Seven Unique Differentiation Strategies to Online Businesses: A Comprehensive Review of Malaysia Airline System (MAS)

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**Abstract**

Differentiation is defined as the process of adding a set of meaningful and valued differences to distinguish the company’s offering from competitors’ offerings (Kotler, 2003, p. 315). The created value as obtain from being difference is to enhance the standard, performance review and establishment of one’s company. Therefore it’s important to strategize company’s differences in boosting up the profit, achievement and acknowledgement. The main purpose of the case study is to review and evaluate MAS’s website by applying Seven Unique Differentiation Strategies to Online Businesses (site environment/ atmospherics, making the intangible tangible, building trust, efficiency and timely order processing, pricing, CRM and enhancing the experience). In this study, qualitative data from MAS’s website was analyzed and discussed through proposed concise list of Seven Unique Differentiation Strategies to Online Businesses by Strauss and Frost, 2006. The study is expected to improve the differentiation of organization’s image and service information availability and accessibility on the Web in future. Finally, Researches agree to look into further the changes that should be made to enhance the Air Asia website evaluations and that changes are pertaining to virtual tours, appealing the 3-D images, immediate customer response and better “On Time Acknowledgement” for MAS’s CRM.

Keywords: Differentiation Strategy, Online Business, Web Evaluation, and Malaysia Airline System (MAS).

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**INTRODUCTION**

IT-driven strategy is where a technology facilitates the provision of customized offerings, accurate segmentation and supplies the crucial loop of information which sustains the dialogue (McKenna, 1991; Mueller-Heumann, 1992). IT ensures that companies can track customers on an individual basis, subsequently converting selected customers into loyalists and eliminating the less desirable ones from their portfolio (Jones and Sasser, 1995). The internet is becoming an indispensable tool for companies that emphasise a
customer-service orientation (Levenburg, 2005). A study conducted in Singapore found
that three of the top four major commercial uses of the internet were services-related –
including conducting electronic transactions, gathering feedback from customers, and
providing customer service and support (Soh et al., 1997). Wallace et al. (2004) found
that if customers have multiple channels (including the internet) for interaction and
purchase, they are much more likely to be satisfied and loyal. Because perceived value
influences the satisfaction, retention, and loyalty of customers, this is of significant
strategic importance to most retailers (Gale, 1994). It has been established that retailers
who are more optimistic about the internet’s ability to enhance sales and profits attach
greater importance to the use of e-commerce applications, and retailers who make more
extensive use of internet applications are more likely to reap e-commerce benefits,
especially increased net profits (Levenburg, 2005).

Malaysia Airlines is on track to roll out electronic ticketing by September this year with
the completion of its customer airlines’ check-in system cutover to the new SITA
Departure Control System. According to the airline, this allows the 15 airlines including
Jet Airways, Royal Brunei and Kuwait Airways, which are served by Malaysia Airlines as
the ground handling agent, to check in eTicket passengers along with paper ticket
customers. This cutover for the customer airlines represents phase one of Malaysia
Airlines’ RM400 million Passenger Services System rollout to upgrade all IT
infrastructure to facilitate the airline’s move to the International Air Transport
Association’s (IATA) standard eTicketing.

According to Malaysia Airlines Senior General Manager Transition Management, Dr.
Amin Khan, they are on track to be eTicketing capable by 21 September 2007. This
move will bring many benefits to Malaysia Airlines. In addition to an initial savings of
RM20 million as replace the paper tickets, eTickets are cheaper to process, provide
higher levels of customer service and are easier to sell through different channels.
Researchers believe that the existence of website as the key element of connection
between internet retailing and customers has become the main idea of why this study is
done.

