes. This had an impact on the ASK level, which contracted by 71% (YoY) to 3,615 in 2020 compared to 12,629 in 2019. Meanwhile, the occupancy rate in 2020 decreased by 15.4% to 68.2% compared to the same period last year. And the number of passengers reached 2.15 million people or decreased by 73%. Based on this phenomenon, this research will explain how the impact of the Covid-19 pandemic is more severe on Air Asia and how Ari Asia's strategy is to deal with the pandemic.

2. Review of related literature

Several studies related to the impact of the Covid-19 pandemic on the aviation sector have been carried out, including research Andaka (2020) and Sugiarti (2020). The study analyzed the impact of the Covid-19 pandemic on aspects of the aviation business, including the ban on going home for Eid. Broadly speaking, it is concluded that the previous research identified that the pandemic caused a decrease in the demand for air transportation services, both from the passenger and goods aspects. (Andaka, 2020) highlighted the issue of the impact of the pandemic in the aviation sector, especially on the airline business, when the Government implemented a policy to ban Eid homecoming in 2020. Ardara's research used qualitative data analysis methods with secondary data sources from BPS. Based on the results of the analysis, it is known that in the first quarter of 2020, there was a relatively significant decrease in the number of aircraft passengers. As a result of this decline in the number of passengers, PT Garuda Indonesia in the first quarter of 2020 has the potential for a revenue decline of around 11 trillion or around 33% compared to the first quarter of 2019.

During the Covid-19 pandemic on flights, travel policy was also the main topic of research conducted by (Jurnal & Kedirgantaraan, 2020). The research was conducted using qualitative analysis with data derived from literature studies. Based on the results of the study, it is known that there are differences in policies related to travel rules applied in each region. The existence of several different aircraft travel policies applied in this area causes losses to passengers and airlines. Policies regarding the rules of travel by airplane should be more intensively disseminated to the public using flight services so that there is no confusion when implementing them. Research on the impact of the Covid-19 pandemic on the aviation sector is the focus of the analysis studied by (Sugiarti, 2020). In this study, a paired t-test analysis of two samples was carried out to see the difference in the number of passengers and cargo before and during the Covid 19 pandemic. Sampling was carried out at 5 (five) airports in Indonesia. Based on this research, it is known that there was a decrease in the number of passengers and goods that occurred during the pandemic compared to the period before the Covid-19 pandemic, both domestic and international flights. So from the results of previous studies, it can be explained that the Covid-19 pandemic has indeed affected aviation transportation in Indonesia.

3. Methodology

According to (I Made Wirartha, 2006), the qualitative descriptive analysis method is to analyze, describe, and summarize various conditions and situations from various data collected in the form of interviews or observations about the problems studied that occur in the field. This research was conducted using a qualitative descriptive analysis method by describing the research object based on data and related information. The data was taken from the World Health Organization (WHO), the Central Bureau of Statistics on tourism and transportation developments in Indonesia, and the AirAsia Indonesia Annual Report. In general, the description is expected to explain the phenomena that occur, relating to how AirAsia Indonesia is dealing with the Covid-19 pandemic.
4. Results and Discussion

Air Asia Profile

Air Asia Indonesia was founded in September 1999. At the beginning of its establishment, Air Asia Indonesia was named PT AWAIR Internasional. Changed its name to PT AirAsia Indonesia Tbk (AAID) officially became the parent company of PT Indonesia AirAsia (IAA) on December 29, 2017. PT AirAsia Indonesia Tbk, previously known as PT Rimau Multi Putra Pratama Tbk (RMPP), is a public company listed on the Indonesia Stock Exchange (IDX). The name change from RMPP to AAID has been approved by the Republic of Indonesia's Ministry of Law and Human Rights (Air Asia Indonesia Annual Report, 2020). Through its subsidiary PT Indonesia AirAsia (IAA), PT AirAsia Indonesia Tbk is a company engaged in the scheduled commercial flight business. As an aviation services company, the Company has 1 (one) head office and operates 16 service and sales offices spread across 12 major cities in Indonesia. The Company is always committed to providing satisfactory service to all customers and partners.

Air Asia Indonesia Facing a Pandemic

Based on financial reports from AirAsia airlines in Indonesia, it was recorded that revenue in 2020 was only Rp. 1,611 trillion, and this figure was much lower by 75.99 percent compared to revenues in 2019, which could reach Rp. 6.7 trillion (Annual Report Air Asia Indonesia, 2020). The following is a graph of Air Asia's Revenue from 2017 to 2020.

