



Factors Affecting the Revenue of Air Asia Berhad During Covid-19 Pandemic

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ABSTRACT

Air Asia Berhad is very well-known as the low-cost airline, the headquarter is located in Kuala Lumpur, Malaysia. It is the largest airline in Malaysia by fleet size and destinations. It has consistently been named as the world's best low-cost carrier for 11 years by Skytrax. Low-cost plan helps the company to earn profit in fact. However, in 2020, the revenue of Air Asia Berhad has decreased terribly due to the Covid-19 pandemic. Covid-19 pandemic began to spread in the final week of January 2020 at Malaysia and until this moment in time, the whole world is still facing the pandemic. It is also known as Coronavirus which can be spread through air and close contact. Due to Covid-19 pandemic, the passengers carried has been decreased by 74% by January to December 2020 on comparison with January to December 2019 which directly implies less revenue generation. Furthermore, many of the staff has been laid off. The particular aim for this research is to determine the factors affecting the revenue generation of the company during Covid-19. Google form was used to collect the needed information for this research. With the collected data through the study, it was found out that restrictions in travelling, paucity of passengers and high number of workers in the company are the main factors giving the current impact to the company's revenue.



Keywords: Air Asia Berhad, Low-cost airline, Covid-19 Pandemic, Close contact, Google form, Revenue

INTRODUCTION

Travelling is a hobby which is favored by almost everyone all around the world. The meaning of travelling itself means moving from a place to another place which is distant with a relatively short and sustainable duration. Travelling can be done by walking or by transportations such as motorcycles, cars, buses, trains, airplanes, and many more to that. Usually, the distance of the destinations influences the type of transportations that are needed for the travel. In this particular case, people will always prefer travelling by air transportations due to time saving.

Air Asia Berhad is known as a company that operates in the field of air transportation. Air Asia Berhad is a famous budget airline that is headquartered in Kuala Lumpur, Malaysia. This company is one of the best private airline industries in the international sector. The result of the study conducted by Ping, Kee, Ling, Xian, Sian and AlNasser (2019) found that AirAsia is more prefer by Malaysian among other airline companies. The reason is good service provided by AirAsia, good reputation of the company, and affordable ticket price. The Air Asia Berhad flight routes include most of the Asian countries, including Indonesia, Thailand, Japan, Saudi Arabia, Vietnam, China, Hong Kong and Singapore. The Air Asia Berhad including its affiliates, operates a fleet of 90 aircraft. It also flies to more than 60 destinations from a few country hubs in Malaysia, Thailand and Indonesia.

AirAsia operates more than 3,500 flights a week and it has a striking red color that attracts everyone to look up at it. The company hires up to 7,500 employees and in its short history, has flew more than 90 million guests. Asia's largest budget carrier is now standing tall to be a truly ASEAN (Association of Southeast Asian Nations) carrier, linking communities, cultures, and cities across this diverse region

Serving the underserved has helped make AirAsia popular with the masses. The valuation amount of RM3.2 billion on Bursa Malaysia has made AirAsia a sought-after stock with investors. The status as an international brand makes AirAsia it a shining star in the Malaysian corporate firmament. The flat management and open floor workplace make AirAsia have enjoyable environment for the employees to work with.

Air Asia follows a no-frills business model. This is another factor which helps them to achieve the Competitive Advantage of low cost. If you want additional comforts, you must pay extra. Through this list we can literally see and assume how much revenue achieved by this company. Unfortunately, the current terrible condition of the world causes many bad impacts for big companies and one of them is Air Asia Berhad.



The Covid-19 pandemic which hits the world right now is certainly and definitely very influential on the life of every human being all over the globe. Many activities have to be stopped due to the existence of the pandemic and this current situation has caused many terrible impacts towards most of the businesses, especially airline industries. The financial performances which supposedly should have been running smoothly has suffered a great loss because of the Covid-19 pandemic. In 2020, the revenue of AirAsia Berhad has gone through a drastic change because of the disastrous pandemic.

The negative change of revenue that has been experienced by AirAsia Berhad during the Covid-19 pandemic could have been influenced by several factors. Thus, the purpose of this research is to find out what factors affecting the AirAsia Berhad company's revenue during the Covid-19 pandemic and what solutions can be done to overcome the factors affecting the revenue of the company during the Covid-19 pandemic.

