

Market Entry Strategy for a European Airline in India

Overview of the Problem Statement

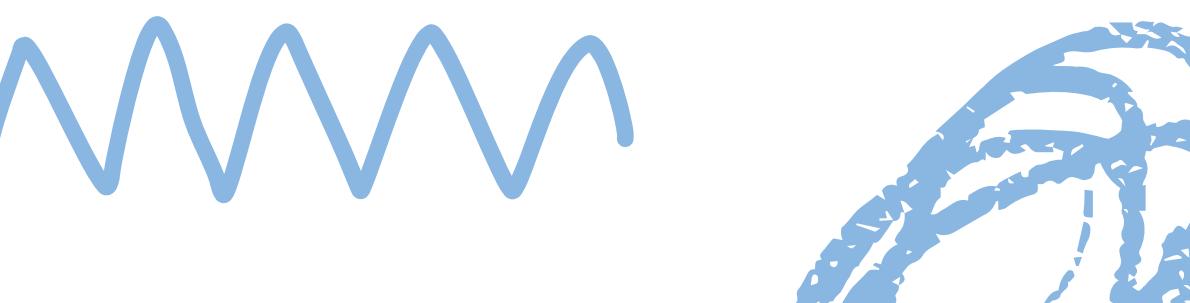
The European low-cost airline aims to achieve sustainable revenue growth by entering the burgeoning Indian domestic airline market. The market is characterized by rapid growth but also significant competition, particularly from established players like Indigo. The client seeks a strategic approach to position and price their services in a way that appeals to Indian consumers while navigating the competitive and regulatory landscape. The ultimate goal is to establish a strong foothold in major Indian cities, leveraging the growing demand for air travel in India.

Market Analysis for Entry of a European Low-Cost Airline into India



The Indian Aviation Market

The Indian aviation market is a dynamic and rapidly growing sector, playing a pivotal role in South Asia's air traffic. Currently, domestic air traffic in India accounts for approximately 69% of the region's total trips. With a booming economy and a population on track to become the world's largest, India is poised to become the third-largest air passenger market globally, surpassing the UK by 2024.





Market Stability and Growth

The Indian aviation industry has reached a phase of stability and sustained growth. Airline capacity in India is projected to reach 230 million departing seats by 2024, nearly double the capacity in 2014. This indicates a robust recovery and growth trajectory post-pandemic. Historically, domestic airline capacity in India has grown faster than international capacity, averaging 8.7% annual growth (2005–2024), compared to 6% for international capacity. This growth trend is largely due to regulatory restrictions that required carriers to operate domestically before being permitted to fly internationally.



Key Growth Drivers

01.

Rising Household Incomes: Increasing disposable income among Indian households is boosting the demand for air travel, making it more accessible to a larger segment of the population.

02.

Emergence of Low-Cost Carriers (LCCs): The rise of low-cost carriers has made air travel more affordable, leading to a significant increase in the number of domestic travelers.

03.