![Figure 2. Air Asia Company Revenue, Profit, and Loss in 2017 – 2020](image)


The AirAsia airline based in Indonesia stated that its revenue experienced a very large decline and suffered losses throughout 2020 due to the Covid-19 pandemic, which had a huge impact on airlines (CNBC Indonesia, 2020). The losses caused by the AirAsia pandemic have cut salaries for 533 employees and laid off 873 employees (Aida, 2021). AirAsia also terminated the employment of 9 of its employees. For the estimated decrease in total revenue for the period ended March 31, 2020, to April 30, 2020, compared to the period ended March 31, 2019, to April 30, 2019, between 25-50%. Meanwhile, the prediction of a decline in net profit in that period is around 75%.

The losses suffered by this Company also affected the stock price, namely at the beginning of 2019, the highest share price still reached 330 with the number of shares traded reaching 708,109, but the impact of covid 19, which occurred at the end of 2019 to be precise in the fourth quarter the highest share price was the same as the stock price. The lowest share price was 184. The share price remained the same until the end of 2020. The Company's management also explained that 2020 was a difficult year for Air Asia. However, management is optimistic that in early 2021 things will recover. The
management of Air Asia indeed does this by implementing a remote working system to protect the safety and health of employees and continue to monitor the Company, so it does not decrease drastically. Then on April 1, 2020, Air Asia management decided to hibernate and give management time to finalize the recovery strategy (Annual Report Air Asia Indonesia, 2020). Therefore, this article discusses how Air Asia's strategy in dealing with Covid-19 has had an impact on the Company's profit decline, resulting in losses.

Air Asia is known as the most economical airline and still holds that nickname. In a global crisis like 2020, Air Asia can get through it. This crisis did not last long because the Indonesian Government began to open several commercial flights with flight conditions according to health protocols during the COVID-19 pandemic. The impact of Covid-19 has made Air Asia management make several strategies to maintain the Company's performance or reduce losses.

1) Adding Services.
   The Board of Directors carefully identified AirAsia Indonesia's opportunities to expand its reach, which is not only for out-of-town and international transportation but also to add services, namely aircraft rental services (Anna Suci Perwitasari, 2020) to transport goods, medical personnel, as well as foreigners and Indonesians in repatriation activities.

2) Expanding Partners
   The Company also strengthens its position in tourist travel routes by strengthening cooperation with various stakeholders, such as digital travel ticket agents and local governments in various tourist destinations.

3) Create a New Route
   The creation of this new route is focused on tourism routes because it is hoped that after the pandemic, there will be many people who will travel due to the PSBB, which is quite time-consuming.

Apart from these three strategies, Air Asia understands that the phenomena that will occur in 2020, Air Asia understands that the phenomenon that occurred in 2020 due to the COVID-19 is that companies that are still surviving or experiencing profits are online-based companies or technology giants such as Google, Amazon, and e-commerce (Conney Stephanie, 2021). In this way, the management of Air Asia Indonesia realizes that technology cannot be separated at this time, because in 2020 all community activities can continue to run with the help of technology, and with technology, people can move without having to meet and make everything more practical. So AirAsia's technology-based strategy is as follows:

1) Unlimited Pass makes it more practical for people to buy tickets; with one pass purchase, they can fly to various destinations in Indonesia.

2) AVA (AirAsia Virtual Allstar) chatbot for Website and Mobile App. This update has been designed with the wishes of passengers in mind and is aimed at providing an easier experience to the AirAsia website. The changes include ticket booking to website browsing, offers provided by AirAsia to online shopping, as well as customer support. AVA features that have been updated are as follows:
   a) A new comprehensive website designed for easier and faster navigation, including upcoming flight notifications, search and recent search shortcuts, links to the best hotels, trips, duty-free shopping deals and activities, recommended destinations and links to BigPay, as well as the AirAsia money app.
   b) AI-powered chatbot available in the new live chat feature to answer your questions instantly. AVA is currently available in eight languages, namely English, Malaysian, Thai, Indonesian, Vietnamese, Korean, Simplified Chinese, and Traditional Chinese. The chatbot was built by AirAsia Software Engineering and Technology (AASET) and the
Customer Happiness team using technology from Ada, a Toronto-based company that specializes in AI-powered customer experiences.

c) New flight search with the map. iOS users can now choose where to go using an interactive map that pinpoints all AirAsia destinations on one page.
d) They combined Station Picker. iOS users can now select the nearest departure and arrival airport and filter them by the number of stops and flight duration.
e) Voice assistant. iOS users can also check the status of their upcoming flights by simply asking Siri. To use this feature, passengers must click the “Add to Siri” button under Flight Schedules or My Bookings.
f) FACES registration. Passengers can now register with AirAsia's Fast Airport Clearance Experience System (FACES) on their mobile app to clear security and board the plane seamlessly by clicking on 'My Account and 'My FACTS' to capture a 5-second video of their face.
g) Lowest rate calendar. Passengers can now search for the lowest fares using the "Low Fare Calendar," which has been integrated into the app, earn and pay using BIG Points and enjoy member discounts instantly upon logging in. (Irfan Laskito, n.d.2020).