Since the hit of Covid-19 at the end of 2019, many businesses were affected and that included the largest industry in the world. Talking about largest industry, Air Asia Berhad was a part of it as the well-known inexpensive airline. Unfortunately, due to the spread of Corona virus, the revenue has terribly dropped as it caused paucity of passengers, restrictions in travelling and also the high number of workers that need to be paid. This situation could not be handled because people could not go against the virus as if they go to the war. Instead, they have to protect themselves by staying at home and most of the employees were laid-off so that Air Asia Berhad can cut down some of its expenses.

As how mentioned from the introduction, AirAsia is a budget airline from Malaysia. Thus, an airline company is basically earning money from passengers, cargo shippers and other transport-related services. Also, airline company will spend the expenses on flying operation, maintenance, aircraft and traffic service. As well as AirAsia Berhad, compared to 2019 and 2020, the profits of AirAsia Berhad apparently face a huge gap due to Covid-19. Table 1 shows the revenue and Table 2 shows the net profit respectively by AirAsia Berhad in year 2019 and 2020.

Table 1. Revenue by AirAsia Berhad in year 2019 and 2020.

Year	Quarter 1 (RM'000)	Quarter 2 (RM'000)	Quarter 3 (RM'000)	Quarter 4 (RM'000)
2019	2,727,228	5,648,537	9,086,399	11,860,403
2020	2,311,761	2,430,724	2,869,821	3,136,274



Char 1. Revenue by AirAsia Berhad in year 2019 and 2020

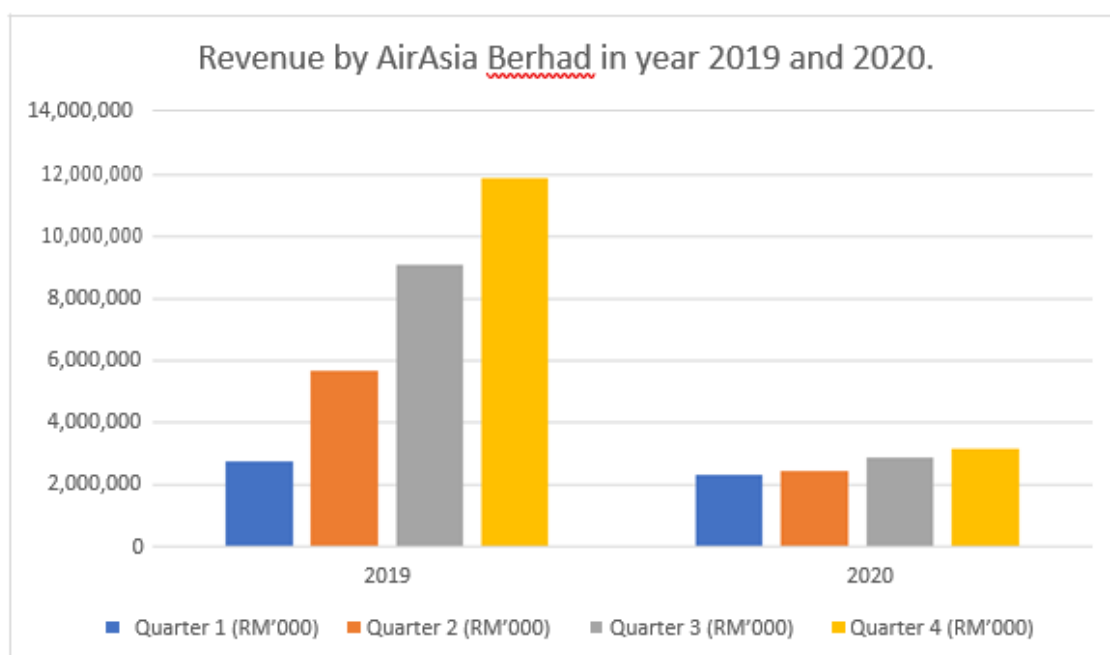
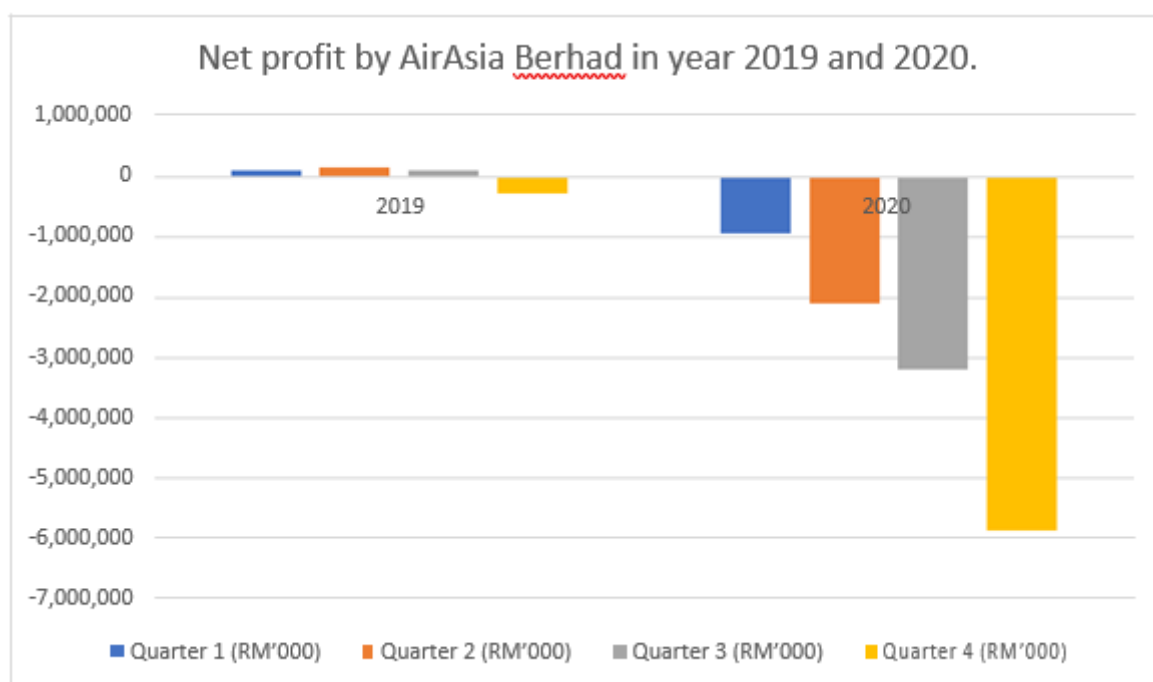


