

Competition heats up in Thailand's skies

THE NATION

AIRLINES, particularly low-cost carriers, will face intense competition from the entry of more players as well as other challenges such as the volatile political climate, according to Frost & Sullivan.

"With the political unrest, air travel demand is expected to decrease, which will only intensify market concentration. Whatever the strategies of the various airlines are, 2014 is going to be an interesting year for aviation in Thailand," Ravi Madavaram, an aerospace and defence consultant from the consulting company, said yesterday.

And given the imminent impact of the Asean agreement, the time lost at this juncture could be critical for Thai businesses, he said.

Asean has triggered a mad rush by airlines to reach all the major markets in the region – Indonesia, Singapore, Thailand, Malaysia, Vietnam and the Philippines. But the latest zone of significant market activity is Thailand, predominantly because there has been no major low-cost carrier (LCC) founded in Thailand besides Nok Air.

Indonesia has Lion Air, Singapore has Tigerair, Malaysia has AirAsia and the Philippines has Cebu Pacific. This lack of a home-grown regional LCC has left the market open for LCCs from elsewhere.

AirAsia has been in Thailand for a decade, almost at the same time Nok Air came into existence. However, AirAsia has been the dominant player in the region and Nok Air limited itself to compete in Thailand. The recent entry of Lion Air, Thai Airways' internal challenges, Bangkok

Airways' growth plans and the launch of NokScoot and AirAsia X contribute to the challenging times ahead for airlines this year.

"AirAsia is expected to see immense competition in the regional LCC market from Lion. NokScoot will compete with AirAsia X. Nok Air will see domestic LCC competition from AirAsia and Lion Air. Even though Thai Airways focuses on the long-haul, full-service market, due to its cost structure, top management issues and increased competition from Middle East airlines, Thai Airways will have a challenging 2014," he said.

With so much seat capacity being added in the market, yields are going to fall sharply on all routes. Price wars will be prevalent throughout the year for each player to gain market share. Nok Air and NokScoot are expected to take a hit as they will be slower to respond to market changes than AirAsia and Lion Air. But the war to look out for will be between Thai AirAsia and Thai Lion. Thailand will be the battleground before they move onto the bigger platform of Asean. The one player that has not entered this market is Tigerair, which has taken a different approach to Asean than AirAsia or Lion Air. Tigerair formed alliances with home-grown LCCs in most of the countries – Cebu Pacific in the Philippines, Mandala in Indonesia and Spicejet in Indonesia.

The lack of native LCCs in Thailand limited the options that Tigerair could explore.

"However this could be a blessing in disguise, as Tigerair could avoid all the challenges this year 2014 and enter Thailand at a later stage."