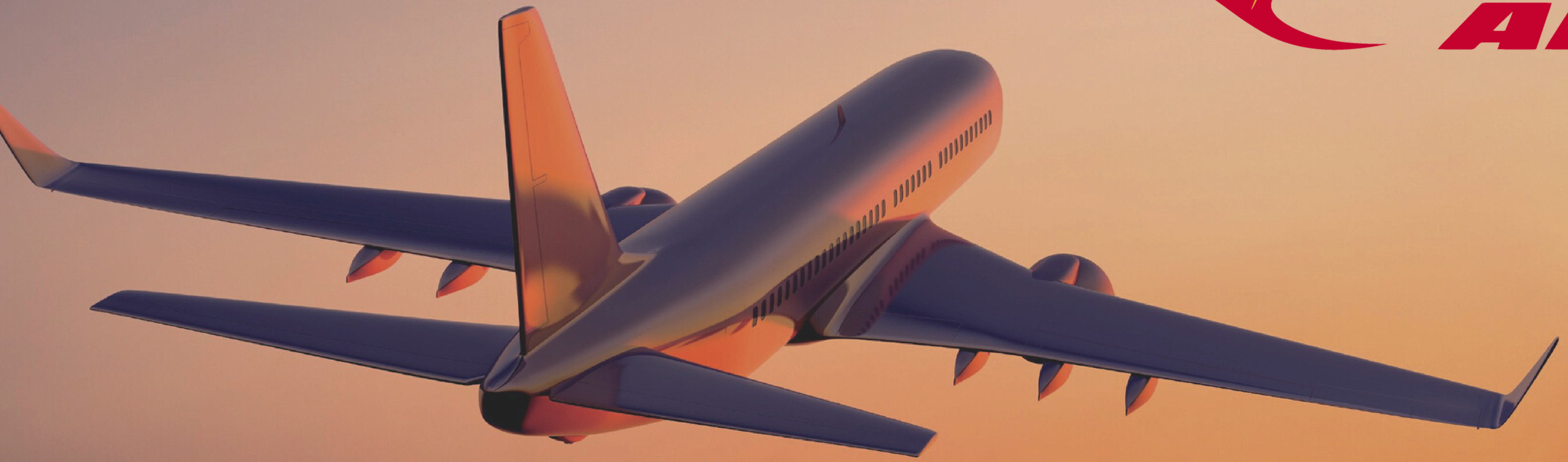

# Air India Growth Strategy

- SHALEEN KAKKAD

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## INTRODUCTION

Air India, formerly Air-India, airline founded in 1932 (as Tata Airlines) that grew into the flagship international airline of India; in addition to domestic routes, it serves southern and eastern Asia, the Middle East, Europe, Africa, Australia, the United States, and Canada. Headquarters are in Mumbai.

The first scheduled service was inaugurated in 1932 by J.R.D. Tata, flying mail and passengers between Karachi, Ahmadabad, Bombay (now Mumbai), Bellary, and Madras (now Chennai). By 1939 routes had been extended to Trivandrum, Delhi, Colombo, Lahore, and intermediate points. After World War II, in 1946, Tata Airlines was converted into a public company and renamed Air-India Limited. Two years later, to inaugurate international services between Bombay and Cairo, Geneva, and London, Air-India International Limited was formed.

# INTRODUCTION

In 1953 India nationalized all Indian airlines, creating two corporations—one for domestic service, called Indian Airlines Corporation (merging Air-India Limited with six lesser lines), and one for international service, Air-India International Corporation. The latter's name was abbreviated to Air-India in 1962. In the following decades as India's flag carrier, the airline extended its international routes to all continents except South America, and it expanded its cargo operations. To gain a competitive advantage in computerized reservation searches, the airline removed the hyphen from its name in 2005 to become Air India.

After India began allowing private airlines in 1994, Air India struggled to remain competitive. Despite a significant loss in market share, the corporation was kept bloated with an oversized fleet and labour force. It began posting losses in 2007 and merged with Indian Airlines later that year to form National Aviation Company of India Ltd. (NACIL; renamed Air India Ltd. in 2010). After accumulating billions of dollars in debt over the next decade, the government began looking to privatize the company in 2017. After years of little success, the airline was finally sold to the Tata Group in 2021.