Table 2. Net profit by AirAsia Berhad in year 2019 and 2020

Year	Quarter 1 (RM'000)	Quarter 2 (RM'000)	Quarter 3 (RM'000)	Quarter 4 (RM'000)
2019	101,609	144,781	99,466	(283,223)
2020	(953,324)	(2,112,788)	(3,205,588)	(5,866,704)



Char 2. Net profit by AirAsia Berhad in year 2019 and 2020



From Table 2, net profit of AirAsia in 2019 was increased from Quarter 1 to Quarter 2. Although in Quarter 3 slightly decrease but still earning the profit, however in Quarter 4, the AirAsia started to loss due to the outbreak of Covid-19. In addition, at the beginning of 2020, the group faced a net loss throughout the quarter and the net loss continued to increase.

The decrease of revenue and profit is exactly due to the global disease, Covid-19. That is because of there are some restrictions applied during the pandemic. Although some restrictions are not applied to the company, but it affected customers which the revenue and profit resource of the company. For example, the government implemented the restriction to the public, it not only affected personal life, but also related-field. As an example, the implementation of not allowing to dine-in at the restaurant, not only causes public have to take-away the meal, but also causes the restaurants to have less sales in day. Therefore, the restriction from government more or less affected the revenue and profit of AirAsia Berhad.

Factor generally known as two things. The first one would be a normal noun that contributes to a result. This particular definition of factor can also be identified as circumstance or influence. The second meaning of factor would be a Mathematic term. The purpose of this research is to study about the factors affecting the revenue of



AirAsia during Covid-19 pandemic where the factor here will give a contribution to the result.

The spread of Covid-19 has made everyone delay to travel. People must have self-isolated in their own home to break the chain of Covid-19. Generally, the Covid-19 pandemic has disrupted everyone's travel plans and had to spend their holiday seasons in their home. Unfortunately, it did not just end there. The corona virus could not be put at ease and once the holiday seasons ended, everyone had to go through everything online, work from home to virtual classes.

