
CASE STUDY (PROJECT 18)

AIR NEW ZEALAND ENTERING IN DOMESTIC FLIGHT MARKET INDIA

PRESENTED BY

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AIR NEW ZEALAND

- Air New Zealand is the largest domestic and international airline of New Zealand.
- Air New Zealand Airlines is founded in 1940 as Tasman Empire Airways(TEAL).
- Headquarters in Auckland.
- Originally shareholders were New Zealand (50%), Australia (30%), and Britain (20%).
- Later Britain withdrew in 1953.
- The name Air New Zealand was accepted in 1965.
- Mainly Air New Zealand revenue comes from passenger revenue (85%), cargo revenue(6.5%), other revenue (6.5%) and contract services(3.2%).

AIR NEW ZEALAND (COMPANY SIZE)

- Employee- 7840 approx.
- Revenue- 2.7 B\$
- Market capitalization- \$1.4 B
- Two investments were there. Both are from Virgin Australia. The latest investment was on 21 March 2016
- There was one exit that too from Virgin Australia.
- Revenue - \$2.7B
- Gross profit- \$411M
- Net income - \$591M
- Enterprise value -\$3B

SHARE HOLDERS

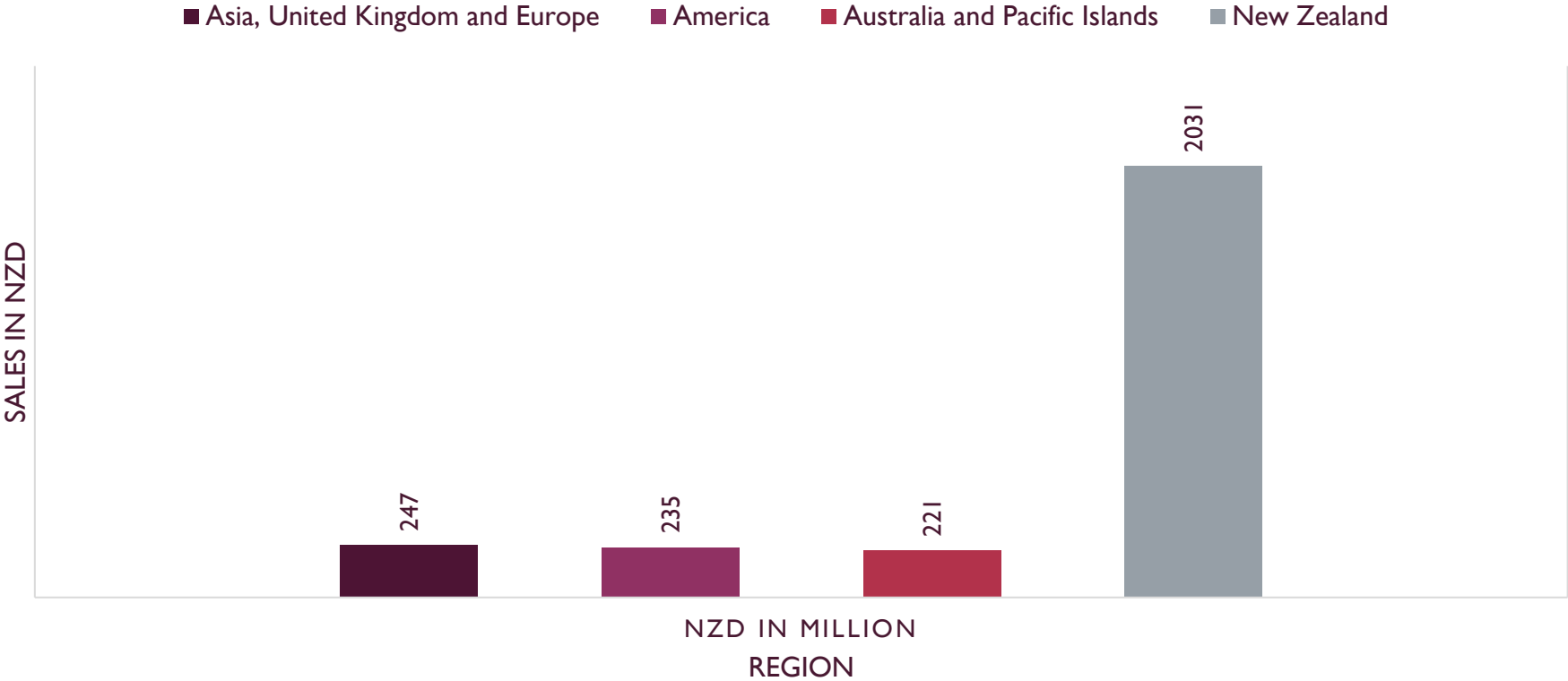
NAME	EQUITY	EQUITY PERCENTAGE
Government of New Zealand	1,717,916,801	51.0%
The Vanguard Group, Inc.	38,854,874	1.15%
Dimensional Fund Advisors LP	32,887,176	0.98%
Norges Bank Investment Management	18,094,900	0.54%
BlackRock Fund Advisors	18,070,216	0.54%
American Century Investment Management, Inc.	16,167,807	0.48%
Accident Compensation Corp.	11,139,639	0.33%
LSV Asset Management	7,856,381	0.23%
Xinwei Investment Nz Ltd.	7,162,392	0.21%
Charles Schwab Investment Management, Inc.	7,139,336	0.21%