# SWOT Analysis

## Strengths :

- Air India is one of India's main providers of flight services. Air India is known to be a leading service provider.
- Air India has served 101 destinations including 57 domestic destinations. It travels to 33 countries all over the world, spanning four continents. This has a large number of new Airbus and Boeing airplanes. Air India has arrangements for code-sharing with a range of airlines around the world.
- It owns the most updated fleet and competent repairs and maintenance expertise.
- Good advertising and branding has increased brand value. Air India also has a very famous mascot known as "The Maharajah".

# SWOT Analysis

## Weaknesses :

- Air India operates through large international and domestic markets, competing with leading world-class giant airlines as well as small local operators. This lack of clarification about the strategic path dilutes its strengths in large measure and confuses its brand within markets.
- Growing Competitor base and low-cost carrier entry (LCC’s).
- Financial crisis leading to payment issues of employees.
- The aircrafts are old and need to be renewed.

# SWOT Analysis

## Opportunities :

- India by population is the second-largest nation in the world. The number of people using air transport may increase if the prices are kept low and affordable resulting in more passengers for Air India.
- India 's airline industry is growing faster and will continue to expand as GDP increases, and it is expected that the trend will continue until the slowdown falls.
- Complementary industries such as tourism would raise demand for airline services. The strict supervision and safety by the Ministry of Civil Aviation present incentives for restructuring and optimization.
- Air India has an opportunity to launch a Low-Cost Carrier.

# SWOT Analysis

## Threats :

- Air India is facing imminent hostile competition from the world's leading airlines, and domestic-led price wars.
- The Indian Railway Ministry has significantly increased speed and reliability on its medium to long-distance routes, drawing passengers away from air reliability, with rates nearly equal to those of low-cost carriers.
- Rising fuel costs.
- Losing market share.
- Rising labor costs.

# Market Research

Air India is reaching out to more than 30 countries globally in addition to domestic locations. Air India commands more than 16% market share through its international operations.

Air India competes with companies like :

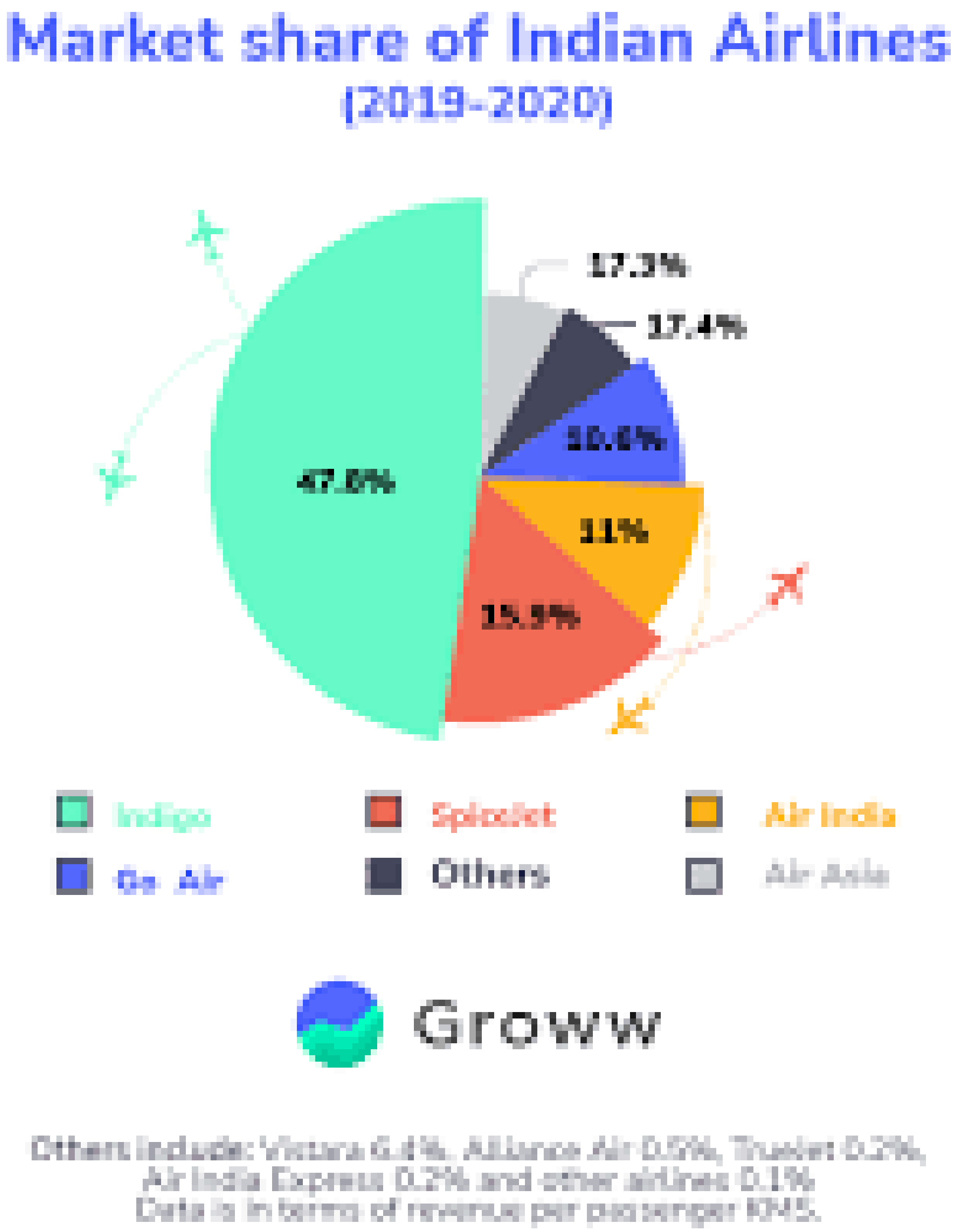
- Indigo
- Vistara
- Go Air
- Air Asia
- Spicejet