According to the United Nations World Tourism Organization (2020), international travel had never been restricted to such extreme before. To keep the number of cases rising under control, around 200 countries and territories worldwide have closed their borders. There was a huge decline of a total of 70% of International Tourists Arrival in January to August 2020 over the same period of last year among the major travel restrictions due to pandemic impact (Malra, 2021). No one was allowed to go in or go out except that has been set during the first wave of the pandemic such as, medical issues, education purposes and going back to family.

This current chaotic situation has caused a great loss for the tourism sector and airline industries. Since the flight has been suspended and the borders have been closed, the amount of sudden lost exceeded billions of dollars. The airlines started to run out of money and started to be caught in debt. Air Asia Berhad was severely affected by this pandemic. The amount of loss they faced was underwhelming till Mr. Tony Fernandes had to seek help by applying loan from the Malaysian government (Financial Times, 2020).

As travelling abroad was strictly restricted, AirAsia Berhad was focusing on domestic travels and solely relied on those operations before they came up other alternatives to save their revenue, even though it is undeniable that this strategy greatly affects the income (The Star, 2021).

The Covid-19 has greatly impacted the number of airlines' passengers for the whole year of 2020. The Co-founder of AirAsia, Tony Fernandes, has stated that the demands for air travel have abruptly collapsed since February and March 2020 due to the corona virus breakout. Air Asia Berhad has also stated about the reductions in capacity were mainly from Malaysia by 17% and the Philippines by 1% because domestic and international routes were discontinued in the middle of March (Kumar, 2020). The pandemic has given a negative result as the border closures in most of Air Asia's key markets including Malaysia, Thailand, Indonesia, Philippines, China and India. This has caused a 22% reduction in total passengers carried in the first quarter to 9.85 million (Kumar, 2020).



Even, through the research that has been made to collect the data, the differences in the digits between before and after the pandemic was drastic. Only a few customers out of the whole had the chance to travel with valid reasons. The customers have even stated that before travelling they were required to undergo multiple procedures. It does not matter whether they have valid reasons to travel but if they have failed to fulfill the procedures, their application for the travelling will be rejected. At the early stage of the pandemic, the vaccine was not formulated yet and even so at this very moment, not everyone can receive their vaccination anytime or whenever they want. Adding on, swab or rapid test is not known as something cheap and affordable to everyone which leads to the cancellation of travelling. That is why, the revenue got affected because of the pandemic as it is becoming a great barrier to everyone and that includes the customers and also the company itself.

When Covid-19 pandemic starts to spread, Air Asia Berhad had an internal turbulence with the number of employees they had. The amount of loss was technically at peak till Air Asia Berhad had to put itself in a debt. As travelling abroad was prohibited and multiple restrictions existed, the airline industry did not get enough passengers to hit their target revenue and the whole chart collapsed instead. This has severely affected the internal affairs, especially when it comes to the employees.

In the beginning of June 2020, there was an announcement where they might lay off employees to cover up for the losses that AirAsia Berhad has been going through. At first, the expectation for the lay-off was 111 out of 1,900 cabin crews, 172 pilots and also 50 engineers (Business & Human Rights Resource Centre, 2020). Then, in the early month of October, they had to lay off 10% staffs out of 24,000 of them (Bernama, 2020). Recently, there was also an announcement made where there will be more employees being laid off if the interstate travel restrictions are not lifted by the end of April.

The purpose of laying-off the employees was Air Asia Berhad had to protect their business from worse downfall after the Covid-19 pandemic. In order to reduce the expenses, Air Asia Berhad had considered the consequences and decided to lay-off the employees in the end.

RESEARCH METHOD

The method used in this research is quantitative method. Quantitative method is systematic, planned, and structured scientific research on parts and phenomena as well as quantitative-variable research with the object of research. The research method aimed particularly to determine the factors affecting the revenue generation of the Air Asia-Berhad company during the pandemic period.

