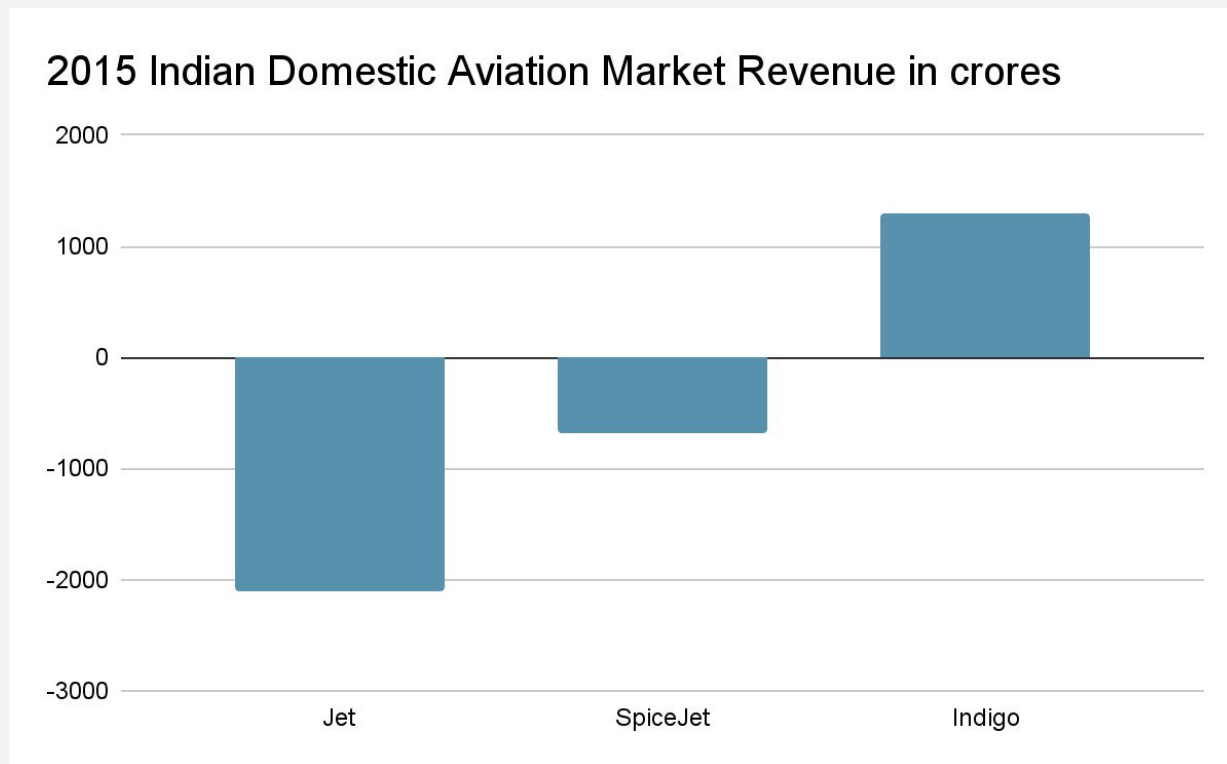




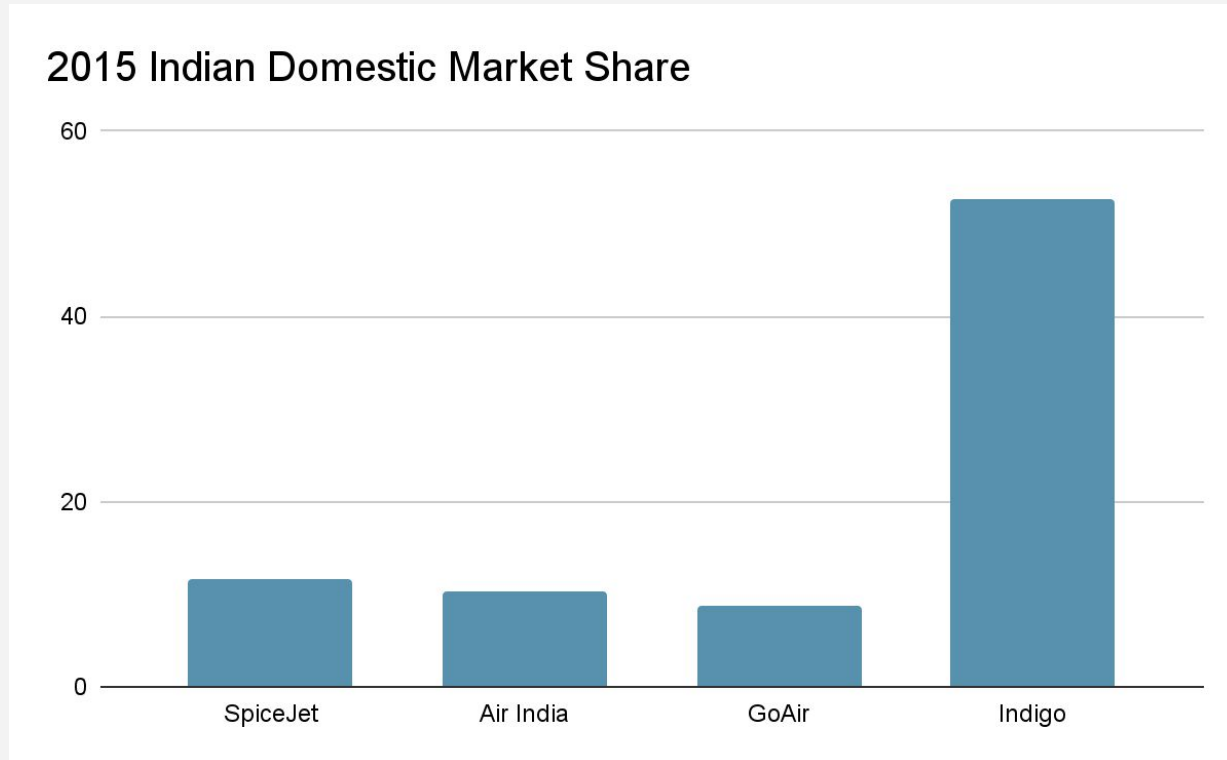
**Business Case Study
of
INDIGO, THE INDIAN AVIATION
MONOPOLY**