While early work focused on demographic characteristics of internet shoppers (such as
age, income, education, gender and race) as important predictors of internet usage for
information search and buying, other studies found that a wired lifestyle, time constraints
(Bellman et al., 1999) and attitudes toward technology (Modahl, 2000) were more
important determinants. As for the work on online shopping behaviour, various
determinants of consumers’ propensity to shop in online environments have been
proposed. The emerging list is far from definitive and includes determinants such as
transaction security, vendor quality, pricing issues, information and service quality,
system quality, online privacy, trust, shopping enjoyment and perceived product quality
(Liao and Cheung, 2001; Saeed et al., 2003; Miyazaki and Fernandez, 2001; Chen and
Dubinsky, 2003). A related group of studies is specifically concerned with online
purchasing as opposed to online shopping behaviour. Given that information search is
the primary reason for internet use in the UK (Office for National Statistics, 2001 cited in
Waite and Harrison, 2002), it is not surprising that there is much evidence of consumers
using the internet to “window shop” (or browse) for product information. For online
retailers the issue of converting these “surfers” into purchasers or regular buyers
remains problematic (Mayer, 2002). Reasons given for the “online browsing rather than
buying” phenomenon broadly consist either of explanations for why consumers may be
reluctant from the outset to purchase online (e.g. due to shipping costs, inadequate
information, or security fears), or why consumers abandon the online purchasing process mid-way (e.g. due to technical complexities or ineffective systems).

In this study, researches focus into the ability of MAS’s Website in meeting up with the global trends of customers’ acceptance. The purposes of the case study are:

1. To review and evaluate MAS’s website based on site environment/ atmospherics
2. To review and evaluate MAS’s website based on making the intangible tangible
3. To review and evaluate MAS’s website based on building trust
4. To review and evaluate MAS’s website based on efficiency and timely order processing
5. To review and evaluate MAS’s website based on pricing
6. To review and evaluate MAS’s website based on CRM
7. To review and evaluate MAS’s website based on enhancing the experience

LITERATURE REVIEW

As referred to Warren Buffett, Chairman of Berkshire Securities, “Price is what you pay - value is what you get” and further elaborated by George Torok as “deliver value that your customers recognize, appreciate and reward. If you want your customers to value what you offer - you must demonstrate that you value them and their money, risk, time, staff, business, and needs. Value implies trust so start by building trust. Always underpromise and overdeliver”. These arguments are supported when “To be difference is unique and to be unique is creating a value. A value is what you get considered as a return or benefits that can only be evaluated once you consumed or patronized a visible or an invisible item or action by Mohd Zulkeflee et al. (2008)

The growth in the use of an interest in the Internet has lead to the belief among many Internet analysts that it is having or will have profound impacts on the way service firms such as insurance companies, law firms, distributors of, for example, music and news and financial service firms will do business in the future (e.g Dannenberg and Kellner, 1998). The internet is believed to change the way firms interact with their customers and thus the way they initiate, develop and terminate the relationships with them (Mols N.P., 2000).

Peters (1998) notes that Internet commerce may well move close to personal selling and Dannenberg and Kellner (1998) even argue that available technology will make the differences between person-to-person counsel at an office and by the Internet negligible except for the costs and the convenience. Other analysts content that most consumers are likely to be tied to virtual communities, which will offer great potential for developing loyal customers and increased market share for some firms (Barnatt, 1998).

The internet may also make it easier for the consumers to search and compare the offerings of different firms. This means that the market will become more transparent, leading to increased price competition in businesses which offer easily comparable services and which are unable to built significant switching barriers or close relationships with the customers. This will increase competition, which will become fierce and profits will drop (Birch and Young, 1997; Evans and Wurster, 1997; Bakos, 1991).
Differentiation Strategies

Kotler defines differentiation as “the process of adding a set of meaningful and valued differences to distinguish the company’s offering from competitors’ offerings” (Kotler, 2003, p. 315). A firm can differentiate its offering along five dimensions: product, services, personnel, channel, and image (Kotler, 2003). These dimensions are discussed as follows:

Product Differentiation

Traditional offline differentiation emphasized the product dimension; the other areas have been used when little real difference exists between competing products. Companies still differentiate by product features online. However, the Internet’s greatest contribution is in product line differentiation, that is, the literally limitless assortment of products that companies are able to offer and the ability to capitalize on this huge assortment as a platform to customize product offerings for individual customers. Internet marketing may have a major effect on product packaging. At present, marketers design most product packaging to appeal to consumers, be eye catching, compete with other products on store shelves, and sell the products. As more commerce is conducted online rather than retail stores, consumers might require products with more utilitarian packaging. Products purchased online will be shipped from the distributor directly to the consumer and, thus, never appear on retailers’ shelves. As a result, these products will not require the expensive, colourful packaging that is necessary for store display; nor will they require multiple layers of functional and display packaging.

Service Differentiation

Services can effectively differentiate an online business in several ways. Customer service is enhanced by the ability to receive customer feedback through e-mail 24 hours a day, even if telephone operators and customer service personnel are not available and this will show the ability to respond more rapidly (in real time) to customer concerns. Another aspect of service differentiation is the distribution of products ordered online. Some companies are specializing in the home delivery of products ordered online, thus differentiating their services from most traditional offline services. Other online services, such as online banking and securities trading, are becoming increasingly popular, differentiated both by the features they offer and the service consumption experiences. These services currently supplement traditional offline services, but as the world becomes more interconnected via the Internet, they may one day replace the traditional offline services.

Personnel Differentiation

In the past, personalized service and one-to-one relationships between merchants and consumers required costly skilled personnel. Now, the Internet allows companies to ‘deliver their products and services through low-cost channels that automate the process and remove the expensive human element’ (Wells et al., 200, pg.32). By reducing a company’s dependence on personnel to handle business transactions, the Internet leads to lower transaction cost, enabling a cost leadership advantage over offline companies. It “also results in cost reduction for the end user and at the same time acts as a differentiation by providing higher levels of service at lower prices.” (Chakravarthy, 2000, p.2). However, as more companies offer products and services online, the cost advantage between online and offline operations will gradually shrink over time.
Channel Differentiation

The Internet doubles as a location-free and time-free distribution and communication channel. The Internet expands companies’ reach from local to global, 24 hours a day, and with a limitless assortment of products. Customers may order a wider variety of products, at any time, day or night, for shipment to any location in the world, in contrast to the limited product assortment and limited business hours of traditional brick-and-mortar companies. Online channel differentiation occurs on multiple levels. First, companies that provide product or service information on the Web have an advantage over companies with no web presence by exploiting the Internet as a communication channel. Second, companies that conduct commercial transactions online capitalize on the advantage of the Internet’s properties as a transaction and distribution channel. At a higher level is the differentiation of competitors’ Internet-related service offerings. For example, in the banking industry, “one my provide a ‘virtual pass book’ facility, while another may transact on behalf of the client, and a third may actually provide interactive portfolio management services to key account holders” (Chakravarthy, 2000, p.2). Finally, highly specialized personal services—“Do it yourself,” Websites – allows users to conduct activities such as transfer phone service and pay bills online.

Image Differentiation

Karl Cluck of Razorfish, recommends that “online marketers must enhance the user’s online experience in order to entice potential customers to buy” (“New York E-Commerce,” 2000, p.1). A company can differentiate itself by creating a unique customer experience such as superior customer service and, in turn, brand the experience. Through experience branding, “firms can greatly improve their ability to retain customers, target key customers, target key customer segments and enhance network profitability” (Vincent, 2000, p.25).

The Internet’s interactivity allows companies to respond more quickly to customer requests. Moreover, the ever-increasing speed of the Internet allows companies to communicate more quickly with current and potential customers, which is essential to retaining current customers and attracting new ones. Consider the pure-play home furnishing business, iHome, which is ”addressing customer requests to receive decorating help on a budget…iHome’s ability to get download time under 30 seconds” is the key to iHome’s growth rate” (Slott, 2000, p.38). All of these benefits help to differentiate the image and the customer experience of online firms. For example, AOL and Venus Swimwear have online chat features to help customers with questions about their purchases.