Data collection techniques in this study were carried out by distributing online questionnaires via Google Form. The data was collected through a structured



questionnaire. The questionnaire consists of various kinds of questions in accordance with the research objectives and divided into Demographic Information, General Questions, Scale Questions, and Employee Reviews

These aimed to know about the company in passengers' view, their precautions and guidelines taken during this pandemic, together with that employee view where we can get to know the effect on management and workers life. The section of demographic is related to gender and age.

After the response is which collected from the participants, we analyzed the data to ensure the correct points. The responses collected are discussed in the results and discussion.

RESULTS AND DISCUSSION

The objective of this study is to analyze the factors that influences the revenue of Air Asia Berhad. Google form has been used as a medium for a questionnaire to collect the data needed for this research. The questions were frame to know the customer experience of Air Asia services pre and post pandemic situation. Adding on, the questionnaire also aimed in collecting data about the employees being laid-off due to the drop in the revenue.

Table 3. Personal Information of the Respondents

Details	Category	Frequency	Percentage (%)
Age	18-25	56	81.16
	26-40	9	13.04
	41-70	4	5.80
	70 & above	0	0.00
Gender	Female	43	62.32
	Male	21	37.68
Nationality	Malaysian	48	69.57
	Others:		
	Indian	13	18.84



	Indonesian	8	11.59
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Through the questionnaire, as many as 52 respondents out of sixty-nine have travelled with Air Asia Berhad before. Which means 75.36% of them have experienced the services that has been provided by Air Asia. Most people that have travelled with this airline company admitted that the journey cost was very effective. This proves that Air Asia Berhad is a ow-cost airline company that has succeeded in becoming the destination of every traveler. Thus, the initial journey cost has never been a problem to the customers which means the drop in the revenue was not caused by the pricing.

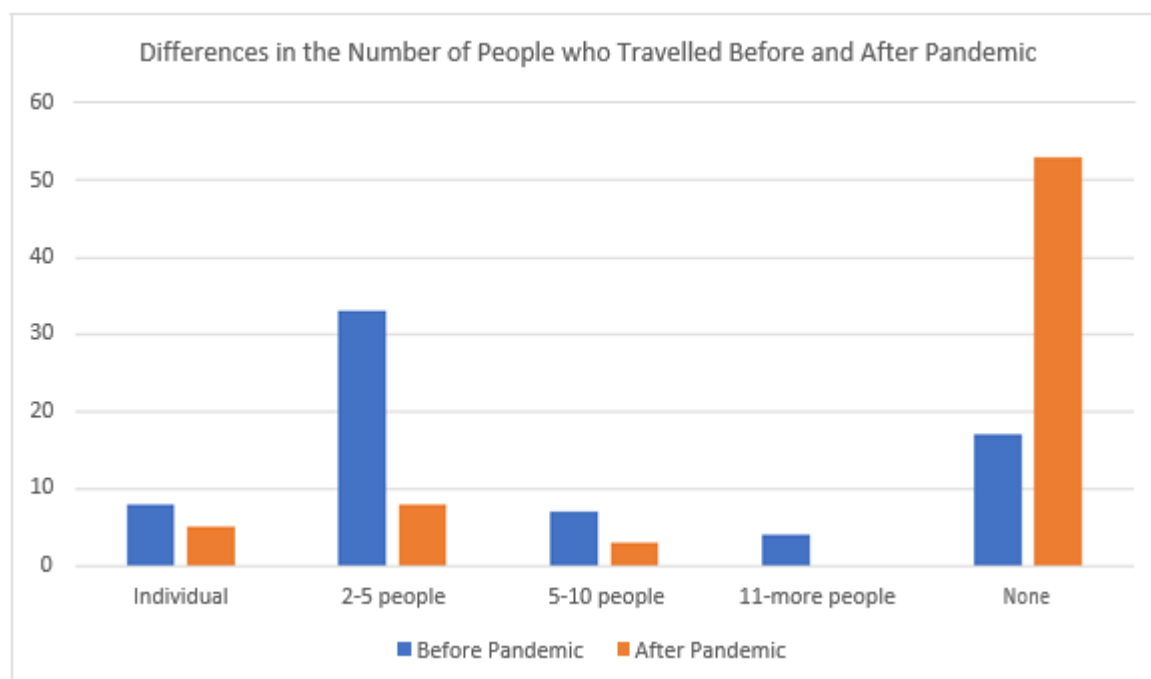
The questionnaire has identified the differences between pre and post the Covid-19 pandemic. Table 4 represents the number of people that have travelled before and after the pandemic.