By
Oishik Biswas

Indian Domestic Aviation Market



Indian Domestic Market Share

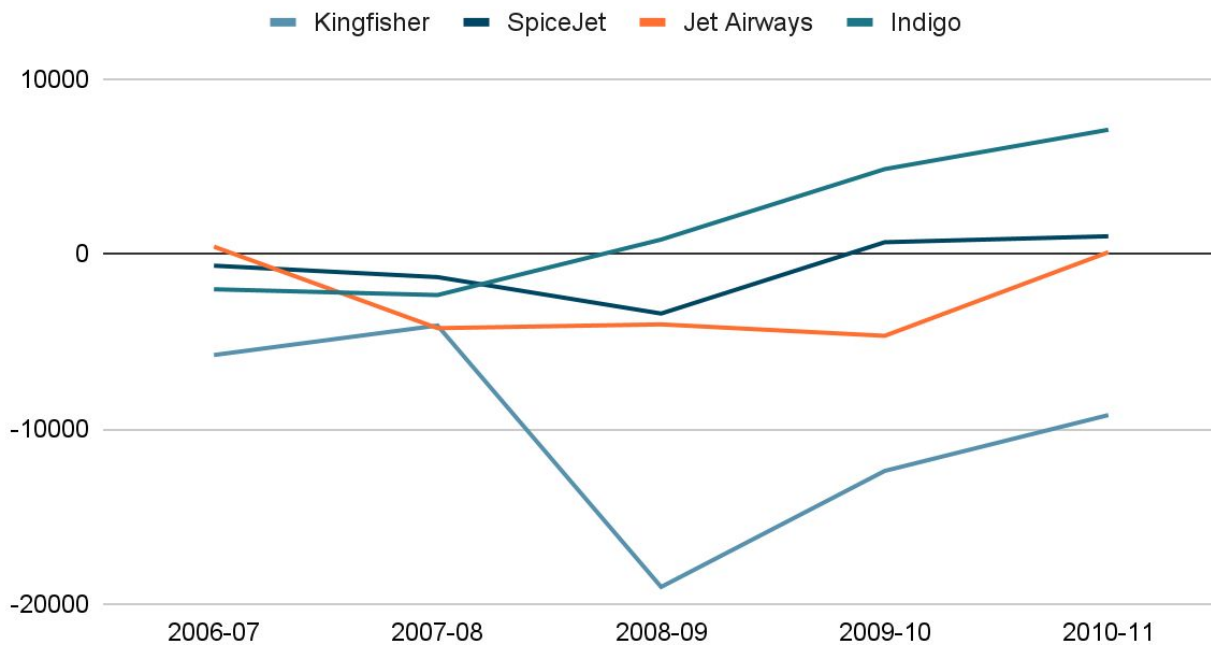


Indigo in India

- Chance favours the prepared mind.
- Indigo entered the Indian market in 2006.

Indian Domestic Aviation Market

Indian Domestic Aviation Market Players



Fundamental Tools in Indian Aviation

- In spite of the airline business being an extremely capital intensive industry needing thousands of crores of investment, the cost of flying in India is always at the border line of affordability for most people.
- If you want to survive in the Indian aviation space, you can not raise your prices beyond a certain limit, if you want a decent amount of customers.
- Flying market in India is still at the baby stages.