Seven Unique Differentiation Strategies to Online Businesses

According to Strauss and Frost, 2006 these strategies are of particular importance on the Internet because the marketing strategy often revolves around the company's image and product information available on the Web. In addition to the preceding strategies are unique to online businesses consist of site environment/ atmospherics, making the intangible tangible, building trust, efficiency and timely order processing, pricing, CRM and enhancing the experience.

Site Environment/ Atmospherics

Atmospherics refers to the in-store ambiance created by brick-and-mortar retailers. Similarly, Websites can be differentiated by providing visitors with a positive environment to visit, search, purchase, and so forth. Visitors want a site that easily downloads,
portrays accurate information, clearly shows the products and services offered, and is easily navigated. If customers view the homepage and like what they see, they are more likely to view additional pages and ultimately become a paying customer.

**Making the Intangible Tangible**

A purely online product or service can only be seen through an image or description. Whether a company uses virtual tours, 3-D images, product image enlargements trial downloads, or customer reviews, the goal is to make offerings seem more tangible by showing them in a realistic and customer-friendly manner.

**Building Trust**

Trust is a key issue on the Internet, especially when customers are expected to pay online or their information is tracked for personalized service or supply chain management. For this reason, trust building should be an integral part of a Website’s marketing strategy. In some instances trust may be appeared as a by-product of strong brand recognition; however, a company site with low or no brand recognition must project a secure environment. Detmer (2002) makes the following suggestion to e-marketers:

Take the time to clearly define your company’s privacy policy, and make sure it is strictly enforced…. Maintaining the balance between privacy and personalization will increase the comfort level your customers feel for your business.

In addition to stating the privacy policy, e-commerce firms can reassure customers by using a safe and encrypted payment process for transactions. Trust is also important if customers should encounter problems on the Website, require personal assistance, or need to exchange or return a purchase. Visitors may be more likely to buy from a site if they know a live person can be contacted.

**Efficiency and timely Processing**

One of the strongest motivators for customers who make Web-based purchases is the ease of ordering. Organizations must market their alliances and delivery timeliness as an important benefit. Furthermore, if the online company follows through on its promises, it is more likely to build customer loyalty and receive referrals from satisfied customers. Customer satisfaction or dissatisfaction can spread very quickly on the Internet with just few keystrokes.

**Pricing**

Pricing as a method of differentiation has come under scrutiny, especially for Web marketers. When products were first offered on the Web, companies tended to offer price discounts as an incentive. Today, prices are relatively comparable on the Web, although some companies, such as Buy.com, offer lower prices. The majority of firms choose to differentiate themselves using methods other than pricing because pricing is easy to imitate and non price differentiation is more enduring for all but the price leaders.

**Customer Relationship Management (CRM)**

As more firms shift away from price differentiation and as barriers to entry decrease on the Internet, customer relationship management (CRM) becomes more predominant as a means of differentiation. Netflix, for example, forges long-term relationships with
consumers who want the convenience of receiving movies on DVD by mail. Customers who subscribe to one of Netflix’s monthly plans can set up personal lists of the movies they want to rent. Depending on the type of subscription they choose, customers can rent three or more DVD movies at one time with no return deadlines or late return penalties. After viewing a movie, customers slip it into the prepaid return envelope to mail it back to Netflix, a few days later, they receive the next DVD on their list. Thus, Netflix builds customers relationships one at a time through customer-driven personalization including a personal greeting on the Web site.

Enhancing the Experience

Another type of differentiation strategies is discussed in an E-Marketing Opportunity Model (Feeny, 2001). This model helps companies to differentiate using one of three e-marketing opportunities: enhancing the selling process, enhancing the customer buying process, and enhancing the customer usage experience. In this model, firms use perceived product differentiation and frequency of purchase to choose the best approach.