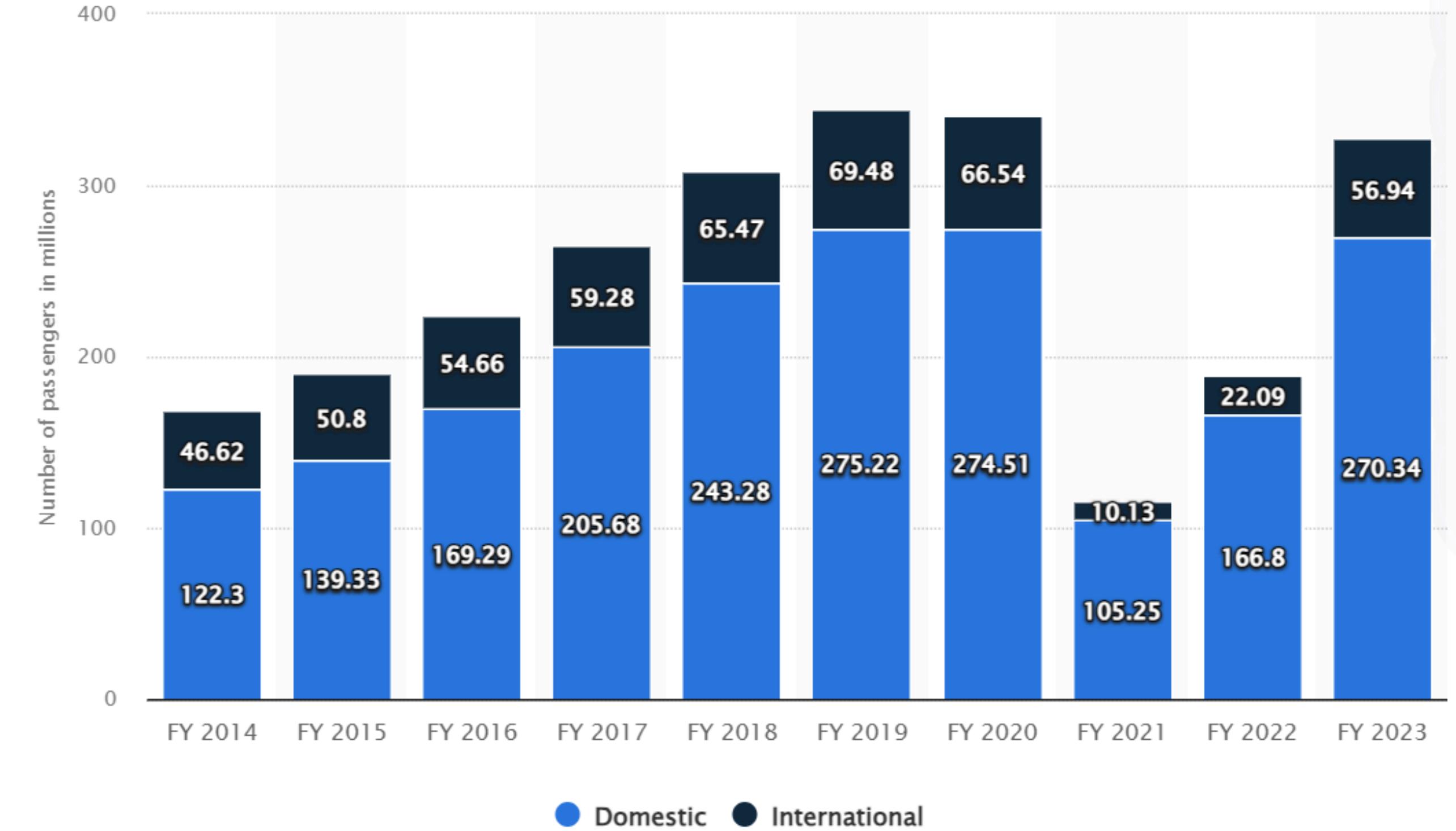
Increased Foreign Direct Investment (FDI) Inflows: Enhanced FDI inflows into the aviation sector have led to improved infrastructure and expanded capacity, further driving market growth.

Market Potential

Domestic Market Expansion

There is considerable scope for the domestic market to continue its growth, catering to the world's largest population. The current domestic seat capacity is significantly lower compared to mature aviation markets, with only 0.13 seats per head of population, far behind the USA's 3 seats per head and China's approaching 0.5 seats per head.

Domestic Vs International



Outbound Services Growth

The potential for Indian outbound services is substantial, with increasing demand for international travel among Indian passengers

Economic Correlation

01.

Economic Health: Strong economic performance and rising personal incomes enhance the ability of more individuals to afford air travel.

02.

Demographic Changes: Shifts in population demographics, such as a growing middle class and a young population, contribute to increased demand for air travel.

03.

Affordability of Air Travel: The presence of low-cost carriers makes flying more affordable for a larger portion of the population



Competitive Landscape

The Indian domestic airline market is dominated by a few major players, with Indigo holding the largest market share. The competitive environment is characterized by intense price competition and a focus on cost efficiency. Any new entrant must navigate this landscape by offering competitive pricing, superior service, or unique value propositions to attract and retain customers.



Understanding Customer Preferences

Indigo

- Price: ₹6710
- Food Services: Chargeable
- Seating: Economy
- No. of Flights: 30