Fundamental Tools in Indian Aviation

- In spite of your changers being at the threshold of affordability, it's very difficult to put off a profit in India, because fuel cost is out of your control.
- Fuel cost is 35-40%, and sometimes even 50% of your operation cost.
- Indigo was the master to make money in the Indian aviation space by increasing profit margins without increasing the cost of air tickets.

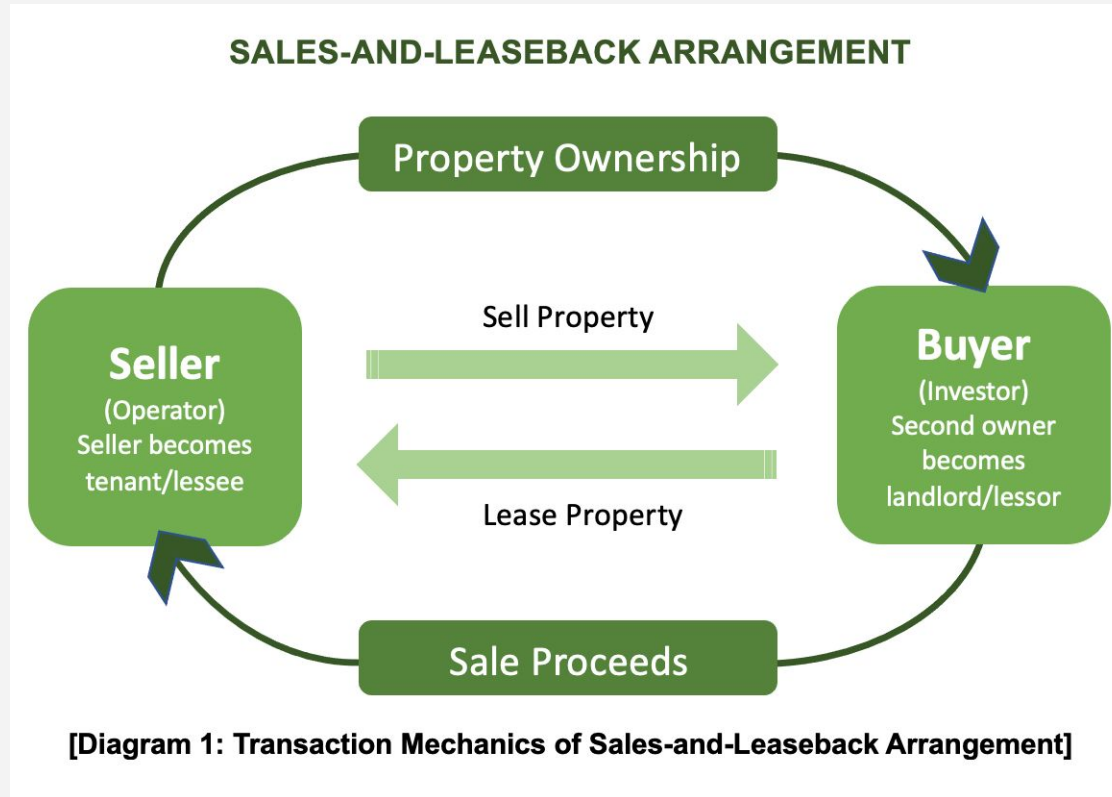
Indigo & Airbus

- 100 aircrafts ordered from Airbus in a single order, deal of 6 billion USD.
- Airbus completely lost in the Indian market during 2000s.
- Airbus wanted to come back in the Indian market to offer the deal in a very cheap cost.
- Discount rate went as high as 50%.
- Airbus aircrafts were more efficient than Boeing aircrafts.