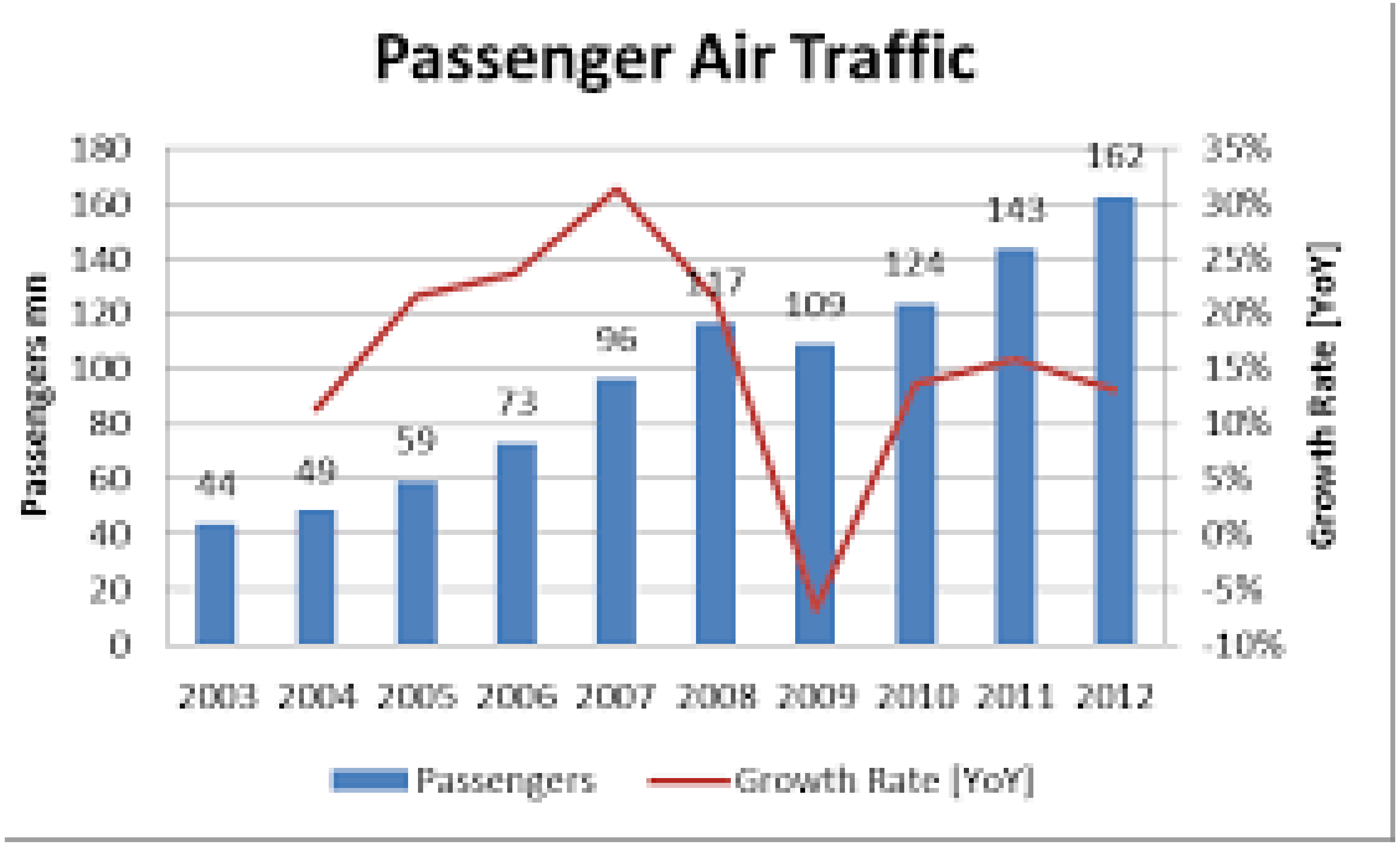
In the national and regional market . while companies like