METHODOLOGY

The study will evaluate each of the strategy and researchers will point out the analysis through their observations and experiences. This will lead into in-depth discussion on how the customer perceived the value of the website and chances of involving into bad experience of transaction or vice versa. In summary, differentiation is what a company does to the product, services and processes. As stated by Strauss and Frost, 2006, differentiation strategies have evolved with the commercialization of the Internet. The keys to differentiating online businesses are the creation of a distinctive and superior customer experience and the development of one-to-one relationships with consumers. The real value added by the Internet is the enhanced ability to differentiate according to customer relationship and provide a unique experience for each customer. Therefore, making a different will turn the whole perception and defection to an acceptance.

These differentiation strategies are:

1. Site environment/ atmospherics
2. Making the intangible tangible
3. Building trust
4. Efficiency and timely order processing
5. Pricing
6. CRM
7. Enhancing the experience

ANALYSIS AND DISCUSSION

Figure 1
Malaysia Airlines Main Page
Malaysia Airlines’s Site Environment / Atmospherics

Based on Malaysia Airline’s Website (Figure 1) researchers found that the site environment is fascinating and create fresh ambiance to the customers in welcoming them to browse further. Here, we found that the colour (blue colour) plays as a major element in creating the appearance to be 100% appeal (calm mood colour) compared to the other website of airline service providers. The interactive buttons help the viewers to easily connected and conduct the session from one page to another. Every information is easily downloaded and portrays accurate information as listed like flight booking, pricing, package offered and other valid and useful information. The Website is clearly shows the products and services offered as it refers to the ability of the company in granting the promises made. Basic information are all listed as these always required for the first time viewers or users in not making them lost throughout the browsing. Researchers also found that the element of promotions is always becoming the main factor to be advertised in the website as it creates sense of “knowing more”. This leads into the potentiality of creating sales and up to making profit to the Malaysia Airlines. Analysis made always found that the navigation is considered as “user friendly” and this is a key of becoming preferable airline service provider by the customers and potential customers.

Making the Intangible Tangible

As referring to Figure 1, it shows that Malaysia Airline’s Website is providing lots of elements of “Making the Intangible Tangible” such as E-Timetable, Web Check-In, Destinations and Offers, Tagline of “What You See Is What You Pay For”, attractive pictures of places to visit, sitemap and others. Researchers concern that by offering
those elements have waken up the mood of realistic, becoming lively and customer-friendly manner. This will lead into attractions of becoming satisfied and loyal customer.

Figure 2 (a)
Part of Online Purchasing Process

Figure 2 (b)
Completed Form of Confirmation

**Building Trust**

First and foremost, researchers believe that through the recognitions awarded to the Malaysia Airlines, it appears as the major trust element in making the customer and potential customer become confident in dealing with the whole transaction with Malaysia Airlines. This can be seen through the listed awards shown in Malaysia Airlines Website (http://www.malaysiaairlines.com/my/en/corp/corp/awards/awards.aspx). Those awards act as the evidence of making their promises into reality. Next is about the assurance of using a safe and encrypted payment process for transactions. It is not a denial that Malaysia Airlines Website is one of the best secured sites of doing internet transactions. This security aspect is proven by looking into the whole processes of buying and doing payment for the services offered. As evidence, this can be referred to Figure 2 (A) and 2 (B). Through Malaysia Airlines Website, it convinces the customer to become more relax and less hassle pertaining any queries about the transactions due to the availability of listed contact number and addresses as it connects the customer and potential customer to the Malaysia Airlines personal assistance which is a live person that can be contacted. It proves that Malaysia Airlines is always maintaining in building customer’s trust. This supporting argument is shown in Malaysia Airlines Website (http://www.malaysiaairlines.com/hq/en/contact-us.aspx).
Alternative in Mode of Payment System

Efficient and Timely Order Processing.