Table 4. Differences in the Number of People who Travelled Before and After Pandemic

Number of People/Pax	Before Pandemic	Percentage (%)	After Pandemic	Percentage (%)
Individual	8	11.59	5	7.25
2-5 people	33	47.83	8	11.59
5-10 people	7	10.14	3	4.35
11-more people	4	5.80	0	0
None	17	24.64	53	76.81
Total	69	100	69	100



Char 3. Differences in the Number of People who Travelled Before and After Pandemic



Travelling industry has always been known as the busiest and largest industry around the globe, but when the global pandemic strike, the industry could not be defined largest anymore (Loss, 2019). From the above table, it was obviously explained through digits that the pandemic has become the solid reason for people to not travel nowadays, which means the Covid-19 pandemic has greatly affected the revenue of Air Asia Berhad with the decreasing in the number of customers.

Even so, with the minimal numbers of customers who intend to travel with valid reasons, such as working, school, and medication purposes, have stated that there are early procedures that the travelers should undergo before travelling. Through the questionnaire, the travelers mentioned that they should be vaccinated before travelling overseas. Besides, having swab or rapid test is compulsory and they should show or give the proves about the test to the authorities who were responsible. The tests are mandatory for every destination they go to.

By using the questionnaire as the medium, the customers or the passengers have suggested ways or improvements that can be made to maintain or move better towards the better phase of the airline. As much as 68.75% of customers have strongly agreed and 28.13% agreed that everyone should maintain their social distancing to reduce the



risk of getting infected even when people are gathering in the same place. Furthermore, several customers who have experienced Air Asia Berhad's services during the pandemic have agreed that the employees, especially, the cabin crews to be trained more in handling and serving the customers during the pandemic. In addition, even though 18.75% of customers are neutral about requiring more quality with precautions in the food preparations, the other 81.25% were definitely positive about it. Furthermore, the customers of this airline have strongly initiated that the cutleries provided with the meals should be sterilized well before being served. Lastly, the customers have agreed and neutral about everything that encounters people should be sanitized and disinfected frequently.

Air Asia Berhad suffered from loss since the end of 2019 until now. Employees also affected by this loss, whether they work in domestic airline or even in overseas flight. It is mostly due to the implementation of movement control order by most of the countries to stop the outbreak of Covid-19. Although most of the data collected are from passengers, but fortunately there is still some respondents are the employees of the airline company.

Table 5. The employees from AirAsia company being laid off

Details	Category	Frequency	Percentage (%)
Employees/Non-employees from AirAsia	Non-employees	66	95.65
	Employees	2	2.90
	Blank	1	1.45
	Total	69	100
Employees being laid off from AirAsia company	Yes	2	100
	No	0	0
	Total	2	100