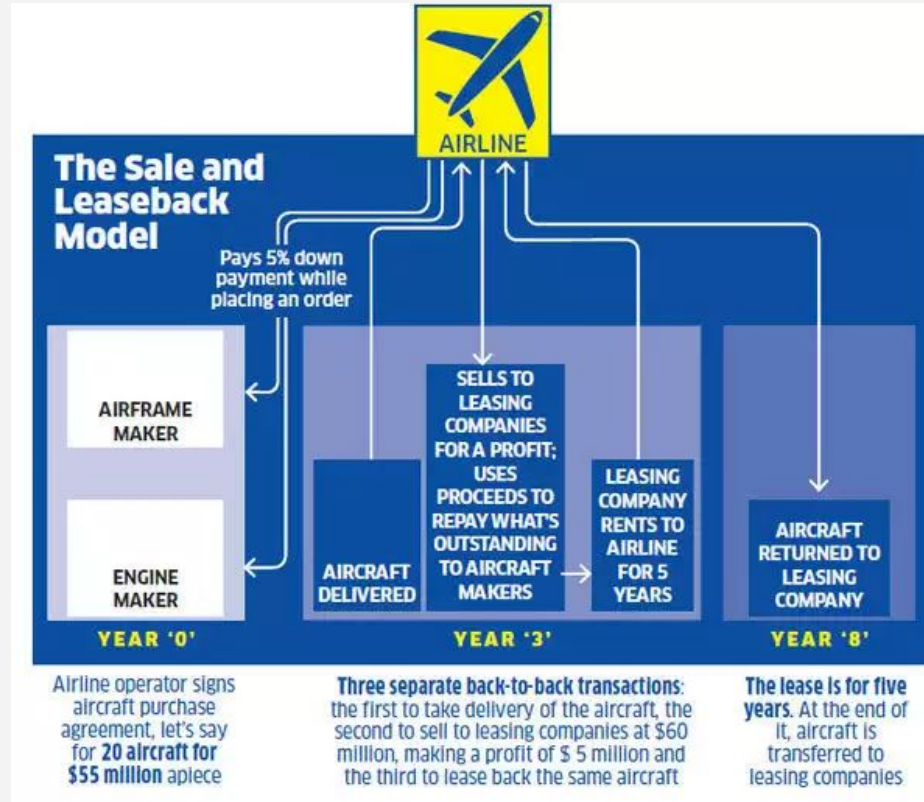
Sales & Leaseback Model

- The airlines buys the aircraft from the manufacturer, and sells its assets to another to another party, then rents in back from the same buyer.

Sales & Leaseback Model



Sales & Leaseback Model in Aviation



Superpowers Over its Competitors

- Indigo generated a upfront profit of 5 million dollars, used for cash flow.
- 6-8 weeks gap in delivery to steadily accommodate the flights as per the market conditions.
- Any technical issues with the engines were to be taken care of either Airbus or engine supplier.
- Indigo neither had to pay the cost of maintenance staff nor it had to pay for maintenance cost of the aircraft.

Superpowers Over its Competitors

- More aircrafts in less capital.
- Indian market → Customers love living king size, but don't like paying king size.
- More facilities → More equipments → More fuel.

Increasing the cost.

Reducing the efficiency.

Complicating the workflow.

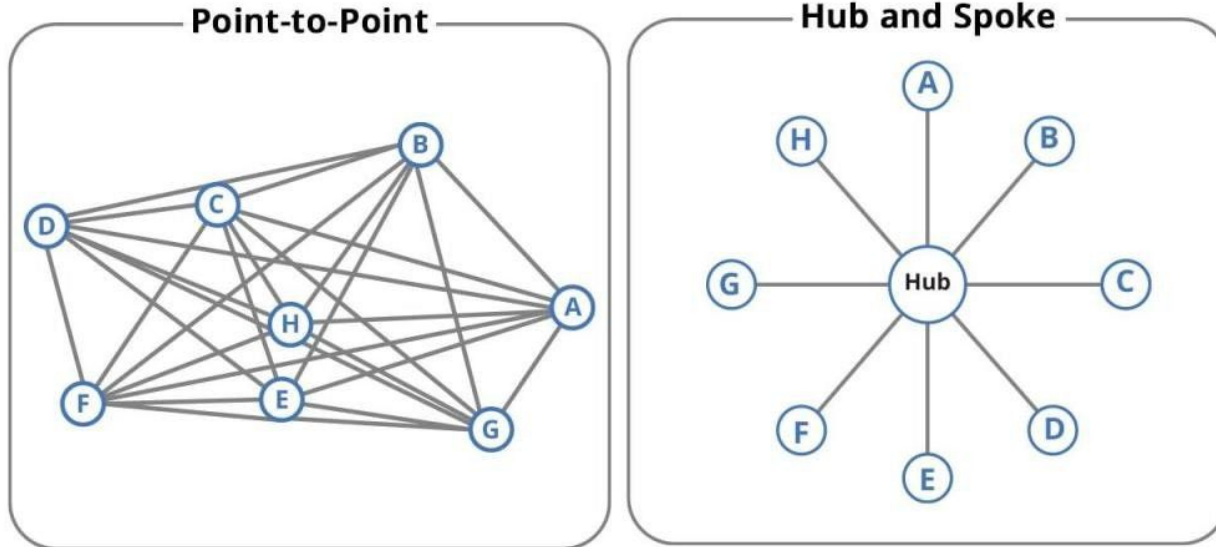
Kingfisher vs Indigo

- Kingfisher → Point to point operation.
- Indigo → Hub and spoke model of operation.