3) ASEAN Unlimited, ASEAN Unlimited with this program, customers can fly as much as they want to several tourist destinations in Indonesia and in ASEAN countries, provided that customers who hold ASEAN Unlimited can immediately exchange tickets for departures for at least 14 days before the desired departure schedule. According to Airasia.com Indonesia Senior Marketing Manager Priska Lampangateia, prospective passengers can also take advantage of ASEAN Unlimited to plan business, essential, and tourist trips to various Indonesian domestic destinations up to several times a year without being charged a basic rate. The airline company AirAsia will also provide discounts of up to 50% in the midst of the Covid-19 pandemic. The offer can be accessed on all products on the super airasia.com application or the website.

4) The ride-hailing feature, with the ride-hailing feature, passengers can use points as a payment method or discount, such as the AirAsia Free Seats promo, so that passengers feel that the online motorcycle taxi service from AirAsia is very useful for them. AirAsia added a ride-hailing feature in the Southeast Asia region with the aim of expanding the services provided by the AirAsia online motorcycle taxi application and explained that AirAsia acquired Gojek's business operations in Thailand for US$ 50 million in July 2021. And from the results of the transaction, Gojek got a 4.76% stake from AirAsia SuperApp (Titis Nurdiana, 2021). The valuation of the AirAsia Group digital business unit is around US$ 1 billion, with Gojek's share ownership of the AirAsia Super App equivalent to US$ 1 billion (Annual Report Air Asia Indonesia, 2020) end (Yeti, 2021).

The agreement between AirAsia and Gojek indicates that the AirAsia Group's focus is shifting to the digital business. After the availability of online taxi services and food delivery, AirAsia will also add to e-commerce, financial technology, and logistics as part of the AirAsia SuperApp. The food shopping application feature will position AirAsia as the largest online supermarket in the area, making it easier for people to order food in the midst of the Covid-19 pandemic like this (Zuraya, 2020).

According to Fernandes, CEO of Air Asia, AirAsia has the capital to create a super application. That capital is a large user database. AirAsia already has a database with more than 60 million users as a starting point for creating super apps. The AirAsia application offers chat services to application users, who have a target to become a super app such as Grab based in Singapore, Gojek in Indonesia, and Meituan in China. Fernandes wants to make the airline the first airline to provide online services. For the use of the AirAsia service application, prospective passengers can directly order through the AirAsia SupperApp application, which can be downloaded via the Google Play Store, Apps Store, or App Gallery. And in the AirAsia service application, there is a Ride option that will appear on the main page.
and prospective passengers can choose that option to determine the type of vehicle they want. This Air Asia Group strategy can drive performance progress also for Air Asia Indonesia, plus a focus on services that utilize technology, which is very prioritized in this strategy.

In April 2020, Brand Finance declared AirAsia as one of the airline brands well-positioned to weather the COVID-19 crisis as the only low-cost airline in ASEAN to achieve this recognition. Towards the end of the year, AirAsia has also named Asia’s Best Low-Cost Airline for the eighth year in a row at the World Travel Awards. Furthermore, the Unlimited Pass strategy proved successful and was able to record revenues of around Rp23 billion. The success of another strategy is shown by the opening of new routes that increase revenue by 300% (Annual Report Air Asia Indonesia, 2020).

5. Conclusion
This article discusses the impact of the Covid-19 pandemic on the aviation sector. During the ongoing Covid-19 pandemic, it dealt a very severe blow to AirAsia airlines. The enactment of domestic and foreign travel restrictions causes a decrease in revenue by the airline AirAsia, and this has an impact on the reduction of employees by the airline.

Prolonged travel restrictions around the world put the aviation sector in a precarious position, so they must find ways to survive in the midst of the Covid-19 pandemic. The airline AirAsia in the midst of a pandemic like this they launched a new breakthrough to survive the Covid-19 pandemic, namely by creating Unlimited passes, AVA Chatbot, Super ASEAN, joining Gojek, and adding travel routes. In addition to looking for a survival strategy, Air Asia's management is also looking for opportunities, namely by adding services, transportation services for equipment such as medical devices. In addition to the strategy carried out by Air Asia Indonesia, Air Asia Group's policies also have an impact on the progress of Air Asia's performance in Indonesia, such as system updates in Air Asia's technological features.

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