SALES PER REGION

Sales per region	2022	2022
New Zealand	2 031.00	74.3%
Asia, United Kingdom and Europe	247.00	9%
America	235.00	8.6%
Australia and Pacific Islands	221.00	8.1%

SALES PER REGION

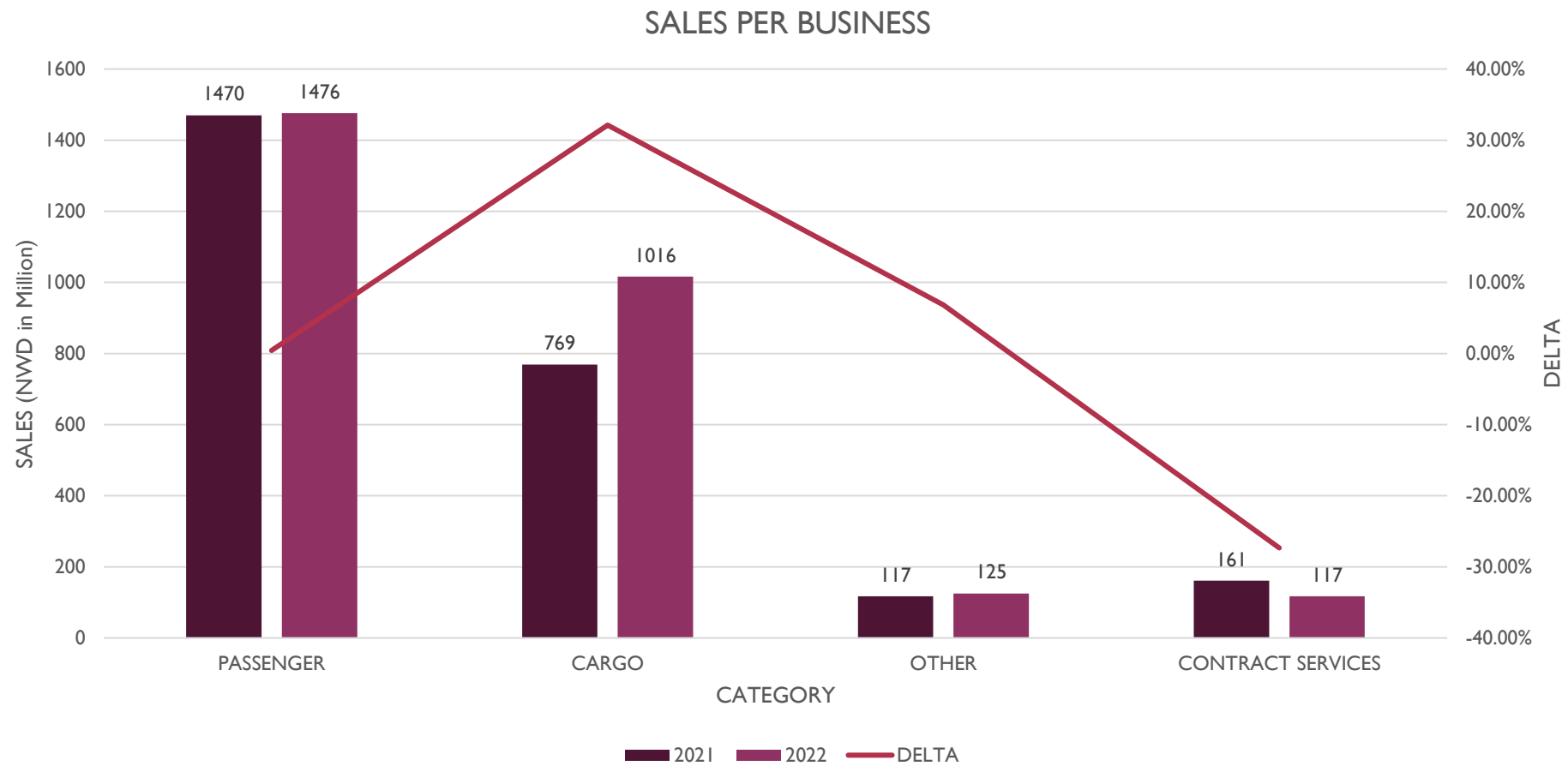
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SALES PER BUSINESS

