

Singapore Airlines – Navigating Competition While Sustaining Excellence



Source: Unsplash (2024)

Background

Singapore Airlines (SIA), the flag carrier of Singapore, has long been recognized globally for its commitment to service excellence, product innovation, and network connectivity. Since its inception in 1972, SIA has built a premium brand known for setting benchmarks in the aviation industry. Its accolades include being named "Best Airline" by the Business Traveller Awards and earning Skytrax's "World's Best Cabin Staff" and "World's Best First Class Cabin" in 2024 (Singapore Airlines, n.d.). These achievements are built on decades of strategic investments in high-quality service, fleet modernization, and brand differentiation.

In the financial year ending 31 March 2025, the SIA Group announced a record net profit of SG\$2.78 billion, aided by a non-cash accounting gain of SG\$1.1 billion from the Air India–Vistara merger. However, the Group's operating profit dropped 37.3% to SG\$1.71 billion, largely due to increased competition, capacity expansion across the industry, and a 5.5% decline in passenger yield. The airline also saw a slight dip in passenger load factor despite carrying a record 39.4 million passengers, an 8.1% increase from the previous year (Singapore Airlines, 2025).

In response to the increasingly competitive environment, SIA rolled out several strategic initiatives. It launched a SG\$1.1 billion retrofit plan to upgrade the long-haul cabin products on its Airbus A350-900 fleet (CNBC, 2024), including the introduction of a new First-Class cabin on its ultra-long-range aircraft. Additionally, the airline invested SG\$45 million to transform its SilverKris and KrisFlyer Gold lounges at Changi Airport Terminal 2 to feature 50% more space and seating capacity, upgraded facilities, and enhanced food and beverage offerings. To commemorate Singapore's 60th year of independence, SIA and Scoot unveiled the SG60 campaign, offering discounted fares, loyalty promotions, and exclusive product bundles to stimulate travel demand (Singapore Airlines, 2025).

As part of its SG60 celebration, the Group will match SG\$1.3 million raised in a fundraising campaign, donating a total of SG\$2.6 million to AWWA and Rainbow Centre, which support children and youth with disabilities. It will also host a two-day SIA Cares Open House in July 2025, welcoming over 600 beneficiaries, including individuals from disadvantaged backgrounds, at-risk youth, and persons differently abled, for a unique behind-the-scenes tour of its training centre (Singapore Airlines, 2025).

To reinforce its premium positioning, SIA entered an exclusive agreement with renowned French champagne house Louis Roederer to serve Cristal 2015 in First Class on selected flights starting December 2024. The Singaporean flagship carrier will become the world's only airline to serve the highly sought-after Cristal 2015 champagne to its guests in the A380 suites and Boeing 777 first class cabin (Business Traveler, 2024).

In the digital space, the airline strengthened its partnership with Salesforce and OpenAI, investing in generative AI (GenAI) solutions to enhance customer service, personalize the travel experience, and improve operational efficiency. Strategically, SIA also deepened its partnership with All Nippon Airways (ANA) through a new revenue-sharing agreement for flights between Japan and Singapore. This expanded partnership allows ANA and SIA to deliver greater value to customers by offering more fare choices and improved flight schedules, enhancing connectivity for both passenger and cargo services between Japan and Singapore.

SIA and Tata Sons completed the merger of Air India and Vistara, strengthening the Group's multi-hub strategy. With a 25.1% stake in the expanded Air India, SIA gains direct access to India's rapidly growing aviation market. Both SIA and Tata remain committed to driving Air India's growth and success across all major market segments in the country (Singapore Airlines, 2025). These initiatives underscore SIA's commitment to innovation and excellence. However, they also present new challenges as the airline seeks to balance short-term financial sustainability with long-term strategic positioning.

Challenges

Although SIA achieved record profitability in FY2024/25, its decline in operating performance signals underlying vulnerabilities. A significant drop in operating profit, despite increased passenger numbers and cargo volumes, reflects the impact of rising non-fuel costs, supply chain pressures, and aggressive fare-based competition. Maintaining profitability in such a high-cost, low-yield environment will require the airline to implement cost discipline while also identifying new revenue streams that do not compromise its premium service promise.

SIA's reliance on fare promotions, especially through the SG60 campaign and discounted tickets, brings with it the risk of initiating a price war in the region. While such campaigns can stimulate short-term demand, they could also damage the perception of exclusivity that SIA has cultivated over decades. The airline must therefore tread carefully, striking a balance between maintaining load factors and preserving brand equity.