Vistara

- Price: ₹6914
- Food Services: Free Meal
- Seating: Economy
- No. of Flights: 9

SpiceJet

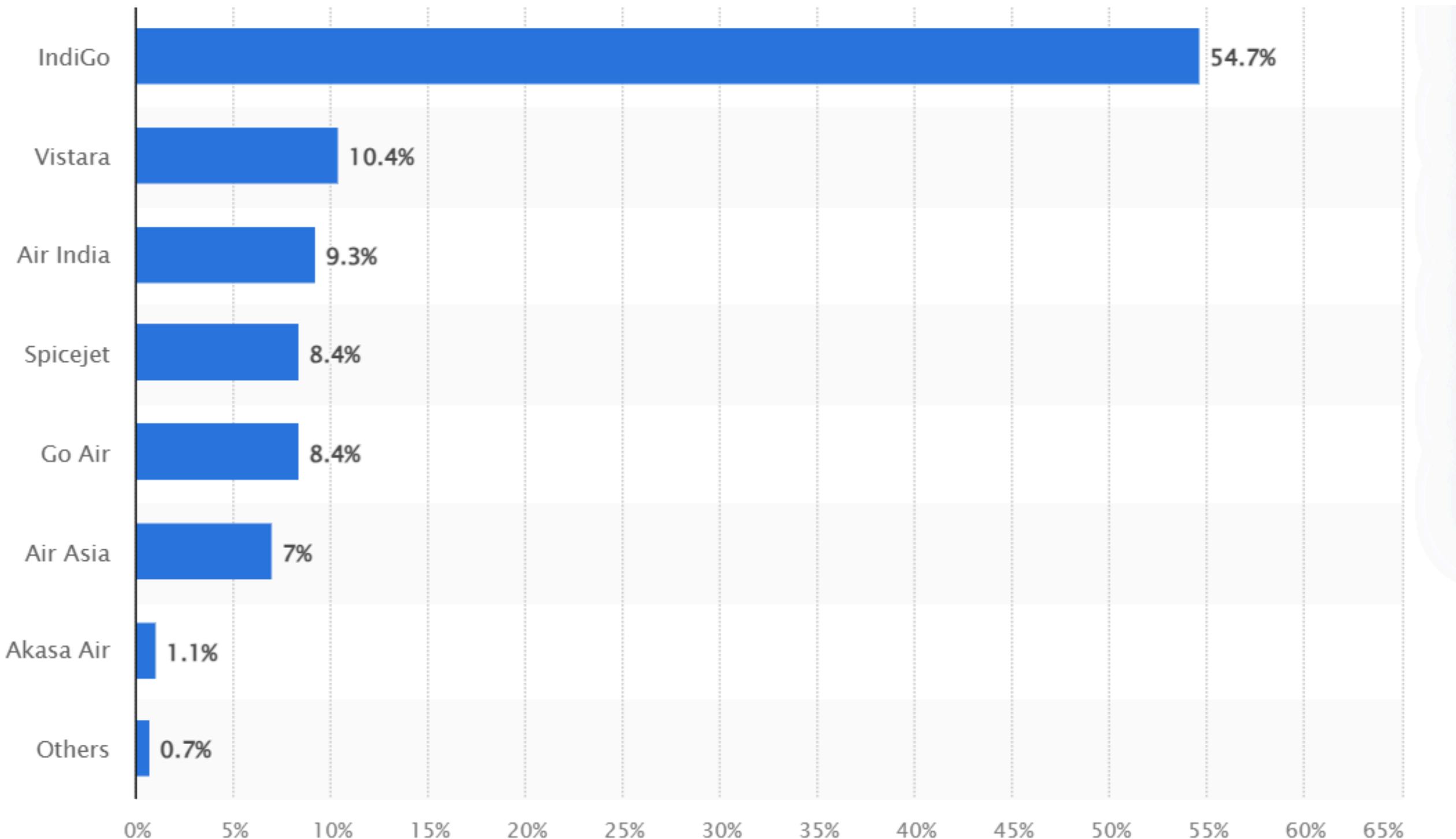
- Price: ₹6722
- Food Services: Chargeable
- Seating: Economy
- No. of Flights: 3

Air India

- Price: ₹6915
- Food Services: Free Meal
- Seating: Economy
- No. of Flights: 12

A comparison of flight services between Delhi and Bengaluru (2 July) shows

Indigo Market Share



Story behind Indigo Success

Indigo's success is attributed to its focus on offering essential services at competitive prices, high frequency of flights, and strong brand value.

Customers prioritize lower prices and essential services over additional amenities, contributing to Indigo's dominance.

Entry Strategies

01

Entering
on Own

02

Mergers and
Acquisitions

03

Merger or
Joint Venture

Entering on Own

01.

Requires significant capital investment for licenses, branding, and marketing

02.

High risk with uncertain returns due to intense competition and high initial costs

Mergers and Acquisitions

01.

Acquiring an existing airline with debt burdens may not be feasible

02.

High financial risk with potential for increased liabilities

Merger or Joint Venture

01.

Partnering with an established Indian airline can reduce capital costs and leverage existing brand recognition

02.

Creates synergies that benefit both parties. For example, partnering with SpiceJet can help improve their operational capacity while leveraging our capital and expertise

Conclusion

To successfully enter the Indian aviation market, the client should consider a merger or joint venture with an existing Indian airline. This approach offers lower capital costs, faster market entry, and the ability to leverage local expertise and brand recognition. By focusing on competitive pricing, essential services, and expanding capacity, the client can tap into the growing demand for air travel in India and achieve sustainable revenue growth.

Our Team

- 1.Yash Trivedi
- 2.Ansh Pal

**Thank you
very much!**