- Etihad
- Oman Air
- Thai Airways
- Singapore Airlines
- Emirates

In the International market.

# Market Research



# Market Research

The major competitor of Air India in the domestic market is Indigo Airlines. Let us see how they work :

Indigo Airlines targets middle-class people. The Lower middle-class people have a preconceived notion that air travel is expensive than trains and they were not happy with the price and service of the existing airlines. Let us see how Indigo targeted these people in the market.

- The target market of Indigo is based on the lifestyles of people, their attitudes, and personality
- Indigo Airlines focuses on targeting the Middle-class people
- Indigo has been able to build a loyal customer base over the years by creating a strong and reliable brand name
- The brand targets  tier 1 and tier 2 cities to provide its services because the majority of its customers are from the cities

# Market Research

## 1. Product Mix of Indigo Airlines

- The central product of Indigo is low-cost air travel which enables even ordinary people to experience air travel
- The product offered by Indigo is mainly for passengers but the cargo department of Indigo has also picked up speed in the last few years

## 2. Price Mix of Indigo Airlines

- Price is one of the biggest competitive advantages of Indigo.
- It has established itself as a low-cost carrier in the market offering low fare air travel to all categories of people
- Indigo is viewed as one of the most affordable air transportation services in India
- It is mainly because of the low fare service and efficient reduction of costs that the company has achieved so much success
- Within a competitive market where even acquiring new  customers is very difficult, Indigo has continued to thrive and make profits by increasing the number of customers

# Market Research

## 3. Place Mix of Indigo Airlines

- Indigo believes in providing more capacity on fewer routes rather than expanding over many routes
- The destinations of the Airline are spread across the major cities of the country to which helps to provide better service to its customers
- The company is expanding its destinations to new areas intending to grow its business and increase the number of customers

## 4. Promotion Mix of Indigo Airlines

- Indigo has been able to capture the local market better than any other competitor
- It mainly uses its low price and availability to boost its brand across the market
- The above campaign was launched to celebrate the diverse Indian culture with festivals over few months which included Durga Puja, Diwali, and Christmas
- Indigo has also launched several offers to attract customers like the “Freedom to Change” offer
- Other marketing methods like billboards, print media advertising, and advertising on travel ports have also been used by Indigo

# Market Research

A marketing strategy helps a company to achieve business goals and objectives. the company has proven to be a major contender amongst most of the other airlines of India. However, even though the company seeks to be India's major ambassador to the rest of the world, it is bound to face a lot of competition, considering the vast amount of competition in a country as big as India itself. Let's check out how Air India markets itself.

The brand utilizes undifferentiated techniques because of which it is missing out on business sectors share in a business of this sort.  To make an unmistakable picture in the brain of clients, it utilizes a mascot for making a brand picture of neighborliness and rich legacy, along these lines it utilizes. Value-based situating strategies are also heavily implemented by Air India. Several factors, along with governmental aid have also assisted Air India with arising as the biggest worldwide Carrier out of India.