The company's continued investment in ultra-premium products, such as the exclusive service of Cristal 2015 champagne and the planned First-Class suites on its A350-900ULRs, raises questions about financial sustainability and return on investment. These offerings help differentiate SIA from competitors, but the costs involved, along with concerns about supply

availability and limited customer reach, may limit their strategic effectiveness unless paired with clear value metrics and consistent execution.

Executing major capital projects such as the fleet retrofit and lounge renovation also introduces operational risks. Timely delivery, cost control, and measurable impact on customer satisfaction will be essential in justifying these large-scale investments. Given macroeconomic uncertainties and fluctuating fuel costs, the pressure to demonstrate a strong ROI on these initiatives will only intensify.

SIA's international expansion through partnerships and mergers adds further complexity. Its stake in Air India presents a unique opportunity to tap into one of the world's fastest-growing aviation markets. However, aligning strategies, service standards, and cultural expectations between different airlines will be challenging. Similarly, the expanded partnership with ANA through joint fare products and shared revenue introduces coordination challenges across different regulatory and competitive environments.

Finally, while SIA is embracing digital transformation through AI and personalization tools, these innovations must be implemented thoughtfully. The airline's brand is closely tied to a high-touch service culture, and overreliance on automation or AI-driven decision-making could dilute the personal warmth and care that customer expects. Ensuring that technological enhancements augment, rather than replace, the human element will be a key differentiator in the years ahead.

Discussion Questions

1. How can Singapore Airlines maintain sustainable profitability amid rising operating costs and declining yields?
2. What are the strategic benefits and potential pitfalls of SIA's investment in the Air India–Vistara merger as part of its multi-hub strategy?
3. How should SIA evaluate and prioritize its capital-intensive initiatives such as fleet retrofits and lounge renovations in a volatile operating environment?
4. Is SIA's dual-brand strategy with Scoot still effective in managing market segmentation and competition across different customer segments?
5. How can SIA design and execute fare promotions like SG60 in a way that boosts demand without eroding its premium brand image?
6. What marketing value does offering Cristal 2015 bring to SIA's First-Class experience, and how can its effectiveness be measured?
7. How should SIA balance digital innovation and AI-based personalization with its longstanding promise of human-centered service excellence?
8. What customer targeting strategies should SIA adopt to maximize returns from its premium and budget airline offerings amid shifting travellers expectations?

References

- Business Traveler. (2024). Singapore Airlines Becomes Exclusive Airline to Serve Cristal 2015 Champagne. Retrieved from <https://businesstravelerusa.com/news/singapore-airlines-cristal-2015-champagne/>
- CNBC. (2024). Singapore Airlines shares fall 6% as profit nearly halves amid intensifying competition. Retrieved from <https://www.cnn.com/2024/11/11/sia-shares-fall-6percent-as-profit-nearly-halves-amid-intensifying-competition.html>
- Nikkei Asia. (2024). Singapore Airlines expects 'intense' competition to squeeze profits. Retrieved from <https://asia.nikkei.com/Business/Transportation/Singapore-Airlines-expects-intense-competition-to-squeeze-profits>
- Singapore Airlines. (n.d.). Our Awards. Retrieved from https://www.singaporeair.com/en_UK/br/flying-withus/our-story/awards/
- South China Morning Post. (2024). Singapore Airlines, Scoot to offer 420,000 cheap tickets, putting heat on Hong Kong's Cathay. Retrieved from https://www.scmp.com/news/hong-kong/transport/article/3281702/singapore-airlines-and-budget-arm-scoot-offer-420000-discounted-tickets-putting-pressure-hong-kongs?module=perpetual_scroll_0&pgtype=article
- The Telegraph. (2023). Why fly with Singapore Airlines. Retrieved from <https://www.telegraph.co.uk/travel/icons-of-the-sky/why-fly-with-singapore-airlines/>
- Unsplash. (2024). Singapore Airlines 777 departing Zurich. Retrieved from <https://unsplash.com/photos/a-large-jetliner-flying-through-a-blue-sky-BTO--qnSBZQ>

Keywords

- Airline
- Competition
- Strategy
- Acquisition
- Marketing
- Product Differentiation

Acknowledgement

This case study is based on and adapted from the work of undergraduate students SO Lok Yin, Noelle; LI Po Yi, Bowie; KWAN Jing Yeung, Janif; WONG Hoi Ying, April; CHUNG Shing Chak, Andy from the School of Hotel and Tourism Management at The Hong Kong Polytechnic University.