Point to Point vs Hub and Spoke

LOCUS

Point-to-Point VS Hub and Spoke Distribution Model



Hub and Spoke Model Benefits

- Need less number of planes.
- Planes are more occupied.
- Central hub, easy maintenance.
- Very easy to expand your network.
- Kingfisher → 66 aircrafts, 19.99% market share in 2010.
- Indigo → 38 aircrafts, 17.6% market share in 2010.

Indigo's Emergence as The Market Leader

- From July 2007 to 2008, fuel price skyrocketed from just 76 USD per barrel to 132 USD per barrel.
- Indigo's operation cost was low, they were able to relate their cash better, was able to pull off a profit when every other players were bleeding.
- Kingfisher was not able to pay its pilots, Indigo started recruiting Kingfisher's pilots.
- With the cash reserves, Indigo managed to pay the pilots well.

Indigo's Emergence as The Market Leader

- 200-300 Kingfisher pilots join Indigo in 6 months.
- Indigo saved money on training and onboarding of pilots.
- Stable leadership of Indigo.
- For 2012-13 to 2016-17, average expenditure on establishment cost

Indigo → 11.01%

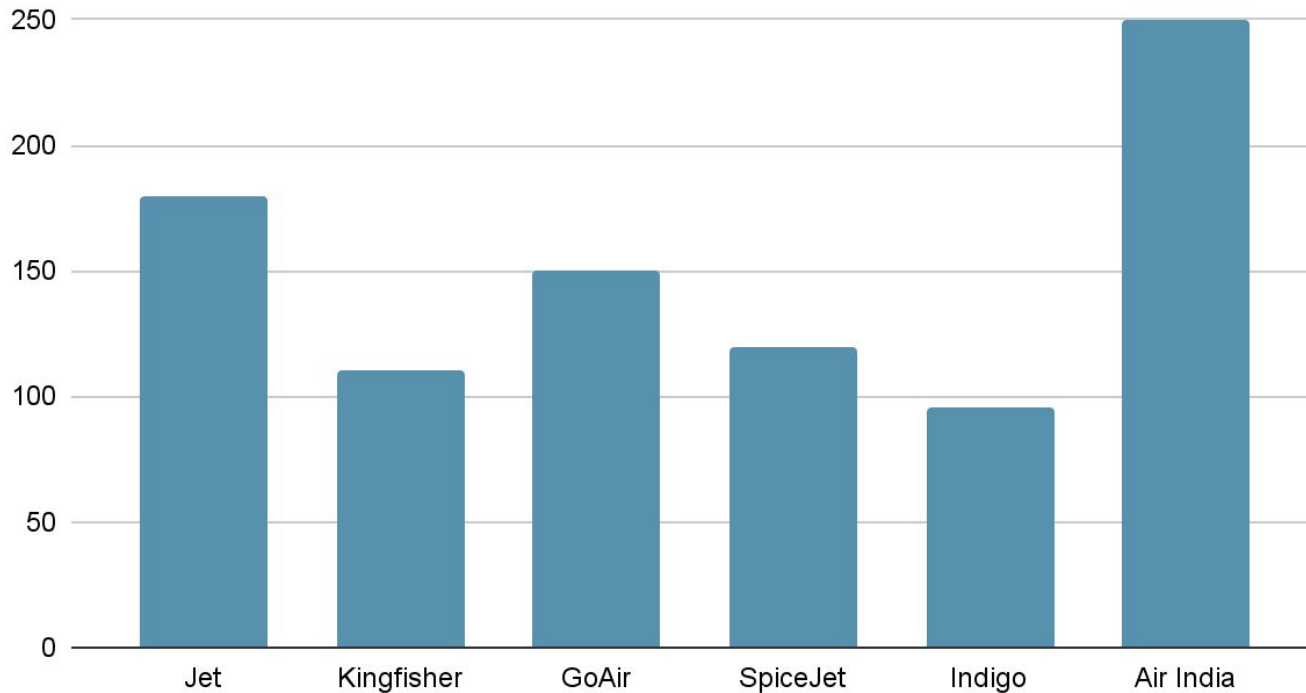
SpiceJet → 17.90%

GoAir → 11.20%

Jet Airways → 16.55%

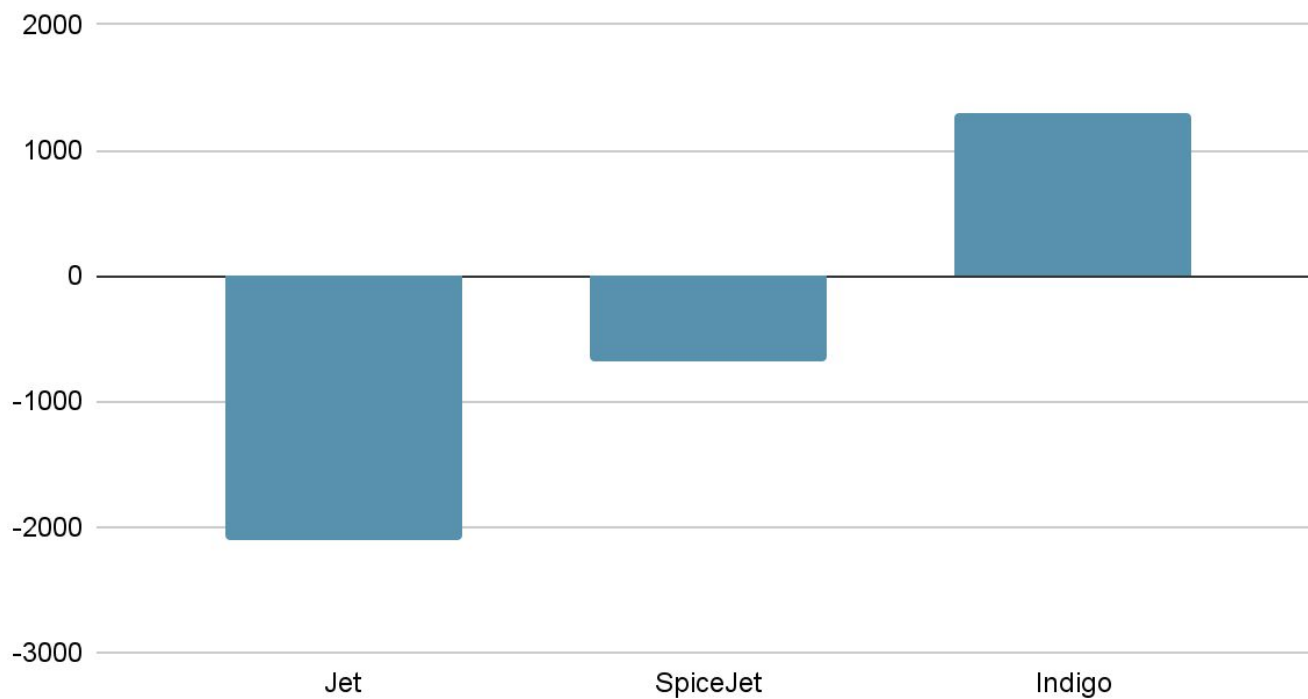
Comparison

Employees per Aircraft in Different Aviation Companies



Comparison

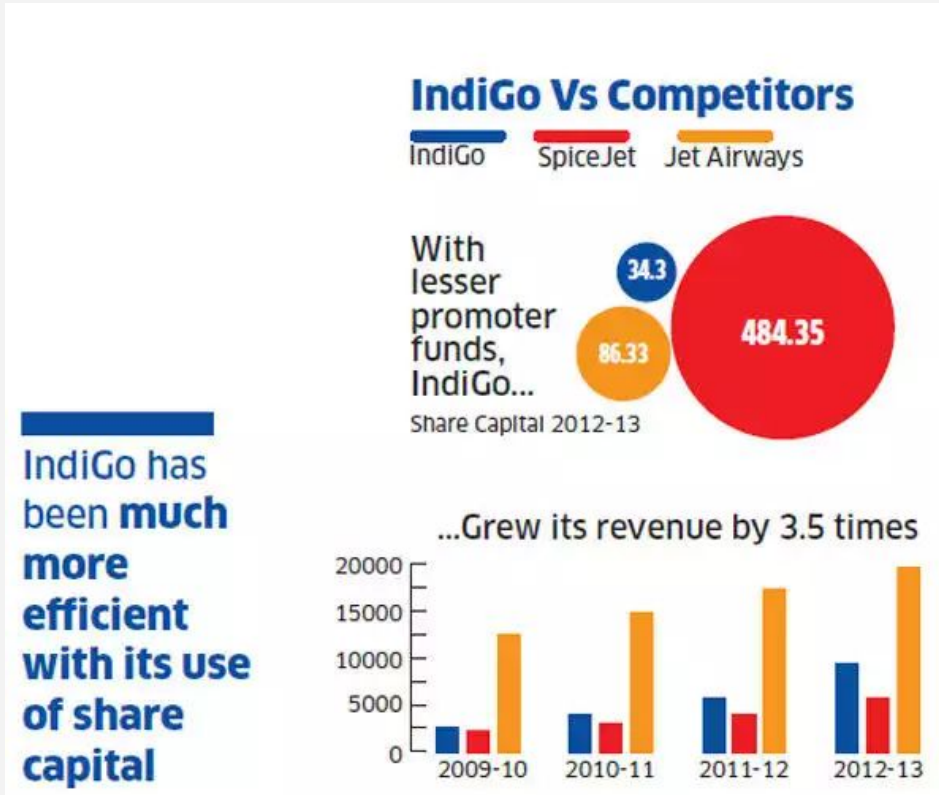
Net Income in 2015



Indigo Dominance

- Indigo monopoly in 194 routes out of the 531 routes it operates.
- Remained profitable for 10 consecutive years, which is incredible in aviation industry.

