
Interview transcript: Tony Fernandes of AirAsia



Knowledge: AirAsia has done phenomenally well over the past 5-6 years. You've had your IPO (on Bursa Malaysia) and you're still looking to grow substantially in Asia.

Fernandes: We're in a huge market and, as you say, we're only 5 yrs old. Southwest Airlines has 400 planes in a market of 350 million people. We're in a market that's double, triple that. So a lot of potential to grow, but grow sensibly and grow at the right pace is, I think, the key.

You've concentrated on Malaysia but you have looked further afield to Thailand, Indonesia. Is Southeast Asia going to be the critical market for you?

Without a doubt. We think there's a lack of ASEAN (Association of Southeast Asian Nations) brands and we think ASEAN's been kind of looked over. Everyone's focusing on China and India. We have 600 million people in ASEAN, of more or less the same socioeconomic background ... So that's our focus. In some ways it's been looked over by many people, so let's be key in that first. Our strategy is very clear: Be key in your own country first. In terms of low cost, I think we are. Then go out to ASEAN and then maybe one day go to India and China.

What sort of strategy have you taken regarding building your branding, which is key in all this?

Yeah, we've been aggressive on branding. We aggressively do PR. We've also put a lot of money into sports branding such as Manchester United and (motor racing team) Williams. Many Asian companies don't value branding as much because they don't see it in the bottom line straight away. It's something that even I have to explain to my board time and time again, that the fruits of branding are over five years. But I think it's been very key in our growth and we'll continue to invest in it.

You were with the music industry for a long time and then you switched to the airline business. You've followed the Richard Branson route up to a point, but you're still looking at the low cost/budget model as being the driving force for what you're doing.

I think there's always that comparison to Richard Branson. Big difference: he owned a record company, I worked for one. I think I'm a little bit more focused, in that the Virgin brand has luxury sides and low-cost sides. We're very much focused on the underserved, on the market that many people have missed out on, which is the vast majority of the population, so be it Tune Money, Tune Hotels or AirAsia or AirAsia X (Tune Air is AirAsia's largest shareholder). We're always trying to serve people who've never had a chance to do it and invariably we're competing against brands that have gone upmarket and hence have built a cost structure that can't serve that market. Branson in some ways has also gone after industries where he sees a lot of waste, but he doesn't necessarily go for low cost. We've always tried to focus on that side.

You mentioned Southwest Airlines. That was the model for AirAsia: quick turnarounds and keep it cheap. You're going to stick to that model even when doing long-haul flights?

Yeah, 100 per cent. I think it has to be seen whether it works. I believe it will ... I'm convinced the consumer wants it. Television has made the world smaller. People want to see (things). Globalisation is here. It's brought the world closer together.

Why get into the hotel business now, in terms of budget hotels?

I just think people want it. I'm a different kind of CEO in that I spend a lot of time with my guests. I'm out there everyday talking to them. I'll ask taxi drivers what you think of our product. I'll ask guys in this hotel today. From them you learn what they want. Why spend hundreds of millions of dollars to get someone to tell what they want, when you can just ask them? And people want just a bed. What do Asians love to do? Shop and eat. The mode of transport and the hotel are less important things to them. So if it's clean, cheap, nice bed, nice shower, people want it. There isn't a branded low-cost hotel in Asia like Motel 6 in the US or Formule 1 in Europe. So I saw that as an opportunity. A lot of new entrepreneurs are coming into the field, so here's an idea. Match the entrepreneur who wants to go and do it. Give them some capital (and) Bob's your uncle.

What advice do have for entrepreneurs?

I think one, never listen to anyone else. Just go with your gut, because you'll never start otherwise. Everyone in that room (the Bloomberg Forum) would have advised me not to start the airline. Everyone in the population of Malaysia, probably would have. So I think you've just got to feel what you believe and you've got to go for it and not be afraid of failure. That's one of the things in Asia. Everyone is geared for success. You've got to do this, you've got to achieve. You've got to be a doctor, lawyer. So try. Life's about trying and live the day. If you fail, you fail, but at least you don't want to sit there at (the age of) 55 and say 'I should have done it.' That's the worst feeling. You can't go back in time. So my best advice is go with your gut, give it your best bet and you may fail but don't give up.

There's a lot of talk these days about sustainable development and responsible leadership. You're growing very quickly as an airline but it's a major polluter.

It's got to be a level playing field on that. Yes, we've gone and bought 200 new planes. (AirAsia has ordered 150 Airbus A320s with options on another 50). We fought very hard with air traffic control. We, per passenger seat, because we put more passengers on to the plane than anyone else, contribute a lot less. So we're doing our bit. We had an environmental audit way before this even became an issue. But you can't just demonise the airline industry. The car industry has a lot to answer for. Americans consume an enormous amount of electricity, compared to us. So we've all got to play a part. Sorting out air traffic control would be great as opposed to us circling round in the sky for a long time. But there's got to be a concerted effort and

it's not just something nice to hammer the airline industry (with) and make people feel good about themselves. Travel is here and (isn't) going to go away and why should Asians be deprived of it? Globally, we all have to play a part. Whatever, globally, is put in, we'll play our part for sure.

You're about to start long-haul flights in September. Oasis (of Hong Kong) has already started long-haul budget flights. Have you been watching what they've been doing?

Not really, it's a different model. Everyone's scared to go the whole hog. So Oasis has business class. It looks to me a little bit like a SIA (Singapore Airlines) plane to be honest. So I don't think it's sustainable unless you get a substantial cost difference. The only way we think it can work is to go low cost. Time will tell whether the consumers will want it. I believe they will because I'm not appealing to people who've been used to flying ... so I believe there's a market. That's the key thing in the business and we have to provide a product that the market wants. That's the question. Whether we have it, time will tell.

Apart from the long- and short-haul flights, you've got a hotel business and online financial services. Are you worried about spreading yourself too thinly?

No, not at all. It's all about human capital. I'm hardly involved in the hotel business. I come up with the idea and I give it (to someone). I'm a vc (venture capitalist) in some ways. My job day-to-day is AirAsia. I enjoy doing that, I enjoy the challenge of getting KL-Singapore (route) which we will get. I enjoy proving people wrong. That's my baby. That's where I'm different from Richard (Branson) who starts up lots of businesses and keeps starting them up. Where I'm similar, I've started a few businesses but I'm still actively involved in what I started, the very first one. So, no I don't think so. And with AirAsia, you must build a company that has the ability to outgrow the founder otherwise you've failed in your mission.

I think we have a huge depth of talent and there'll be a day ... that I will say I've outlived my usefulness. It hasn't come, in my opinion. But there will be a day where I say, there's a better guy to do the job and I think that's important. Succession planning. Enough emphasis hasn't been put on that in Asia.

It's very important that AirAsia succeeds me and Deputy Group CEO Kamarudin (Meranun) and all the initial founders. One day we'll go. But right

now, (regarding) the other businesses, I'm an investor, an idea man and obviously I'm rolled out for press conferences when they need me. But that's about the amount of time I spend on those (projects).

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