# Root Cause For Decline of Air India

**Faulty aircraft configuration :**
The long haul B777 and B747 aircraft had "vanity first class cabin" that was rarely filled. This meant that the break-even load factor capacity for meeting even cash operating costs went beyond 130 percent. And Air India's policy of deploying fuel guzzling wide-body B747s on certain domestic routes added to its operating losses by an estimated ₹350-400 crore per year.

**Inability to offer direct non-stop flights from major growth centres :**
Air India, for example, simply forced passengers going from Kerala to the Middle East or from Bengaluru to the US to travel via Mumbai/Delhi, adding 8-16 hours to total travel time. Before Air India Express started offering direct flights from the South to the Middle East, Air India offered only few such flights as its crew and engineering bases were in Mumbai.

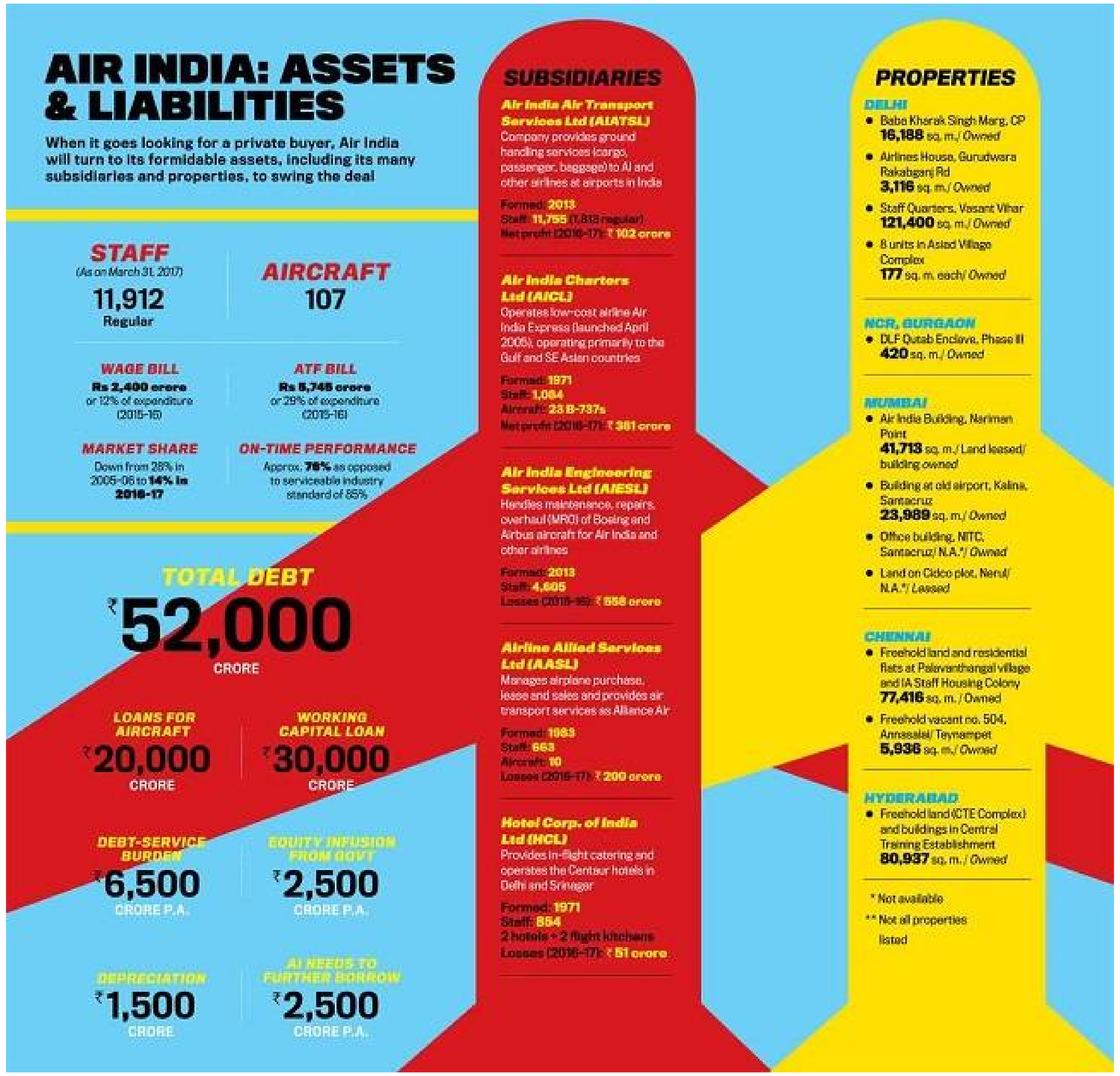
# Root Cause For Decline of Air India

**Poor Maharajah but rich employees :**

Air India paid a heavy price for “buying peace” with unions during mid-1990s. Paying huge salaries to its pilots and aircraft maintenance engineers (AMEs) hit the airline hard.The unions of pilots and AMEs demanded US equivalent salaries in rupees. This robbed Air India of its cost competitiveness.

**Inability to face change :**

The change brought in by liberalisation of the airline industry post 2005 meant all flagrant wastages of monopoly times had to go. The reactive management style (instead of proactive) ensured Air India was poorly placed to face the challenges of liberalisation.Lack of customer focus, bad financial management, and arrogance of unionised employees made things even worse.




# TOO MUCH BAGGAGE

Lower fuel costs have offered some support to Air India's (stand-alone) financials in FY16 and FY17. However, crude oil prices have inched up now and that is a risk.

(in ₹ crore)

| | FY14 | FY15 | FY16 | FY17 |
|---|---|---|---|---|
| Operating revenue | 18,371.0 | 19,801.7 | 20,210.8 | **21,859.6** |
| Fuel expenses | 9,940.7 | 8,449.1 | 5,845.4 | **6,337.6** |
| Employee expenses | 3,152.2 | 2,466.6 | 2,345.5 | **2,557.8** |