Sales per Business					
	2021		2022		Delta
Passenger	1 470.00	58.4%	1 476.00	54%	+0.41%
Cargo	769.00	30.6%	1 016.00	37.2%	+32.12%
Other	117.00	4.6%	125.00	4.6%	+6.84%
Contract Services	161.00	6.4%	117.00	4.3%	-27.33%

SALES PER BUSINESS



KEY COMPETITORS AND POSITION OF AIR NEW ZEALAND

Competitors	Revenue	Entity	No. of employees	Headquarters
Air France-KLM SA	\$16.9B	Public	73,719	France
Qantas Airway Ltd	\$16.5B	Public	33,265	Australia
Cathay Pacific Airway Ltd	\$5.9B	Public	20,800	Hong Kong
Capital A Bhd	\$443.3M	Public	14,778	Malaysia
Air New Zealand	\$2.7B	Public	8740	New Zealand

AIR NEW ZEALAND ENTERING INDIAN MARKET

ESTIMATED MARKET SIZE

- Domestic passenger in India every year= 20 Cr
- Say Air New Zealand starts with 4 A320 200 passenger per flight
- 70 flights per day
- So no. of passengers using ANZ per year= $70 \times 365 \times 200 = 0.5$ Cr
- Calculated Market share= $0.5 \times 100 / 20 = 2.5\%$

COMPETITORS OF AIR NEW ZEALAND IN INDIA

Name	Market share	Profit (in Cr)			Revenue (in Cr)		
		2018	2019	2020	2018	2019	2020
Indigo	42.2%	224.24	157.2	232	23041	29821	37291
SpiceJet	13.6%	566	252	934	7795	9172	13140
Air India	13.4%	-5337	-8556	-7982	24000	26430	28525
Go Air	9%	150	122	1280	3940	4560	15438

MEDIA REPUTATION

- The media reputation of Air New Zealand has been very good.
- Air New Zealand has claimed the top spot in corporate reputation index for 8th year in a row in all categories.
- Air New Zealand's overall score of 110 was one point up from score of last year that was 109.
- Scored highest for trust and responsibility.
- Has received multiple awards.

ESTIMATION OF BREAK-EVEN PERIOD

- **For operational cost-**

Say ANZ operates 70 flights per day between Delhi to Mumbai

A320 flight consumes 3kL of fuel on one side.

Cost of 1kL of ATF= Rs 120000

So per year cost of ATF= $120000 \times 4 \times 70 \times 365 = x$

ATF constitutes 40% of operational cost of airline

So operational cost $C = x / 0.4 = 3100\text{Cr}$

Say ANZ starts with 4 A320 flights.

So lease cost= 20Cr per year

So total cost that company has to shell out= 3120Cr every year.

The company has to shell out nearly 50 Cr as start up cost in the first year.

ESTIMATION OF BREAKEVEN PERIOD

- **2. Revenue**

- Say Delhi to Mumbai ticket price= 6200
- A320 200 seater plane
- Revenue from tickets = $200 * 70 * 365 * 6200$ (assuming 100% seating capacity as it also includes freight revenue)
= 3160 Cr

- For breakeven period

$$x * 3160 = x * 3120 + 80$$

$$x = 2 \text{ years}$$

So company will become profitable after 2 years.

STRATEGY TO MAKE THE AIR NEW ZEALAND ACQUIRE HUGE MARKET SHARE AND BE PROFITABLE

Since the media reputation of Air New Zealand is good. It's a plus point for airline.

- **Target market-**

Target market should be middle class and the customers who fly frequently.

- **Lower ticket price and be profitable-**

The prices for the tickets should be low to fight with competitors in a new country and to capture the new market. The company should increase the ticket volume sales to become profitable. Since it will lower down its ticket fare so has to increase ticket sales to increase profitability. This can be achieved if company adds more planes in its fleet.

- **Less cost of customer acquisition-**

Seeking creative way to improve advertising and promotion so it costs less to but a customer.

STRATEGY TO MAKE THE AIR NEW ZEALAND ACQUIRE HUGE MARKET SHARE AND BE PROFITABLE

- In its all four working domain **ANZ** should focus more on passenger and cargo category.
- Eliminate costly services and activities.
- Setting realistic goals.
- Reducing breakeven point.
- Small increase in prices in later phases.
- Hiring right employees is vital.



Thank you..