Indigo vs Competitors



Indigo Popularity Reasons



Giving wings to the nation since 2006





On time performance



Most punctual airline in India for 2023 (ODD)



Amongst the top 10 global airlines for OTP (ODD)



Highest technical dispatch reliability of 99.92% (Annual data)



Faster deboarding with Third Ramp saves upto 5min



Affordable fares



Reduced booking fee on direct channels



Making air travel accessible for millions of Indians



Periodic sales across network



Best Low-Cost Airline in India and South Asia (ODD)



Courteous and hassle-free service



6E Eats: Revamped and quicker catering service on board



Lowest level of baggage mishandling (Annual data)



One of the highest customer NPS in India (Internal data, OTP survey)



AI-enabled chatbot for an elevated customer experience



Unparalleled network



85 domestic and 32 international destinations



8 airline codeshare partners



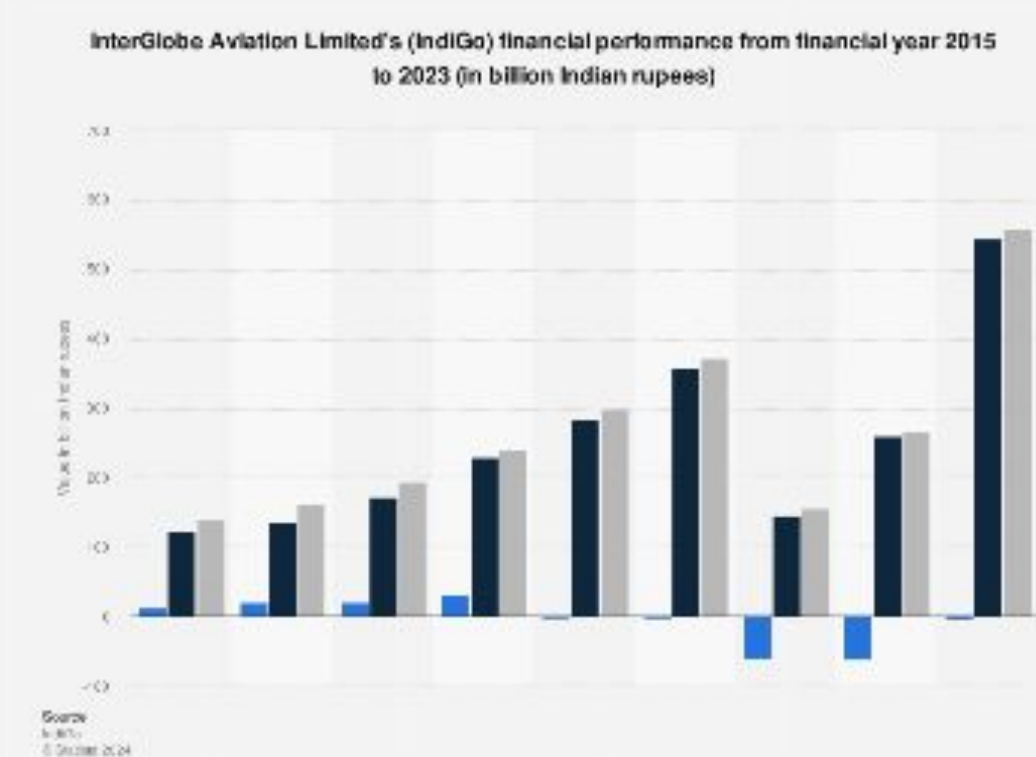
2,000+ flights a day



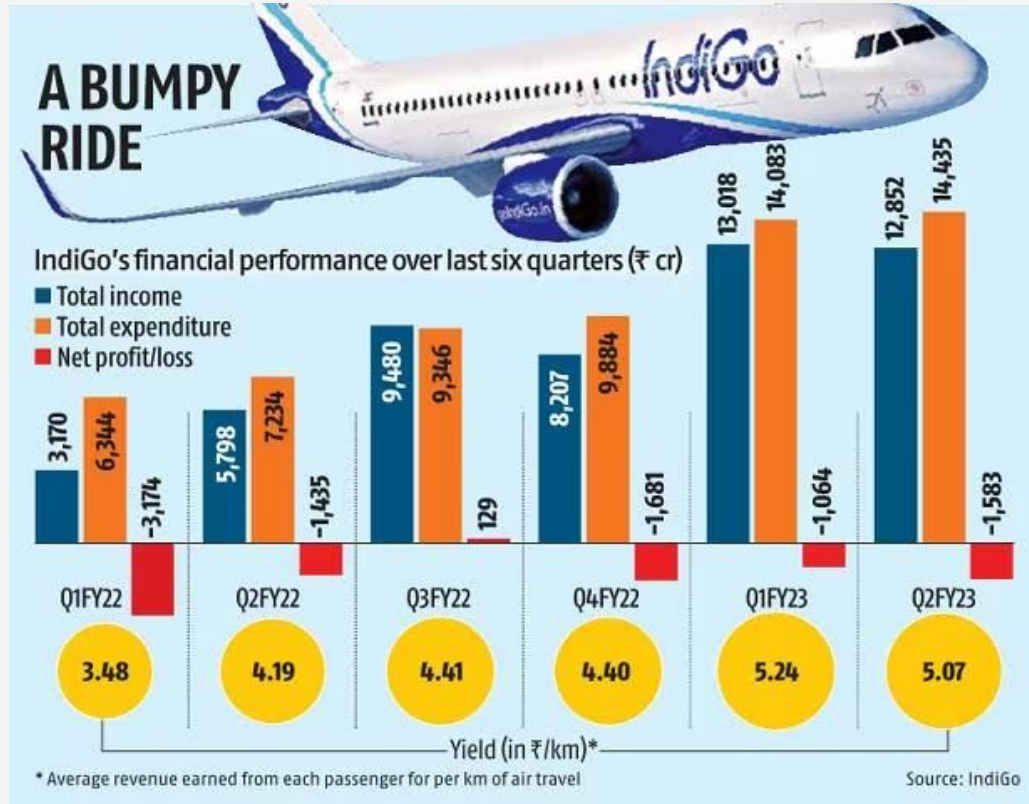
Over 537 routes within India and international

*Updated as of November, 2023.

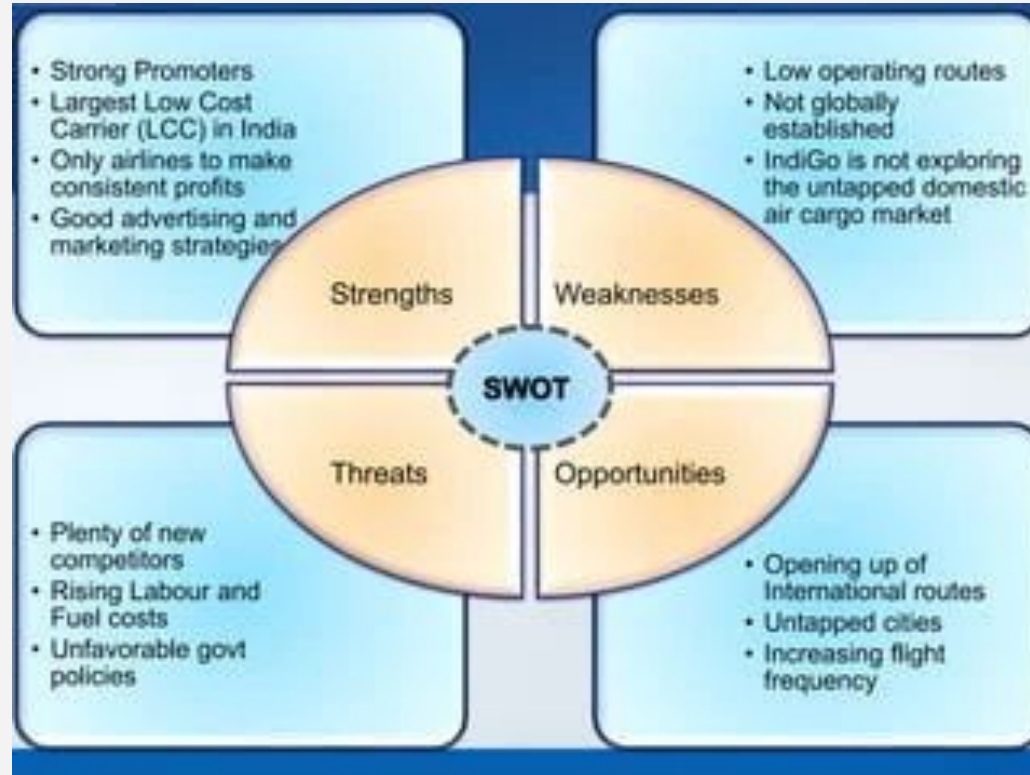
Indigo Financial Performance



Indigo Financial Performance



Indigo SWOT Analysis



Business Lessons

- If you are the business to serve the common man of India always remember, people are always willing to live king size but not pay king size.
- As much as its important to provide the best quality service to mankind, always remember no matter how noble your work is.
- If there's no cash flow, you can't sustain in the market.
- While good brands learn from their mistakes, great brands learn from their competitors mistakes.