As others, Malaysia Airlines provides the customers and potential customers an instant payment system where it focuses on delivering immediate purchasing services. Meaning that, the customer has the opportunity in doing the purchasing process at anytime, anywhere upon customer preferences. Experiencing the purchasing ticket process through Malaysia Airlines Website has given the best opportunity to the researchers as it offers alternatives in mode of payment compared to the other airline service providers. Here, Malaysia Airlines has given the best solutions in doing payment by giving options either paying by credit card or debit card. This option helps most of the customers or potential customers due to the cases that not everyone is having a credit card. Figure 1 as well as Figure 3 shows the alternative in mode of payment system provided by Malaysia Airlines and Figure 2 (a) as well as Figure 2 (b) is supporting the statement of getting the opportunity of doing the purchasing process at anytime and anywhere.

Pricing
Malaysia Airlines's fares are significantly moderate and affordable than those of other airline service providers. This is a fact that accepted by the market particularly competitors as Malaysia Airlines provided best cabin services. Malaysia Airlines’s Website fares are much cheaper compared to the frontline counter price and this is also one of the differentiation strategy that implemented by Malaysia Airlines in order to attract more customers to purchase online through the website. Researchers found that, the differentiation pricing strategy plus best cabin services applied by Malaysia Airlines is valuing the company to be demanded more than their expectation. This is the key strategy that still cannot be beaten up by any other competitors and has guaranteed higher return to Malaysia Airlines since the day they started their new operation by new management. Researchers believe that the promotion pricing strategy has enhanced Malaysia Airlines reputation in making the promises become reality; “What You See Is What You Pay For”. This tagline has become the benchmarking to the company in giving better fares at every promotional booking offer. Figure 1 supports the above statements and it is recommended to visit Malaysia Airlines Website (http://www.malaysiaairlines.com/hq/en/home.aspx) for a better proven.

**Figure 4**
Member Logon

Customer Relationship Management (CRM)

Researchers believe that Malaysia Airlines always determine the customers as their first priority in every consideration. This can be seen in Figure 4 which has stated the member log in button. Customer or potential customers can always be connected to the Malaysia Airlines programmes such as promotional booking offers, news updates, phone
circulatrics, flight changes info and others when becoming an Enrich or GRADS membership. Becoming Malaysia Airlines members will bring customers to an advance information that will ensure members are always one's step ahead from others. These are the benefits that can be gathered from becoming members of the company. All particular data of customers are secured and will be guaranteed for personalization from Malaysia Airlines.

*Enhancing the Experience*

From the beginning of operation until now, Malaysia Airlines has incurred a huge development in every prospect of services provided. The development has created outstanding improvement especially in the Malaysia Website application. Researchers accept as true that the development leads into satisfaction of selling process, customer buying process and customer usage experience. Experience can only be gained once we are in the process. Therefore, due to less hassle given throughout the whole processes, researchers believe that Malaysia Airlines can be considered successful in delighting the customers. To ensure the statement is correct and supported with evidence, please have the practicality in browsing the Malaysia Airlines Website at http://www.malaysiaairlines.com/.

**CONCLUSION AND RECOMMENDATION**

In this study, researchers found that the ability of Malaysia Airlines to gain attractions from the customers and potential customers to viewing and browsing their website is by applying differentiation strategies. This study has shown that Malaysia Airlines is successfully proven that their interactive website is mutually meeting the standard of customer satisfaction and Malaysian Airlines can proudly stands as one of the most reliable and potential airline service provider that can provide better services through their website applications. Researchers believe that in the next few years, Malaysia Airlines Website will become the best ever retail website that fulfill the customers and potential customers demands and wants. This will lead into gaining customer loyalty as they perceived the services provided through the website hassle free. Based on the customer loyalty, researchers can conclude that future patronization of the services provided by Malaysia Airlines will boost up the upcoming return of the company. As for recommendations, researchers agree to look into further the changes that should be made to enhance the Malaysian Airlines Website evaluations and that changes are pertaining to virtual tours of places to be visited and chances of appealing the 3-D images for more attractions.

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