| Interest | 4,071.3 | 4,028.3 | 4,474.0 | **4,235.9** |
| Profit/loss before tax* | -7,042.7 | -5,780.1 | -3,811.9 | **-4,009.6** |

*Before exceptional and extraordinary items, and tax and prior-period adjustments

Source: Air India preliminary information memorandum, Mint research

Graphic by **Subrata Jana/Mint**

# Company performance In 2022

- During the year, Air India improved its load factor to 73.5%, while the number of passengers carried grew over 80% to 11.5 million. In comparison, Market leader IndiGo reported a 73.6% load factor and carried 50 million passengers. India's domestic air passenger traffic grew nearly 67% during the January-June period of this year, according to air traffic data released by the Directorate General of Civil Aviation.

- Air India's revenue rose 64% in fiscal 2022, but its net loss swelled by a third, showed latest regulatory filings by the airline that Tata Sons bought from the government earlier this year. The airline posted net revenue of Rs 19,815.9 crore during the year to March 31, 2022, on a standalone basis, with a net loss of Rs 9,556.5 crore. In FY21, it had reported a net loss of Rs 7,017.4 crore on revenue of Rs 12,104 crore.

# Guesstimate

- Let us take 3 types of airports :

**1. 50 Small Airports**
**2. 70 Medium Airports**
**3. 15 Large Airports**

- We consider that a domestic flight can carry 200 people.

| AIRPORT TYPE | NUMBER OF FLIGHTS PER HOUR | HOURS OPERATIONAL |
|---|---|---|
| Small | 5 | 12 |
| Medium | 10 | 15 |
| Large | 15 | 18 |

# Guesstimate

- Number of passengers :

1. **Small Airports** = 5*12*200 = 12000
2. **Medium Airports** = 10*15*200 = 30000
3. **Large Airport** = 15*18*200 = 54000

- Total number of passengers :

  = 50*12000 + 70*30000 + 15*54000 = 3510000

- Market share of Air India = 11% , So number of people using Air India flight per day in India :

  = 3510000 * 11% = 386100

# Resources


- https://economictimes.indiatimes.com/industry/transportation/airlines-/-aviation/air-india-revenues-grow-64-in-fiscal-2022-net-loss-swells-by-a-third-to-rs-9556-5-crore/articleshow/93462005.cms
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# Thank you!