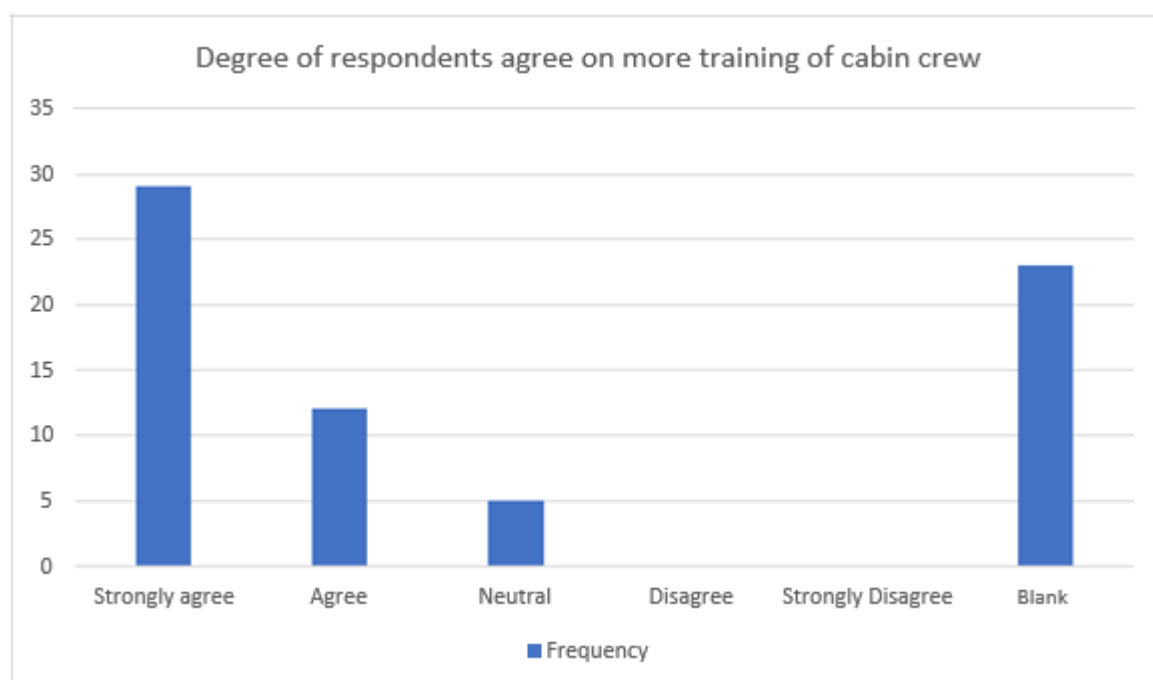
From the data collected through the research, 2 respondents (2.9% of respondents) replied that they are cabin crew and pilot from Air Asia Berhad. However, from their response, one of them was being laid off, while another was temporary laid off because of the pandemic. As from the response of the research, the salary range for the employees is at least RM 200, which mean if the company laid off the workers, the company actually would save the same range on the expenses. Thus, more or less can relate that Air Asia Berhad will lay-off the workers in order to cover up their expenses because the revenue is not much during the pandemic.

Table 6. Degree of respondents agree on more training of cabin crew

Details	Category	Frequency	Percentage (%)
More training on cabin crew	Strongly agree	29	42.03
	Agree	12	17.39
	Neutral	5	7.25
	Disagree	0	0
	Strongly Disagree	0	0
	Blank	23	33.33
	Total	69	100



Char 4. Degree of respondents agree on more training of cabin crew



From Table 6, there are 41 respondents (59.42% of respondents) replied that the company should give more training to cabin crew in serving the passengers with more precautions. More or less, it can relate that the company needs to pay more money not only on training cabin crews, but also on some accessories such as protective gloves when serving food to the customers. In that case, company also has to hire some expertise to train their employees as well. However, it will actually give the company the double burden, the company not only has to pay salary to the team when they are in training, but also when they are ready to serve customers in flight.

CONCLUSIONS

This research has identified the factors affecting the revenue of Air Asia Berhad during the Covid-19 pandemic. The factors are restrictions in travelling, paucity of passengers and also high numbers of employees which cause the decrease of income. The customers who used to travel by Air Asia could not travel when the pandemic strike as the borders were closed. The situation got even worse when it happened during the peak holiday seasons. Most people have made cancellation for their ticket purchase which has caused tangles to the revenue. To overcome this situation, Air Asia still proceed with the domestic travels that was still allowed for particular reasons such as



medical, education and work and also in importantly by following procedures to ensure everyone's safety.

The numbers of passengers or customers has greatly decreased due to the pandemic for many reasons. At the top of all, it was the fear in every individual as for them safety was first. Then, it comes down to the restrictions and tight procedures that were not cheap. Thus, travelling was never easy since the outbreak of Covid-19 until now. As the main source of the income was affected, they had to overcome it by a tough decision which is by laying-off the employees.

The number of employees were really high initially as Air Asia Berhad was one of the biggest airlines in the industry. Unfortunately, due to the downfall that has caused by the pandemic, they had to lay-off the employees. It was really hard to come to this decision but it was done to safe the company from bankrupt.

AirAsia always becomes the best choice for consumers when they need to travel at low cost. The results from the data collection did give contributions to the research however as the problems occurred, there is nothing much to do to recover the initial revenue before the whole pandemic situation. In addition, as have been suggested by the customers, Air Asia Berhad can improve their precautions to ensure everyone's safety and comfort during their travel in the middle of the pandemic. The only way is to wish that the pandemic will come to end soon, so most of the business can be recovered and accomplish their business goals as well.

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